THE GREAT RECOINAGE
The Great Recoinage of 1696 to 1699

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WHEN I was a post-graduate student at the London School of Economics in 1940, I submitted a doctorate thesis for a Ph.D. Degree. I was then encouraged by the late Sir John Clapham, Professor von Hayek and Dr Frederic Benham to publish it with some revisions. But conditions in China have been so unsettled during the war and in post-war years that the work of revision could not be successfully carried out until I was assigned to Bangkok as manager of the Bank of China branch in April 1957. Hence the delay in publishing this book.

This book deals with an important case in English monetary history. The effects of the recoining in 1696–9 were far-reaching. Had the silver standard been devalued, the whole monetary history of England during the eighteenth and nineteenth centuries would have been very different. The gold standard would not have been adopted in England at so early a date as 1816. In fact, the gold standard was in force long before that date.

The problem of devaluation was far more complicated in those days than nowadays for two principal reasons. First, metal coins were in circulation, with the metals having commodity as well as monetary values. Secondly, there was the practice of bimetallism which was far more difficult to control than a pure gold or silver standard. Apart from these two complications, the problem of devaluation nowadays has become much simpler. The failure to maintain the silver standard after the recoining was just because of these two complications.

To give a better background for discussing the problem of devaluation, I have made a study of the price movements and the fiscal, monetary, industrial and trade conditions in England in the years prior to the recoining. My finding is that a devaluation might have been good for England and could have been justified, although the result of not devaluing the silver standard turned out to be unexpectedly better.

Surprisingly, our modern concepts of money had been put forward at that time when the problem of devaluation was dis-
cussed and debated and written about. For instance, it was argued that commodity prices would not necessarily rise in direct proportion to the degree of devaluation. Some of the arguments for and against devaluation are still valid today.

In going over the literature on the monetary standard of England during the seventeenth and eighteenth centuries, I discovered some new historical facts such as the period of gratuitous coinage actually practised in England and the opinion of Dr Isaac Newton on the recoinage. I find that the period of gratuitous coinage was very short, if any, and that Newton was in favour of devaluation, all contrary to the common belief. Newton’s memorandum is therefore reprinted in this book as an Appendix.

Acknowledgements are due to the librarians of the Goldsmiths’ Library and the British Museum, without whose kind assistance in letting me have access to the manuscripts and rare tracts my thesis could not have been completed.

Acknowledgements are also due to the librarians of the London School of Economics and Cambridge University, especially the former, who introduced me to the libraries of the Goldsmiths’ and British Museum.

M. H. Li

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Bangkok
PART ONE

Historical Setting
Chapter 1

ECONOMIC CONDITIONS IN SEVENTEENTH-CENTURY ENGLAND

During the recoinage in 1696–9 there were great debates on the question of whether the silver standard should be devalued. In order to evaluate this problem, a study of the economic and financial conditions in England during the seventeenth century seems necessary. For, after all, the question depended for its answer largely upon actual circumstances.

By devaluation, i.e. altering the monetary standard in an upward direction, is meant a policy of inflation for the country adopting it, using the term ‘inflation’ without disparagement. It is a policy which aims at either raising prices, maintaining high prices, or preventing prices from falling. Needless to say, there are advantages and disadvantages in this policy. Its adoption or non-adoption should be viewed in the light of the circumstances. For instance, it would be more legitimate for a country to choose such a policy during a depression rather than after an inflation. Again, when a country's international balance of payments is adverse, the policy would be more justifiable than when it is favourable. But even in this latter case we could not categorically suggest that the policy should be adopted, because its success in redressing an adverse balance of international payments would still depend upon the elasticity of demand for and supply of the country's imports and exports, as well as a number of institutional and psychological factors.

In reviewing the economic and financial conditions in England
in the seventeenth century relative to the recoinage, there are two courses open to us. One is to examine only the conditions in the years after the outbreak of the war with France, that is, from 1689 to 1695. Or we can go farther back and also examine conditions in the pre-war years. We shall take the latter course, because it is plain that the arguments for or against devaluation should be based upon conditions which prevailed before the war as well as those arising after the war. One could argue that everything could have been restored to pre-war conditions when the war ended, so that a devaluation would not have been necessary; but one would still have reason to believe and argue that a devaluation was necessary because the pre-war conditions had been unsatisfactory.

The problem of currency devaluation is chiefly concerned with (1) commodity price movement, (2) foreign trade, (3) public finance, and (4) money and credit. So we shall confine ourselves to these four aspects of economic and financial conditions in this chapter.

1. PRICE MOVEMENT

One of the outstanding facts about the price situation in seventeenth-century England was that prior to the war with France in 1689 England witnessed nearly thirty years of falling prices, i.e. between 1660 and 1688. As shown by Mrs Schumpeter’s series,¹ the prices of both consumer goods and raw materials exhibited a general falling tendency. The fall was as much as 25 per cent in the case of consumer goods, and 20 per cent in the case of producers’ goods. But during the years from 1680 to 1688 the decline in prices of raw materials was more pronounced than those of consumer goods.

From the data recorded by Rogers in his famous work, *Agriculture and Prices in England*, the fall of prices between 1660 and 1688 was also noted. We have taken some pains to extract the data and prepare a table showing the price movements of forty-four commodities² during the five decades from 1633 to


². Wheat, barley, malt, oats, oatmeal, beans, peas, flour, hops, hay, oxen, sheep, boards, butter, cheese, candles, tallow, sea-coal, charcoal, turf, firewood, fish (2) salt (2), iron, lead, solder, pewter, lime, timber, bricks, plain tile, crests, paving tile, second best table linen, ordinary linen, napkins, Holland shirting, Holland linen inferior, shirting, common cloth, best cloth, velvet
1702. It is shown that most prices registered declines after the decade 1653–62 until the last decade 1693–1702. In the decade 1663–72, 80 per cent of the forty-four commodities declined in prices as compared to the previous decade 1653–62. In the next decade 1673–82, 48 per cent of the prices fell, with 7 per cent remaining unchanged and 45 per cent rising. In the decade 1683–92, prices fell in 37 per cent and rose only in 36 per cent as compared to the previous decade 1673–82. In the last decade 1693–1702, the price movements were reversed, with 75 per cent rising and 20 per cent falling.

<table>
<thead>
<tr>
<th>Decade</th>
<th>Number of Commodities Rising in Prices (base)</th>
<th>% in the total</th>
<th>Number of Commodities Falling in Prices</th>
<th>% in the total</th>
<th>Number of Commodities Unchanged in Prices</th>
<th>% in the total</th>
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</thead>
<tbody>
<tr>
<td>1653–62</td>
<td>44</td>
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<td>1663–72</td>
<td>9</td>
<td>20</td>
<td>35</td>
<td>80</td>
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<td>1673–82</td>
<td>20</td>
<td>45</td>
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<td>48</td>
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<td>7</td>
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<tr>
<td>1683–92</td>
<td>16</td>
<td>36</td>
<td>25</td>
<td>57</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>1693–1702</td>
<td>33</td>
<td>75</td>
<td>9</td>
<td>20</td>
<td>2</td>
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</table>

But it seems rather strange that this salient fact of falling prices between 1660 and 1688 has not been fully recognized by Mrs Schumpeter, Rogers or other economic historians, in spite of the fact that they were familiar with the statistical data. Mrs Schumpeter was apparently more interested in the inflationary phenomenon and therefore suggested that there had been some sort of inflation before the war with France during the reigns of Charles II and James II owing to the excessive issues of tallies and goldsmiths’ notes, which, as we will show, was not the case. Rogers, while stating that the influx of metals had raised prices up to the middle of the seventeenth century, said that there was little change in prices afterwards till the last quarter of the eighteenth century when Arthur Young made his tours.¹ He assigned the price movements after the middle of the seventeenth century to ‘ascertainable causes of cheapness or dearness, as for example economics in the

process of production’, and warned us not to put too much emphasis on the changes in the value of money in explaining price movements.

In spite of the import duties imposed by the Government, the price of corn had not risen during the Restoration. As observed by Rogers, although the import duties of the Restoration Parliament and the bounties of the Convention Parliament were intended to raise the price of corn, it is clear that for some time they did not achieve this purpose, for there were periods in which, despite the import duty, the price of grain was consistently low, and there is reason to believe that the export bounty had the effect of stimulating the cultivation of such land as ‘would not have been employed for tillage at all, except in the view of the bounty’.¹ So he explained the causes of falling prices during the period by saying that ‘possibly the seasons were propitious’, ‘possibly because there was a real improvement in agriculture’, and possibly because of the corn law of the Restoration Parliament, which ‘tended to defeat its own ends by extending the area of cultivation’.

Nevertheless, he suggests these causes only half-heartedly. For in another place he tells us that there was no real progress made in agriculture in seventeenth-century England and that low prices had been associated with scanty crops. As for 1662–3, he states that, ‘Prices are much lower, though it is plain that the harvest is below the average.’

The causes of falling prices during the period 1660–88 are to be found in the aspects of demand as well as supply. England was in a transitional period during the seventeenth century, emerging as a commercial country from its agricultural economy. Its overseas trade had opened up great opportunities, but the competition from France and Holland was still very strong. British shipping was yet to be developed and its woollen industry was in a depressed state. It will be shown that there was a general depression in England during the period for various reasons.

But the most important cause of low prices during the period seems to have been the shortage of silver coinage, which obstructed trade and depressed prices. As we shall show in Chapter 2, the coinage of silver during the period was never large. Although the gold coinage was large, the abundance of gold coins did not help the situation much. Silver coins were still the

¹ Rogers, op cit, p 254
principal medium of exchange in those days, and the value of a guinea was too high for use in ordinary transactions. Besides, many gold coins were being exported as soon as they were made, leaving only a small amount in circulation inside the country.

That there was a scarcity of silver coins during the period was borne out not only by the fact of their inadequate coinage but also by the contemporary outcry about the shortage of money and the high rate of interest. The various projects for establishing a bank were also a reflection of the scarcity of money at the time. Contemporary literature about the establishment of banking was prolific,\(^1\) from which one may infer that all the ideas for founding a bank could be related to the problem of money shortage.

Three ideas about the nature of a bank stood out in the work of these writers. First, most of them believed that a bank could be based on something other than specie, such as jewels and land. This idea lingered to the years 1695, 1696 and 1697 when the various projects of land banks such as Asgill and Barbon, Briscoe, Chamberlain, Sunderland, Harley, Foley, Herne, Meere and Cook were promoted. Knowing that a bank would be better based upon specie than land, the promoters of the land banks argued that in view of the difficulty in obtaining the necessary specie, it might be better for trades and the Government to have a land bank rather than no bank at all. Secondly, they all seemed to suggest that a bank should and could add credits to the community and believed that trades could be carried on by means of credit as well as by specie. Thirdly, almost all suggested that banks which were to be established should be scattered over all parts of the country, as the countryside would need bank credits to carry on trades as much as the cities.

The legal rate of interest in England after 1660 was 6 per cent per annum. But the actual market rate of interest was higher. The value of the land corresponded to the interest rate of 8 per cent. As early as 1666 Sir Josiah Child advocated a reduction in the interest rate to 4 per cent,\(^2\) but not until January 1692 did Parlia-

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1. Francis Cradocke, Expedient (1660); Sir Edward Ford, Experimented Proposals how the King may have Money (1666); Robert Murray, A Proposal for the Advancement of Trade (1670); Dr Mar Lewis, Proposals to the King and Parliaments, or a Large Model of a Bank (1678); Sir William Petty, Quantulumcumque concerning Money (1682).

2. Child, A Discourse about Trade wherein the Reduction of Interest of Money to 4 per centum is Recommended (1690)
ment vote for a reduction to 5 per cent. However, even that reduction was only nominal, for the market rate of interest remained much higher for want of money as well as first-rate securities.¹

After the outbreak of the war with France, price movements were reversed. The prices of raw materials began to rise; they were mostly imported goods, their importation being interrupted by the war. But those of consumer goods did not rise until 1692–3, three to four years after the outbreak of the war. There was a short-lived industrial boom between 1690 and 1693. The peak of rising prices for raw materials was reached in 1695–6 but that for consumer goods was in 1698–9. According to John Houghton’s contemporary records,² in the first half of the year 1692 prices were still rather low compared with those in the following seven years. Prices began to move upwards in the latter part of the year. They were high from the end of the year to August 1694. But they fell quite considerably between September 1694 and July 1695. The Queen died in December 1694 and there were efforts to restore James II to the throne. Prices began to rise again after August 1695 and reached a high level in March or April 1696. Then falls occurred again from May to December 1696. They became very high between January 1697 and July 1699, reaching their peak in June 1699. With the turn of the century they fell sharply.

It has been a common assertion that the year 1695 was a year of high prices. This was certainly not true for the whole year. As shown in our Table II, the annual price index for the year was the lowest of all the annual indices for the years from 1693 to 1700. In the winter of 1695, however, prices began to move upwards as shown in the following graph; so the assertion would be correct if it were only to refer to the winter of that year. We have reasons to believe that in most cases the price quotations given in Rogers’s and Beveridge’s works³ represented the prices towards the end of the years only.

¹. The East India Company could borrow at 4 per cent because of their good securities
². John Houghton, an apothecary of ‘much general information’ and a Fellow of the Royal Society, published a weekly paper entitled A Collection for Improvement of Husbandry and Trade, as from March 30, 1692, in London. Our description of the price situation after that date is mainly based upon the price quotations contained in that weekly
³. Sir William Beveridge and others, Prices and Wages in England (1939) Vol I
ECONOMIC CONDITIONS IN SEVENTEENTH-CENTURY ENGLAND

**Table II**

Annual Price Indices for England March 1692–March 1702

<table>
<thead>
<tr>
<th>Year</th>
<th>12 Commodities</th>
<th>13 Commodities</th>
</tr>
</thead>
<tbody>
<tr>
<td>1692</td>
<td>100.0</td>
<td>100.0</td>
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<tr>
<td>1693</td>
<td>129.9</td>
<td>137.8</td>
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<tr>
<td>1694</td>
<td>136.4</td>
<td>150.1</td>
</tr>
<tr>
<td>1695</td>
<td>116.1</td>
<td>128.7</td>
</tr>
<tr>
<td>1696</td>
<td>135.6</td>
<td>152.3</td>
</tr>
<tr>
<td>1697</td>
<td>131.9</td>
<td>153.7</td>
</tr>
<tr>
<td>1698</td>
<td>138.7</td>
<td>168.4</td>
</tr>
<tr>
<td>1699</td>
<td>145.1</td>
<td>173.9</td>
</tr>
<tr>
<td>1700</td>
<td>132.0</td>
<td>142.0</td>
</tr>
<tr>
<td>1701</td>
<td>115.5</td>
<td>121.0</td>
</tr>
<tr>
<td>1702</td>
<td>119.8</td>
<td>110.6</td>
</tr>
</tbody>
</table>

Note: This table, as well as the following graph, is constructed on the weekly price quotations reported by Houghton. The 12 commodities are wheat, rye, barley, malt, oats, horse beans, best pea, medium pea, sea-coal, hay, tallow, and charcoal. Hops is the thirteenth commodity. Because it fluctuated most violently, we therefore construct two series. Our formula is simple arithmetic average.

**Graph I**

Price Movement in England
March 1692–March 1702

![Graph showing price movement from March 1692 to March 1702 for 12 and 13 commodities]
As our study is primarily concerned with problems of silver coinage and other monetary matters, it seems that the price movements of metals and guineas in those critical years should be of particular interest to us. Fortunately Houghton's weekly also recorded such price quotations. From the following table one can see that the prices of copper, iron, lead and tin showed rises towards the end of the year 1695 after falling for a number of months, similar to the price movements of agricultural products.

As also shown in the table, the prices of gold, guineas and silver sterling were not far from normal up to the end of 1694. Gold did not exceed £4 18s 6d per ounce, guineas not over 22s 4½d per piece, and silver sterling not over 5s 4d per ounce. But they all began to rise steadily after January 1695. The guinea reached its peak in July at 29s 9d per piece, gold in August at £5 8s 6d per ounce, and silver sterling in September at 6s 4d per ounce.

<table>
<thead>
<tr>
<th>Date</th>
<th>Copper by Cast</th>
<th>Gold by oz</th>
<th>Guinea by piece</th>
<th>Iron by ton</th>
<th>Lead by foddor</th>
<th>Silver by oz</th>
<th>Tin by Cast</th>
</tr>
</thead>
<tbody>
<tr>
<td>1693</td>
<td>5 d</td>
<td>£ 8</td>
<td>6 d</td>
<td>£ 8</td>
<td>£ 8</td>
<td>5 d</td>
<td>£ 8</td>
</tr>
<tr>
<td>Dec</td>
<td>4 10</td>
<td>4 1</td>
<td>21 10</td>
<td>17 5</td>
<td>9 10</td>
<td>5 3</td>
<td>3 12</td>
</tr>
<tr>
<td>1694</td>
<td></td>
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</tr>
<tr>
<td>Jan</td>
<td>4 10</td>
<td>4 2</td>
<td>21 10½</td>
<td>17 5</td>
<td>9 10</td>
<td>5 2½</td>
<td>3 2</td>
</tr>
<tr>
<td>Feb</td>
<td>4 10</td>
<td>4 6</td>
<td>21 10½</td>
<td>17 5</td>
<td>9 5</td>
<td>5 3½</td>
<td>3 2</td>
</tr>
<tr>
<td>Mar</td>
<td>4 10</td>
<td>4 5</td>
<td>22 0</td>
<td>17 1</td>
<td>9 3</td>
<td>5 2½</td>
<td>3 2</td>
</tr>
<tr>
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<td>4 10</td>
<td>4 1</td>
<td>22 0</td>
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<td>9 3</td>
<td>5 3½</td>
<td>3 2</td>
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<tr>
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<td>22 0</td>
<td>16 10</td>
<td>9 0</td>
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<td>3 2</td>
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<td>4 1</td>
<td>22 0</td>
<td>16 10</td>
<td>9 0</td>
<td>5 3½</td>
<td>3 2</td>
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<td>Jul</td>
<td>5 0</td>
<td>4 1</td>
<td>22 0</td>
<td>16 10</td>
<td>9 0</td>
<td>5 2½</td>
<td>3 2</td>
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<td>5 0</td>
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<td>16 10</td>
<td>9 0</td>
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<td>3 2</td>
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<td>Sept</td>
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<td>22 0</td>
<td>16 10</td>
<td>9 0</td>
<td>5 4½</td>
<td>3 2</td>
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<tr>
<td>Oct</td>
<td>5 0</td>
<td>4 1½</td>
<td>22 0</td>
<td>16 10</td>
<td>9 0</td>
<td>5 4½</td>
<td>3 2</td>
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<td>Nov</td>
<td>5 0</td>
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<td>1695</td>
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<td>17 0</td>
<td>10 12 1/2</td>
<td>6 2</td>
<td>3 1/4</td>
</tr>
<tr>
<td>Nov</td>
<td>5 o</td>
<td>5 6 1/4</td>
<td>29 5 1/2</td>
<td>18 10</td>
<td>10 15</td>
<td>6 3 1/2</td>
<td>3 1/4</td>
</tr>
<tr>
<td>Dec</td>
<td>5 o</td>
<td>5 8</td>
<td>29 6 1/2</td>
<td>16 10</td>
<td>11 0</td>
<td>6 5</td>
<td>4 0</td>
</tr>
<tr>
<td>1696</td>
<td>6 o</td>
<td>6 o</td>
<td>29 6</td>
<td>19 1/2</td>
<td>19 10</td>
<td>5 11</td>
<td>4 0</td>
</tr>
<tr>
<td>Jan</td>
<td>6 o</td>
<td>6 o</td>
<td>29 6</td>
<td>16 10</td>
<td>11 10</td>
<td>5 11</td>
<td>3 18 1/2</td>
</tr>
<tr>
<td>Feb</td>
<td>6 o</td>
<td>6 o</td>
<td>?</td>
<td>19 0</td>
<td>10 10</td>
<td>?</td>
<td>3 18</td>
</tr>
<tr>
<td>Mar</td>
<td>6 o</td>
<td>6 o</td>
<td>?</td>
<td>19 0</td>
<td>10 10</td>
<td>?</td>
<td>3 18</td>
</tr>
<tr>
<td>Apr</td>
<td>6 o</td>
<td>6 o</td>
<td>?</td>
<td>18 0</td>
<td>10 10</td>
<td>?</td>
<td>3 15 1/2</td>
</tr>
<tr>
<td>May</td>
<td>6 o</td>
<td>6 o</td>
<td>?</td>
<td>18 0</td>
<td>10 10</td>
<td>?</td>
<td>3 14 1/2</td>
</tr>
<tr>
<td>Jun</td>
<td>6 o</td>
<td>6 o</td>
<td>?</td>
<td>18 0</td>
<td>10 10</td>
<td>?</td>
<td>3 14 1/2</td>
</tr>
<tr>
<td>Jul</td>
<td>6 o</td>
<td>6 o</td>
<td>22 0</td>
<td>18 0</td>
<td>10 5</td>
<td>5 2</td>
<td>3 7 1/2</td>
</tr>
<tr>
<td>Aug</td>
<td>6 o</td>
<td>6 o</td>
<td>22 0</td>
<td>18 0</td>
<td>10 0</td>
<td>5 2</td>
<td>3 8</td>
</tr>
<tr>
<td>Sept</td>
<td>6 o</td>
<td>6 o</td>
<td>22 0</td>
<td>18 0</td>
<td>10 0</td>
<td>5 2</td>
<td>3 8</td>
</tr>
<tr>
<td>Oct</td>
<td>6 o</td>
<td>6 o</td>
<td>22 0</td>
<td>18 0</td>
<td>10 0</td>
<td>5 2</td>
<td>3 6</td>
</tr>
<tr>
<td>Nov</td>
<td>6 o</td>
<td>6 o</td>
<td>22 0</td>
<td>18 0</td>
<td>10 0</td>
<td>5 2</td>
<td>3 6</td>
</tr>
<tr>
<td>Dec</td>
<td>6 o</td>
<td>6 o</td>
<td>22 0</td>
<td>18 0</td>
<td>10 0</td>
<td>5 2</td>
<td>3 6</td>
</tr>
</tbody>
</table>

1697

| Jan  | 6 o | 4 10 1/2 | 22 o | 18 0 | 9 10 1/2 | 5 2 | 3 0 1/2 |
| Feb  | 6 o | 4 o      | 22 o | 18 0 | 9 0      | 5 0 | 3 0     |
| Mar  | 6 o | 4 o      | 22 o | 18 0 | 9 0      | 5 0 | 3 0     |
| Apr  | 6 o | 4 o      | 22 o | 18 0 | 9 0      | 5 0 | 3 0     |

Note: Some of the monthly prices given above are averages of only two to three weekly quotations, due to incomplete records.

So the view often advanced that there was inflation in 1695 is not correct. This view is supposedly supported by the fact that prices generally were on the rise during the year. But as a matter of fact prices did not rise until September or October. True, the price of gold and silver had gone up by the summer of that year, but they were monetary metals subject to special monetary conditions. Prices did all move up at the end of the year, but this
was probably due to causes which had nothing to do with inflation.

The first cause of rising prices at the end of the year 1695 was that crops in 1695 as well as in the following years up to the end of the century were comparatively poor, so that there were higher agricultural prices. Secondly, silver coins were called in, to encourage people to buy in the belief that the coins they had would not be valid after a certain date. Parliament did not actually pass resolutions for the calling in of silver coins until December 1695, but rumours to that effect had been circulating in the market for some months. With the passing of the Act for Preventing Clipping and Counterfeiting of Coins in May 1695, people began to refuse to accept clipped money at face value. Thirdly, the rise in the price of the guinea had increased its purchasing power. Writers of the time generally commented on the fact that large quantities of guineas had been imported into the country from Holland in 1695 for the purchase of large quantities of grains and other native products for export. Fourthly, the rise of prices must also have been due to the sharp fall in the exchange rate which increased the prices of all imports and enabled export prices to rise.

It could be argued, of course, that the fall in the exchange rate might in itself be a result of inflation and therefore might be a sign of inflation. The fact that the exchange rate fell heavily in 1695 cannot be disputed. In his weekly, Houghton also recorded weekly quotations for exchange rates on Amsterdam, from which the following monthly averages are calculated, which showed that the rate dropped from 32.7 in January to 28.8 in December, being about 12 per cent.

Table IV
The London Rate of Exchange on Amsterdam, 1695

<table>
<thead>
<tr>
<th>Month</th>
<th>Rate</th>
<th>Month</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>32.7</td>
<td>March</td>
<td>32.4</td>
</tr>
<tr>
<td>February</td>
<td>32.6</td>
<td>April</td>
<td>31.3</td>
</tr>
</tbody>
</table>

1. See Chapter 7 for parliamentary Acts for recoigne
2. Writing to Clarke on May 1695, Locke inquired if he could refuse clipped money, and Clarke replied he could lawfully do so if the diminution in the weight of the coin was more than reasonable wearing. See B. Rand, *The Correspondence of John Locke and Edward Clarke* (1927) p 418
<table>
<thead>
<tr>
<th>Month</th>
<th>Rate</th>
<th>Month</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>May</td>
<td>3.10</td>
<td>September</td>
<td>2.85</td>
</tr>
<tr>
<td>June</td>
<td>2.92</td>
<td>October</td>
<td>2.84</td>
</tr>
<tr>
<td>July</td>
<td>2.90</td>
<td>November</td>
<td>2.78</td>
</tr>
<tr>
<td>August</td>
<td>2.72</td>
<td>December</td>
<td>2.88</td>
</tr>
</tbody>
</table>

But it was clear that the fall in the exchange rate was primarily due to the large remittances being made by the Bank of England for the purpose of supporting the British armed forces stationed on the Continent. These remittances had the effect of depressing the exchange rate much more than an internal inflation could do. The newly established Bank of England was given the onerous task of effecting the remittances; it had to agree to remit as much as £230,000 per week to different places in Holland at the fixed rate of 10 guilders per guinea as from January 1695. It was soon found that it was impossible to effect such a large amount of remittances even by shipping out in part silver bullion and guineas. Therefore an agency of the Bank was soon established in Antwerp. In September 1695 the agency had to borrow 2 million guilders from the Dutch Government. For the first year’s operation the Bank suffered a loss of £75,000 which was reimbursed by the Treasury issuing the same amount of tallies to them in January 1696.¹

The other factors causing the serious drop in the exchange rate during 1695 were the bad state of silver coins² and the critical political situation prevailing at the time, which had induced some capital flight. Moreover, it may be remembered that the fall in the exchange rate came a few months earlier than the price rises, which would suggest that the former was the cause rather than the effect.

It was true that the Bank had put out at least £1,200,000 worth of currency notes, sealed bills and specie notes since its establishment, and this increase in money, together with the goldsmiths’ notes, might have brought about an inflation in 1695. But it should be noted that the sealed bills and specie notes issued by the Bank were not money in the modern sense. They bore interest and were issued in large denominations and were transferable only by endorsement. They were mostly in £100 units, bearing an

¹. For detailed accounts of Bank of England’s dealing with the Treasury on the remittances, please refer to W. M. Acres, The Bank of England from Within 1692–1900 (1931), Vol I Section on "The Antwerp Agency"
². See Chapter 2
interest rate of 2d per day, which was advanced to 3d during the crisis in May 1696. And the Bank did not issue any specie note until May 1696, merely as a kind of receipt for deposit of guineas and milled silver coins. Being in the nature of a receipt the specie note had but a limited circulation. Therefore these notes and bills would have had much less effect on prices than if they had been actual currencies.

Besides, large amounts of silver coins had been melted down for export after the outbreak of the war and therefore the notes issued by the Bank would not have increased the total amount of money in circulation but would only have replaced the amount that was lost. It may be recalled that, when the Bank was chartered in July 1694, prices were falling, traders were complaining about the shortage of money, and the Government was having a very hard time to raise any money.

It has been asserted that the crisis which fell upon the Bank in May 1696 was evidence of over-issue by the Bank. This, however, is a superficial view. Judging by the date on which the run on the Bank occurred, one may confidently infer that the run was primarily due to the shortage of cash occasioned by the recoinage. It occurred on May 6, just two days after the final date for the calling in of clipped coins, the date after which they were no longer legal tender. Few new silver coins were issued by the mint until July. As Governor John Houblon reported at the General Court on May 13, “by reason not above £400,000 is as yet coyned which is not sufficient for men’s common necessities, a greater demand is at this time made on the Bank than is possible to be answered by the money already coyned.”

It seems that it was to the Bank’s own interest to avoid excessive issues in 1694 and 1695. Being only recently established, it had no monopoly either in note issuing or in being established as a bank. Nor was Parliament friendly to it. It was probably realized by directors Godfrey and Paterson that the liquidity position of the Bank would be impaired if its note issue were in excess. Godfrey once said: “To make anything current in payment but specie money would cause that nobody would trust any Government on any loans whatsoever.”

1. See Acres, op cit, p 70
II. FOREIGN TRADE

It is not easy to ascertain the state of foreign trade in England for the period from the Restoration of 1660 to the time of the recoinage. There were no regular export and import figures published prior to 1696. The post of Inspector-general of Exports and Imports was first instituted in 1696 with Culliford as the first Inspector-general. But it is generally known that it was a period of trade restrictions, enforced by Navigation Acts and high tariff policies. The restrictive measures were particularly applied to the trade with France.

In the absence of trade figures, the state of trade balance or international payments might be gauged by the movements of specie or exchange rates. But unfortunately, for the period under review, the statistics for import of silver bullion are also lacking, though there are figures for its export. In the case of gold there are no official figures either for its import or export. There are exchange rates on Amsterdam, Flanders, Hamburg, Venice, Leghorn and Genoa, but none on India or America.

Moreover, it is questionable whether the true par of exchange between London and Amsterdam was £1 to £1.75 Flemish schillings, which was computed from a comparison of the metallic contents of the respective standard coins of the two countries. This computation would be correct if the metallic contents in both the standard coins were no more valuable than their bullion value. But Holland had adopted a coinage system in which the right of coinage was entirely reserved to the State in order to raise the value of the metallic content in its coin above the bullion value. And in England the market price of silver bullion did not always correspond with the legal rate. Therefore it would be more correct to compute the par of exchange by comparing the market prices of silver bullion in these two countries instead of comparing the metallic contents of the standard coins. Supposing that the market price of ten ounces of silver bullion was £1 in England and 37 schillings in Holland, then the par of exchange should be £1 = 37 schillings, no matter what the metallic content in an English pound or a Flemish schilling might be.

1. This parity figure was suggested by A. Justice in his A General Treatise of Monies and Exchanges (1707) and has been adopted by Rogers in his The First Nine Years of the Bank of England and by more recent writers.
It should be added that for some years, if the bill of exchange on Amsterdam was paid in Amsterdam Bank money, its value was generally 5 per cent higher than if it was paid in other current money in Holland. So even if the par of exchange were £1 = 37.5 current schillings, in terms of Amsterdam Bank money it would only be about £1 = 35.3 schillings. It would be a mistake, therefore, to regard the exchange rate under 37.5 but above 35.3 as unfavourable to England.

Owing to the absence of regular official figures for imports and exports, or for the movements of silver, gold and exchange rates, there arose contemporary conflicting opinions as to the real state of foreign trade at the time. Writers, generally themselves traders or relatives of traders, such as Mun, North, Child and Davenant maintained the view that the state of foreign trade before the Revolution had been satisfactory and beneficial to the country. They defended the East India Company and the Navigation Acts and contended that there were signs of plentiful money and steady increases in the volume of trade for the period. They attempted to show that the export of manufactures of England had increased by one-third over the period; that despite the Fire of 1666 the total number of buildings in London had doubled, as well as the rent rates; that merchant shipping had also increased by one-third or more; and that the country had increased in riches by £2 million a year.¹ On the other hand there were others, such as Petty, Coke, Fortrey, Yarranton, J. B., and the authors of Britannia Languens, England’s Wants, The Interest of England, and Pollexfen, who all emphasized the decline in the export of woollen goods, which was a major English export at the time. They stressed the adverse balance of trade with France, denied the existence of abundant money, and argued that the growth of London alone would not necessarily mean the same for the whole country.²

¹. See the following literature: Thomas Mun, England’s Treasure by Foreign Trade (1664); Sir Dudley North, Discourses upon Trade (1691); Sir Josiah Child, A New Discourse of Trade (1694); Charles Davenant, An Essay on the East-India Trade (1697). Davenant had written other essays on trade; see C. Whitworth, Political and Commercial Works of Charles Davenant (1770)

². See the following literature: William Petty, Economic Writings (1662); Roger Coke, Treatise on Trade, Parts I and II (1671), Parts III and IV (1675); Samuel
Trade with France and India was most severely criticized. Samuel Fortrey estimated that while the annual imports of England from France amounted to £2,600,000, the annual exports of England to France came to the figure of about £1 million only. Writing in about 1667, Houblon, Papillon and other leading London merchants reported that England lost by nearly £1 million (£965,128 17s 4d) a year in her trade with France.1

It was in 1678 that Parliament carried a bill for the prohibition of French trade. With the accession of James II came the repeal of the prohibition, and a heavy tariff was imposed instead. But the Revolution brought yet another change of policy—the Whigs reverted to the original policy of prohibition.

It was argued, however, by those favouring trade with France that the adverse balance was greatly over-estimated, since the amount of wool smuggled to France was left unaccounted for by Fortrey, and since a number of imports from France were later re-exported. It was further argued that some French goods were indispensable to the national life of England.2

Apart from being a monopoly, the East India Company was attacked because it exported a large sum of silver bullion each year and brought back silk goods which were consumed at home and competed with English woollen manufacture.

Thomas Mun had long defended the East India trade by contending that, 'the exportation of bullion by the Company was advantageous because they employed it to purchase commodities in India, most part of which was afterwards sent to the Continent, whence a greater amount of bullion was imported in their stead than had originally been expended upon them in India'. Davenant developed this thesis by stating that while the Company exported goods and silver bullion to the total average value of £400,000

2. See a tract called England's Great Happiness; or, a Dialogue between Content and Complaint, written presumably by John Houghton in 1677

Fortrey, England's Interest and Improvement (1673); Andrew Yarranton, England's Improvement by Sea and Land (1677); J. B., An Account of the French Usurpation upon the Trade of England (1679); Anonymous, Britannia Langues (1680); Anonymous, England's Wants: or Several Proposals probably Beneficial to England (1685); Anonymous, The Interest of England Considered in an Essay upon Wool, our Woollen Manufacturers and the Conceptions of Sir Josiah Child (1694); John Pollexfen, England and East India Inconsistent in Their Manufactures (1697)
per annum, one-eighth to one-quarter of this amount had consisted of home manufactured goods, and that it brought back £1,600,000 worth of goods, half of which were consumed at home while the other half was sent abroad.

Davenant further contended that the portion consumed at home was also beneficial to the country because it had prevented the possible import of other goods, and because it had lowered the prices of French silk and foreign linen through competition. He contended, moreover, that if the Indian goods had not been imported by the Company, they would have been imported by the Dutch companies who would have taken all the profits. By lowering prices and the cost of living, he maintained, the trade with India had brought down wages in the woollen industry, thus enabling them to compete with the Dutch, French and Irish woollen manufacturers. He argued that the silk and linen industries were ‘not genuine offsprings’ of England, so they could not be developed anyway.

These assertions provoked a reply from John Pollexfen, a Commissioner of Trade, who stated that according to the Books of the Customs about £400,000 worth of silver bullion was exported by all companies each year from 1675 to 1685, half of which might be assumed to have been exported by the East India Company, while over the whole period only about £600,000 worth of silver bullion was imported and about one-third of that might be assumed to have been imported by the Company. He further stated that the import of Indian silk had not reduced the import of French lustrings or alamodes or Dutch velvets, although it might have hindered some Italian damasks, and that the prosperity of the Company was entirely due to its monopolistic position. He saw no reason why Davenant wanted the prices of English wool and woollen goods to fall further, as the price of English wool had already fallen from 8d to 4d per pound over the last thirty years. He argued that sheeplemen and woollen manufacturers had been making profits at less than 6 per cent per annum, while labourers received very low wages. He pointed out that on October 26, 1686, the French had burned some China silks, stuff and other goods from India with a view to encouraging French goods.

The passing of the Navigation Acts was described as a factor contributing to the decline of English foreign trade after 1660.
Roger Coke was a bitter critic of the Acts, suggesting that the effect had been to depress industry and trade. Because of the high freight rates of English ships, English exports had been curtailed, he maintained, since the export trade had to be confined to English shipping and the Acts required English ships to be built with English timber, which cost much more than Norwegian timber. In this way the export of beef, pork and corn had been hindered by the high cost of transportation, he concluded. The Acts also debarred other nations from trading with England in goods other than those of their own growth and manufacture, thus reducing the volume of trade between England and other countries.

Those who were in favour of the Navigation Acts, however, pointed out that the Acts had several distinct advantages. First, they had helped to develop the English shipping industry; secondly, they had helped to capture the very profitable colonial or plantation trade; and, thirdly, the fishing industry was also encouraged to expand.¹

There can be no question about the profitability of the colonial and East Indian trades in those days. (The trades with America and Africa were called plantation or colonial trades.) The well-informed Davenant once remarked that the colonial trade had added £900,000 annually to the national income and that the Indian trade had contributed £600,000 annually. There was little criticism about colonial trade; all seemed to agree that the trade was highly profitable and advantageous to England. The Hudson Bay Company, which carried the colonial trade, distributed an average annual dividend of 27.5 per cent on its capital shares from 1683 to 1692, while the East India Company paid 40 per cent.²

The real criticism of the East India Company, however, was the considerable amounts of silver bullion exported by the Company. From the following table it can be seen that in the years from 1680 to 1686 the average total amount of goods and bullion exported by the Company was over £100,000 a year, of which probably four-fifths was silver bullion and one-fifth British produce and manufactured goods.³

¹. Francis Brewster, Essays on Trade and Navigation (1693) pp 108–9
³. In 1693 the East India Company received a renewal of its charter for twenty-one years, on condition that it would export British produce and manufactured goods to the minimum value of £100,000 annually
### Historical Setting

#### Table V

Ships, Goods and Bullion Sent by the East India Company, 1680–1703

<table>
<thead>
<tr>
<th>Year From March to March</th>
<th>Number of Ships Sent from England to the East</th>
<th>Goods and Bullion Exported £</th>
</tr>
</thead>
<tbody>
<tr>
<td>1680–1</td>
<td>10</td>
<td>346,213</td>
</tr>
<tr>
<td>1681–2</td>
<td>23</td>
<td>834,496</td>
</tr>
<tr>
<td>1687–3</td>
<td>21</td>
<td>515,216</td>
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<td>1683–4</td>
<td>22</td>
<td>482,147</td>
</tr>
<tr>
<td>1684–5</td>
<td>14</td>
<td>520,341</td>
</tr>
<tr>
<td>1685–6</td>
<td>13</td>
<td>649,299</td>
</tr>
<tr>
<td>1686–7</td>
<td>6</td>
<td>298,978</td>
</tr>
<tr>
<td>1687–8</td>
<td>6</td>
<td>157,491</td>
</tr>
<tr>
<td>1688–9</td>
<td>2</td>
<td>30,239</td>
</tr>
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<td>1689–90</td>
<td>4</td>
<td>131,692</td>
</tr>
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<td>1690–1</td>
<td>6</td>
<td>125,101</td>
</tr>
<tr>
<td>1691–2</td>
<td>7</td>
<td>143,728</td>
</tr>
<tr>
<td>1692–3</td>
<td>5</td>
<td>171,812</td>
</tr>
<tr>
<td>1693–4</td>
<td>15</td>
<td>677,616</td>
</tr>
<tr>
<td>1694–5</td>
<td>9</td>
<td>395,391</td>
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<td>1695–6</td>
<td>7</td>
<td>228,622</td>
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<tr>
<td>1696–7</td>
<td>4</td>
<td>115,170</td>
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<td>1697–8</td>
<td>9</td>
<td>395,391</td>
</tr>
<tr>
<td>1698–9</td>
<td>14</td>
<td>590,914</td>
</tr>
<tr>
<td>1699–1700</td>
<td>12</td>
<td>582,753</td>
</tr>
<tr>
<td>1700–1</td>
<td>7</td>
<td>452,716</td>
</tr>
<tr>
<td>1701–2</td>
<td>9</td>
<td>317,293</td>
</tr>
<tr>
<td>1702–3</td>
<td>12</td>
<td>220,223</td>
</tr>
</tbody>
</table>

Source: John Macgregor, *Commercial Statistics* (1848), p 410

But what the Company subsequently re-exported to the European Continent was probably greater in value than what it originally exported to India, and it could have brought to England a net balance of silver bullion if it were not for the fact that it was more profitable for the Company to import gold instead of silver into England. The exact amount of gold brought in by the Company was not known, but it was believed to be considerable in order to supply the mints in England with the metal for coining guineas.

There seems no doubt that the English woollen industry had a period of depression during the twenty years before the Revolution. Wool smuggling was carried on extensively in the eighties of the seventeenth century; it was mostly smuggled out via
Romney Marsh in Kent and was sent to France and Holland in exchange for French and Dutch liquors. It was reported that the English woollen industry was paying much lower prices for wool than the French or Dutch woollen manufacturers.

Brewster asserted that the wool exported to France was worked with French wool and made into French woollen goods which competed with English ones. He said, "That the wool sent or smuggled to France was enough to work up all the coarse wool of France for seven years and that the consequence would be the loss of great part of our manufactories to Spain and Portugal."

Wool export was prohibited in 1662 by Charles II (Act 15 Chas. II cap. 7). In 1665–6 another Act (18 and 19 Chas. II cap. 14) was passed to encourage woollen manufacture, directing that no person be buried in any shirt or sheet which was not made of wool. In 1668 the House of Commons presented an address to the King, requesting him to encourage the wearing of English manufacture by his own and the Queen's example and stating that the House would do the same. A resolution in 1677 enjoined all persons whatsoever to wear no garment, stockings, or any other sort of apparel, but what was made of sheep's wool. In 1697 the House of Commons ordered that all professors of the common and civil laws should wear gowns made of wool.

All these attempts of the House of Commons to encourage the use of woollen garments show that there was a depression in the industry at the time. The author of Britannia Languens tells us that the total export of broad cloths by the East India Company used to be 20,000 pieces a year, but now (1680) it amounted to only 4,000 pieces and that the Levant Company, which formerly exported great quantities of cloth, had been in difficulties for some time. There were complaints of distress in 1680 by clothiers in Reading, stating that formerly 160 persons had maintained themselves by this trade, but the number had now fallen to only twelve, and that pauperism had increased to such an extent that the relief of the poor had cost the town £1,000 a year. According to Pollexfen, writing in 1697, the price of wool had fallen by one-half during the last thirty years and the woollen industry was not earning the rate of profit allowed by the law.

1. E. Lipson, The History of the English Woollen and Worsted Industries (1921), pp 89–90
2. Brewster, op cit, p 256
HISTORICAL SETTING

As suggested by the author of *Interest of England* . . . , the causes of the depression in the English woollen industry as well as the fall in its exports were, firstly, the smuggling of English and Irish wool to France and Holland; secondly, ‘the falsehood and deceit in the trade’, which reduced the exports to Germany; and, thirdly, the lack of a big corporation of merchant adventurers to underbid foreigners.

As the fourth cause, we may add, there were the prohibitive tariffs put up against English goods in Portugal and Spain as well as in France. Portugal did not permit entry of any English cloth until the Methuen Treaty of 1703 was signed. In 1680 Spain increased its duties on white English cloths from 20 to 50 per cent *ad valorem*. The latter rate remained unchanged until 1686 when it was reduced to 45 per cent.  

It is quite possible that the balance of trade with France was adverse to England after 1667 when Colbert revised the French tariff and imposed prohibitive rates on English cloths. The prejudice against French trade seems to have been common during the whole reign of Charles II. Up to 1708 when John Chamberlayne wrote *The Present State of Great Britain*, the general belief was still that the French had a favourable balance with England. The impression Fortrey gave still carried the day. ‘Now that it is possible,’ wrote Chamberlayne, ‘Mr Fortrey might reckon the overbalance of the French trade much greater than truly it was, since at the very same time the French estimated the overbalance on the English trade: Yet, doubtless the nation lost yearly by the French trade a considerable sum.’

There can be no doubt that England’s adverse trade balance with France was very much exaggerated at the time. This is understandable in view of the political prejudice against the French during the reigns of Charles II and William III and of the fact that the imports from France consisted chiefly of luxury items. The keen competition between the English and French woollen manufacturers was probably another factor in encouraging exaggeration.

With regard to the Navigation Acts, it seems fair to say that they had both good and bad effects, and these differed from one period to another. In the initial period up to 1680, when *Britannia*

1. See Document C.O. (Colonial Office) 388.17 No 79 in the Public Record Office

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ECONOMIC CONDITIONS IN SEVENTEENTH-CENTURY ENGLAND

Langens was written, it seems probable that the Acts did more harm than good, restricting trade in general and hampering the export trade in particular, through the high cost of transportation, and even discouraging shipbuilding because of the high price of English timber. The loss of the Eastland and Norwegian trades was probably due to the lack of English ships to carry their timber. Towards the end of the reign of James II, however, it appears that the English had been able to build more ships despite the high building cost, and had captured more and more English trade from foreigners.

After the Revolution in 1688 and the outbreak of war with France in 1689 trade conditions underwent some changes. But it is doubtful whether conditions were as disrupted as some writers believed. It may be true that by 1692 the French had captured a number of English ships (about 3,000 is the number given) and interfered effectively with English trade with India and America, and that the English shipping tonnage was actually reduced in 1695 as compared with 1688. But another fact has to be considered: the exports of English goods, such as grain, beef, pork, lead and tin, to the Continent appear to have increased after the war started. It was reported that there was so much English grain in Holland in 1695 that the market there was glutted.

There were several causes for this increase in English exports. First, a bounty on the export of corn had been given from 1689, with the proviso that the export had to be carried by English ships and that the domestic market price did not exceed 48s a quarter on wheat, 32s on rye, and 24s on malt and barley. The bounty to be given was at the rate of 5s a quarter on wheat, 3s 6d on rye, and 2s 6d on barley and malt. From 1689 to 1695 with exceptions in the months from October 1693 to July 1694 the market prices of these cereals seems to have been low enough to make them exportable. Secondly, the increased export of grain appears to have been due to the fact that the Dutch, and perhaps the Germans as well, had shifted their purchases of grain from France to England since the French had become the common enemy. Thirdly, the sudden fall in the exchange rate in 1695 would also have contributed to the increase in the export of grain. Lastly, there was the problem of supplying the large English army stationed on the Continent with food.

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HISTORICAL SETTING

The decrease of imports from France after the war was a favourable development for England, for it gave rise to an industrial boom in England between the years 1689 and 1693.\(^1\) During these years many enterprises, notably paper, glass, leather, mining and water companies, were launched. Of the 140 companies existing in 1695, 85 per cent were said to have been formed between 1688 and 1695.

But the boom was short-lived and vanished in the early part of 1693. This is revealed by the fact that the stock prices of most companies reached their highest level in 1692. For example, the price of the stock of the East India Company stood at about 150 in 1692, but fell below 100 after April 1693, as shown in the following table, in spite of the fact that the Company was granted a renewal of its charter in 1693 and that it maintained a high level of imports between 1693 and 1695.\(^2\)

<table>
<thead>
<tr>
<th></th>
<th>1692</th>
<th>1693</th>
<th>1694</th>
<th>1695</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td></td>
<td>135</td>
<td>94</td>
<td>85</td>
</tr>
<tr>
<td>February</td>
<td></td>
<td>142</td>
<td>93</td>
<td>81</td>
</tr>
<tr>
<td>March</td>
<td></td>
<td>137</td>
<td>90</td>
<td>86</td>
</tr>
<tr>
<td>April</td>
<td>158</td>
<td>118</td>
<td>85</td>
<td>83</td>
</tr>
<tr>
<td>May</td>
<td>150</td>
<td>99</td>
<td>72</td>
<td>79</td>
</tr>
<tr>
<td>June</td>
<td>140</td>
<td>99</td>
<td>71</td>
<td>77</td>
</tr>
<tr>
<td>July</td>
<td>139</td>
<td>96</td>
<td>73</td>
<td>86</td>
</tr>
<tr>
<td>August</td>
<td></td>
<td>91</td>
<td>78</td>
<td>90</td>
</tr>
<tr>
<td>September</td>
<td></td>
<td>91</td>
<td>79</td>
<td>81</td>
</tr>
<tr>
<td>October</td>
<td></td>
<td>95</td>
<td>82</td>
<td>68</td>
</tr>
<tr>
<td>November</td>
<td></td>
<td>93</td>
<td>93</td>
<td>56</td>
</tr>
<tr>
<td>December</td>
<td></td>
<td>92</td>
<td>90</td>
<td>62</td>
</tr>
</tbody>
</table>


That English imports were not much reduced after the outbreak of the war in 1689 can be illustrated by the fact that the yields of

1. The industrial boom over these years was also a result of the enterprising spirit shown by the people since the 'Glorious Revolution' and a result of the immigration of foreign skilled labourers

2. The Company paid import duties to the large amount of £161,546 in 1695, as compared with the average annual amount of £50,337 during 1688–91
customs duties after 1689 were not much below those of 1688. While the total yield of all the customs duties in 1688 was £929,770 17s 7½d, the yield in 1692 was £897,551 12s 10½d, that in 1694 £870,933 9s 8½d, and that in 1695 £878,173 14s 5½d.¹

It should be noted, however, that the duty rates imposed after 1688 were a little higher than those imposed by King James II and that there were a few new duties added after 1688, which means that the volume of imports in 1692, 1694 and 1695 was actually less than what the yields of customs duties would indicate.

III. PUBLIC FINANCE

It was primarily due to the inadequate yields of public revenues in the preceding years that the Exchequer suspended all payments in 1672.² Parliament had in 1660 estimated the annual yield of the customs to be £390,000 but the figure was never reached before 1672. The customs duties were the chief source of public revenue at the time (the second most important taxes being the excise and the hearthmoney). In consequence, expenditure ran ahead of revenue, thus incurring public debts every year. In 1672 expenditure exceeded revenue by about £2,250,000, amounting to about eighteen months of King’s income from all sources. The actual amount owed was believed to be about £2,250,000 altogether in 1672. The excess of outlay over income was made up by borrowing, that is, by issuing tallies, which were interest-bearing bills. The Government usually borrowed from goldsmiths by pledging these tallies, which were to be paid off from future revenues. But revenues did not grow as much as were anticipated, so the Government was unable to pay off its tallies as they matured. For some years the Government had to borrow at interest rates higher than the legal rate of 6 per cent per annum, as the confidence of the goldsmiths in the Government’s ability to pay waned.

¹ The figure for 1688 is obtained from a manuscript called The Yearly Payments in the Receipt of Exchequer on all the several Branches of the Customs from Michaelmas 1679 to Christmas 1720 kept in Goldsmiths’ Library MS 46, and the figures for the other years are from the manuscript A Particular State of the Receipts and Issues of the Publick Revenue, Taxes and Loans during the Reign of His Late Majesty King William, That is to say, From the 5th of November 1688 ... To the 25th March 1702 Goldsmiths’ Library MS 75
² Between 1660 and 1672 England was in economic straits: there were wars with the Dutch, the Great Fire of London, and the Plague
HISTORICAL SETTING

However, in 1671 King Charles was granted the right by Parliament to levy duties on the import of wines, vinegar and tobacco. This effected a considerable increase in customs duties from 1672 onwards as shown in the following table:

Table VII
The Customs Revenue, 1660–85

<table>
<thead>
<tr>
<th>Year</th>
<th>Yield</th>
</tr>
</thead>
<tbody>
<tr>
<td>1660–6 (average)</td>
<td>£ 285,181 13 2</td>
</tr>
<tr>
<td>1667</td>
<td>£ 135,814 11 7½</td>
</tr>
<tr>
<td>1668</td>
<td>£ 233,499 0 1</td>
</tr>
<tr>
<td>1669</td>
<td>£ 367,790 6 4½</td>
</tr>
<tr>
<td>1670</td>
<td>£ 370,967 19 6½</td>
</tr>
<tr>
<td>1671</td>
<td>£ 335,463 6 0½</td>
</tr>
<tr>
<td>1672</td>
<td>£ 551,407 13 9</td>
</tr>
<tr>
<td>1673</td>
<td>£ 574,118 2 8</td>
</tr>
<tr>
<td>1674</td>
<td>£ 425,889 18 5</td>
</tr>
<tr>
<td>1675</td>
<td>£ 729,770 5 9</td>
</tr>
<tr>
<td>1676</td>
<td>£ 565,675 0 0</td>
</tr>
<tr>
<td>1677</td>
<td>£ 683,192 0 0</td>
</tr>
<tr>
<td>1678</td>
<td>£ 567,058 0 0</td>
</tr>
<tr>
<td>1679</td>
<td>£ 528,148 17 4</td>
</tr>
<tr>
<td>1680</td>
<td>£ 575,253 12 1</td>
</tr>
<tr>
<td>1681</td>
<td>£ 537,477 10 8</td>
</tr>
<tr>
<td>1682</td>
<td>£ 558,346 2 0</td>
</tr>
<tr>
<td>1683</td>
<td>£ 544,665 4 9</td>
</tr>
<tr>
<td>1684</td>
<td>£ 591,653 17 2½</td>
</tr>
<tr>
<td>1685</td>
<td>£ 485,105 10 6</td>
</tr>
</tbody>
</table>


In 1679 the national debt, including the departmental debt, was estimated at £2,720,194, an amount larger than that in 1672 when the 'stoppage' took place. As a result another suspension of payment of pensions and salaries to King Charles's servants occurred in 1681.

The four years of James II reign (1685–8) showed an increase in public revenues, due to more new imports. He repealed Charles's prohibition policy and let French goods come in after they had paid reasonable import duties.

At the end of James's reign the national debt, not including the departmental and Bankers' debts, stood at £1,916,693,
according to Sir Robert Howard, Auditor of the Receipt, who presented an account to the House of Commons in 1689.

After the Revolution the financial operations of the Government were much expanded. The whole reign of King William from November 1688 to March 1702 witnessed great increases in both expenditures and revenues as well as public debts. From the following table it will be seen that on account of the expenses involved in the recoinage the expenditures of the Government reached their zenith in 1696 and debts in 1697. Since then, although our table does not show this, it may be pointed out that both the expenditures and debts were gradually reduced. In 1702 expenditures amounted to no more than £2,207,648 in the year.²

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues</th>
<th>Expenditures</th>
<th>Debts</th>
</tr>
</thead>
<tbody>
<tr>
<td>November 5, 1688–</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Michaelmas 1691</td>
<td>8,613,192</td>
<td>11,681,334</td>
<td>3,126,672</td>
</tr>
<tr>
<td>Michaelmas 1691–2</td>
<td>4,111,088</td>
<td>4,254,609</td>
<td>251,330</td>
</tr>
<tr>
<td>Michaelmas 1692–3</td>
<td>3,782,613</td>
<td>5,375,913</td>
<td>1,703,192</td>
</tr>
<tr>
<td>Michaelmas 1693–4</td>
<td>4,388,156</td>
<td>5,986,318</td>
<td>1,457,812</td>
</tr>
<tr>
<td>Michaelmas 1694–5</td>
<td>4,311,643</td>
<td>6,220,434</td>
<td>2,087,124</td>
</tr>
<tr>
<td>Michaelmas 1695–6</td>
<td>5,049,952</td>
<td>8,131,582</td>
<td>3,031,402</td>
</tr>
<tr>
<td>Michaelmas 1696–7</td>
<td>3,578,765</td>
<td>7,972,765</td>
<td>3,794,724</td>
</tr>
</tbody>
</table>

One thing about King William's finance is that his revenues were very well maintained throughout all his years. This is primarily due to the fact that his land tax was very successful, giving him nearly £1,500,000 a year and constituting 30 to 40 per cent of the total revenues. From November 1688 to March 1702 the total collection of land tax amounted to £19,174,059 8s 3½d.

It was in 1696 that revenues registered the highest record. In 1697 there was the sharpest drop. The increase in 1696 and the reduction in 1697 could be ascribed to the fact that the people

1. Based on Goldsmiths' Library MS 75, but with some adjustments. We do not consider some of the 'Promiscuous' receipts, such as Exchequer Bills issued, as revenues; they should be considered as loans or debts
2. See Goldsmiths' Library MS 75
had been induced to pay their taxes of 1697 in 1696 by the Recoinage Acts, which allowed the people to pay their taxes due in 1697 as well as in 1696 in clipped money before May 4, 1696.1

While revenues in these years were substantial, expenditures seem to have been greater. The war had been very costly; it took about 70 per cent of the total expenditures each year from 1688 to 1697, with the exception of 1696, in which year the expenditures were swollen by the recinage costs.

Consequently the national debt incurred by the reign of King William alone amounted totally to £15,453,276 by the end of 1697. This was a tremendous increase as compared with the national debt of about £2 million during the reign of Charles II or of James II. However, by the time of King William’s death the national debt had been reduced to about £13 million.

It may be added that in 1688 73 per cent of the expenditures were financed by taxes, and 27 per cent by loans; but in 1697 the percentages became 47 and 53 respectively. The tendency to rely on loans to finance the war was very obvious.

In the year 1697 Davenant made a comparative study of the national income, public revenue and population of England, France and Holland. In the following table are set out the figures given by him.2 He estimated that the revenues of England in 1697 were £3,355,422, which appeared to be correct. He gave the national debt as £17,552,544, which would also be correct if the national debt of about £2 million outstanding at the end of James II’s reign was included.

<table>
<thead>
<tr>
<th>Table IX</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparison of National Income, Public Revenue, and Public Debt between England, France and Holland in 1688 and 1697</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>England</th>
<th>France</th>
<th>Holland</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Income 1688</td>
<td>44,000,000</td>
<td>84,000,000</td>
<td>17,500,000</td>
</tr>
<tr>
<td>National Income 1697</td>
<td>43,000,000</td>
<td>81,000,000</td>
<td>18,250,000</td>
</tr>
<tr>
<td>Public Revenue 1697</td>
<td>3,355,422</td>
<td>13,500,000</td>
<td>4,750,000</td>
</tr>
<tr>
<td>National Debt 1697</td>
<td>17,552,544</td>
<td>100,000,000</td>
<td>25,000,000</td>
</tr>
<tr>
<td>Population</td>
<td>5,500,000</td>
<td>14,000,000</td>
<td>2,200,000</td>
</tr>
</tbody>
</table>

1. See Chapter 7 for details of the Acts
2. Davenant, *Discourse on the Public Revenues*, Part I, Discourse V; Part II, Discourse IV (1698)
The picture was rather favourable to England if compared with France, but not if compared with Holland. England's national income per capita was the highest, £7 18s, while that of France was only £4 11s and Holland £5. The people in England bore less taxes and debts than those in France, as the national income of England was 14 times its taxes and France only 6·5 times. The national debt of England was less than half of its annual national income and that of France larger than its national income. It would take England only about five years to pay off its public debts, whereas it would take France seven years, in view of the relative sizes of their public revenues. The war seemed to have benefited Holland alone and resulted in a great increase in public debts in both England and France.

IV. MONEY AND CREDIT
Up to the time of the recoinage, money in England consisted of silver coins, guineas, old gold coins, foreign coins, copper coins and tin coins, in that order of importance. From the following table it will be seen that the amount of gold coined from the time of Charles II on was larger than that of silver, while before his time the opposite was true. From 1649 to 1694 there were over 7 million sterling pounds of gold coined and only about 3·7 million sterling pounds of silver coined. The coinage ratios between the two went more and more in favour of gold – 4 gold to 3 silver in the reign of Charles II, 4 gold to 1 silver in James II's time, and 5½ gold to 1 silver in William and Mary's reign and up to 1694 inclusive.

From the accession of Queen Elizabeth to the establishment of the Commonwealth there were 91 years (1558–1649) and from 1649 to 1694 45 years. While in the former period the annual average amount of gold coined was no more than £86,299, in the latter period the average became £155,853, an increase of over 80 per cent. The coinage of silver, on the contrary, was reduced from £171,916 a year during the former period to only £83,886 a year during the latter, a decrease of about 52 per cent.

It is evident that the total coinage of silver from the time of Queen Elizabeth to the time of the recoinage was £19,419,260 9s 9d. Our problem is, how much of this total of silver coins still existed in England at the time of the recoinage? According to Hopton Haynes, Assay Master of the Mint and
### Table X

The Coinage of Gold and Silver 1558–1694, by Reign

<table>
<thead>
<tr>
<th>Reign of</th>
<th>Beginning of Reign</th>
<th>Gold Sterling valued at £3 17s 10d per oz</th>
<th>Silver Sterling valued at 5s 2d per oz</th>
<th>Total Sterling Value £ 8 d</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elizabeth</td>
<td>1558</td>
<td>440,534 14 9</td>
<td>4,718,569 2 8 1/2</td>
<td>5,513,210 8 2</td>
</tr>
<tr>
<td>James I</td>
<td>1603</td>
<td>3,666,389 18 11</td>
<td>1,765,961 14 10</td>
<td>5,432,351 15 9</td>
</tr>
<tr>
<td>Charles I</td>
<td>1625</td>
<td>5,319,677 5 9</td>
<td>8,776,544 10 3</td>
<td>12,096,221 16 0</td>
</tr>
<tr>
<td>Parliament</td>
<td>1649</td>
<td>72,574 18 8 1/2</td>
<td>385,294 15 4 1/2</td>
<td>455,869 14 0 1/2</td>
</tr>
<tr>
<td>Oliver, etc.</td>
<td></td>
<td></td>
<td></td>
<td>--</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>£7,835,213 8 9 1/2</td>
<td>£15,644,380 3 1/2</td>
<td>£23,497,593 11 11 1/2</td>
</tr>
<tr>
<td>Average (91 years)</td>
<td></td>
<td>£86,299 0 0</td>
<td>£171,916 0 0</td>
<td>--</td>
</tr>
<tr>
<td>Charles II</td>
<td>1660</td>
<td>4,346,567 10 7 1/2</td>
<td>3,177,357 7 9 1/2</td>
<td>7,524,104 18 4 1/2</td>
</tr>
<tr>
<td>James II</td>
<td>1685</td>
<td>2,219,320 17 7 1/2</td>
<td>518,316 9 1/2</td>
<td>2,737,637 7 0 1/2</td>
</tr>
<tr>
<td>William and Mary</td>
<td>1689</td>
<td>465,505 14 3 1/4</td>
<td>79,026 9 4 1/2</td>
<td>544,532 3 8</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>£7,031,394 2 6 1/2</td>
<td>£3,774,880 6 7 1/2</td>
<td>£10,806,274 9 1 1/2</td>
</tr>
<tr>
<td>Average (45 years)</td>
<td></td>
<td>£255,853 0 0</td>
<td>£83,886 0 0</td>
<td>--</td>
</tr>
</tbody>
</table>

Source: Goldsmiths' Library MS 100 and M. Folkes, *Tables of English Silver and Gold Coins (1736 and 1743)*
ECONOMIC CONDITIONS IN SEVENTEENTH-CENTURY ENGLAND

author of the manuscript, Brief Memoires Relating to the Silver and Gold Coins of England¹ (written between 1700 and 1702), the amount of silver coins still in circulation at the time of the recoinage totalled about £10,000,000. Here are his figures:

<table>
<thead>
<tr>
<th>Reign</th>
<th>Amount of Silver Coined</th>
<th>Amount Still in Circulation in 1695</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edward VI and Mary</td>
<td>£300,000 0 0</td>
<td>£290,000</td>
</tr>
<tr>
<td>Queen Elizabeth</td>
<td>£4,632,932 3 2</td>
<td>£1,010,000</td>
</tr>
<tr>
<td>James I</td>
<td>£1,700,000 0 0</td>
<td>£700,000</td>
</tr>
<tr>
<td>Charles I</td>
<td>£8,776,544 10 3</td>
<td>£5,000,000</td>
</tr>
<tr>
<td>James II, Charles II and Money Coined from 1648 to 1660</td>
<td>£4,203,628 5 10</td>
<td>£3,000,000</td>
</tr>
<tr>
<td>William and Mary to 1696</td>
<td>£115,956 15 6</td>
<td>—</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£19,729,061 14 9</strong></td>
<td><strong>£10,000,000</strong></td>
</tr>
</tbody>
</table>

If the amount of silver coins in circulation at the time of the recoinage was about £10 million, then the loss of silver coins from the time of Edward VI to the eve of the recoinage must also be about £10 million. How was this loss accounted for by Haynes? He gave the following accounts:

- Melted down for export to Holland and Ireland ➔ £2,300,000
- Melted down for silver wares from 1552 to 1696 (144 years) ➔ £1,440,000
- Melted down for East India Company at £30,000 per annum ➔ £4,320,000
- By exporting in specie to Norway, France and other countries at £10,000 per annum ➔ £1,440,000
- Money hoarded and hidden in the civil wars and not found ➔ £500,000

**Total** ➔ £10,000,000

In spite of the fact that the total amount of gold coined during these 144 years was over £15 million, the amount still in circulation at the time of the recoinage was no more than £3 million according to G. King and no more than £5 million according to Davenant (guineas reckoned at 30s apiece). While it was possible that the amount existing at the time was actually larger, nevertheless it was a fact that guineas were more frequently exported than silver coins and did not circulate much within the country. The

¹ Goldsmiths’ Library MS 72
HISTORICAL SETTING

most important exporter of guineas was the Royal Africa Company. Therefore the amount of gold coins in circulation at the time of the recoineage could not be more than one-third of the amount coined.

The amount of foreign coins in circulation in England at the time of the recoineage was not small. There were French and Spanish pistoles, Dutch ducats, Mexican pieces of eight, old pieces from Pellec, and Portuguese crusados. On May 30, 1693, the Lord Justice issued a proclamation for raising the value of these coins, indicating that the amount was rather considerable, so that the Lord Justice paid attention to them. The exact amount, however, was not known.

In 1701 foreign coins were recoined, to the amount of £1,400,000. But their import had been great since the recoineage, and therefore we could not tell how much there was in 1693. On the other hand, not all of the foreign coins in circulation in 1701 were returned to the mint to be recoined, which would mean that the amount in circulation in 1701 was probably larger than the amount recoined. It may be surmised that the actual amount of foreign coins in circulation in 1693 was in the neighbourhood of £1,000,000.

It is difficult to estimate the amount of tin and copper moneys that were in circulation at the time of the recoineage. To the best of our knowledge the amount was not more than £200,000. It had not been profitable for the patentees to coin either copper or tin farthings and halfpence for some years owing to the high market price of the metals. Nor did the mint produce much. It was not until July 1692 that copper money was coined in greater quantities, i.e. at the rate of 100 tons of copper a year at 24d per lb, giving a total of £56,000 a year.

It would seem, therefore, that silver coins were still the predominant means of payment at the time of the recoineage. Although the amount of copper and tin moneys was small, owing to their greater velocity their influence on commodity prices might not be so insignificant as their quantity indicated.

Bank credit was created by goldsmiths. They were called bankers. It may be said that during the reigns of Charles II and James II they were the principal financiers of the country, lending

1. Thomas Snelling, A View of the Copper Coin and Coinage of England (1766)
2. Journal of the House of Commons, April 6, 1696

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large sums of money to the Government. They created credit largely by issuing promissory notes to pay, which were acceptable to most merchants. They were rather prosperous for some years.

Whether they were prosperous after the ‘stoppage’ in 1672 was, however, an open question. Some writers maintained that despite the episode the position of goldsmiths had improved steadily afterwards for the ‘stoppage’ was no more than a partial suspension of payment of interest by the Exchequer on its loans.\(^1\) It was pointed out that there were a number of goldsmiths such as Sir Francis Child, Sir Richard Hoare, Charles Duncombe, and Richard Kent who did good business after 1672; that they were able to circulate their promissory notes without much difficulty and did not have to pay any interest on deposits up to the time the Bank of England was established;\(^s\) and that they subscribed heavily to loans raised by King William during the first three years of the war.

But it may be argued that goldsmiths as a whole were not prosperous after the episode in 1672. Although it was true that the ‘stoppage’ was only a partial suspension of payments on public debt, it seemed also to be true that the credit of Charles II’s Government never again recovered. The suspension of payments was first announced to be for twelve months only, but it was prolonged for another twelve months. In 1683 the Government discontinued all the interest payments on debts to the goldsmiths. During the reign of James II no interest was ever paid on the debts. The debts were not even recognized until 1701. The number of goldsmiths and bankers in 1677 was 44,\(^8\) but in 1695 it was reduced to twelve or fourteen.\(^4\) If they were prosperous, their number should have increased rather than decreased, unless there were amalgamations. But this is unlikely since they were partnerships and not companies.

Godfrey has told us that during the thirty years prior to 1695 the amount of money that the people lost owing to the bankruptcies of the goldsmiths was £2 million to £3 million. There

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2. One of the early accusations against the Bank of England was that the Bank offered interest on deposits in order to attract deposits away from the goldsmiths
4. This number was mentioned by Godfrey, director and deputy-governor of the Bank of England, in his tract, *A Short Account of the Bank of England* (1695)
were runs on the goldsmiths in 1674, 1678, 1682 and 1688. In 1686 the Corporation Bank failed.

The basis of credit was cash, and as the coinage of silver was never large after 1672, the amount of promissory notes issued by the goldsmiths must have been limited. Although they lent considerable sums of money to the Revolutionary Government during the first three years of the war, they were already in great difficulties in 1692 and could no longer support the Government in 1693. This led to the establishment of the Bank of England in 1694. Besides, general business conditions in the years from 1672 to 1694 were by no means good; goldsmiths could not be prosperous on their own.

There was no report on the amount of notes and bills issued by the Bank of England during the first two years of its operation, i.e. 1694 and 1695, but the balance sheet submitted by the Bank to the House of Commons on December 4, 1696, gave the amount of Sealed Bills outstanding as £893,800 and that of Notes for Running Cash as £764,196 10s 6d. There were £66,669 6s 6d of Specie Notes included in the Notes for Running Cash with about two-thirds of the Specie Notes being notes of larger denominations than £20, which carried interest at 6 per cent per annum. The balance sheet was as follows:

<table>
<thead>
<tr>
<th>Debit</th>
<th>Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sealed Bills</td>
<td>£</td>
</tr>
<tr>
<td>Notes for Running Cash</td>
<td>s</td>
</tr>
<tr>
<td>Money Borrowed in Holland</td>
<td>d</td>
</tr>
<tr>
<td>Interest due on Bank Bills</td>
<td></td>
</tr>
<tr>
<td>Balance</td>
<td></td>
</tr>
<tr>
<td>£2,101,187 13 5</td>
<td>£2,101,187 13 5</td>
</tr>
</tbody>
</table>

The Bank had lent the whole amount of capital of £1,200,000 to the Government by the end of 1695. The bills and notes issued by the Bank amounted to £1,657,996 10s 6d at the end of 1696,
against which tallies of £1,784,576 16s 5d were received. In view of the circumstances then existing – the shortage of silver coinage – this relatively small amount of notes and bills issued by the Bank should not have caused any inflation.
Chapter 2

THE ENGLISH MONETARY SYSTEM

The foundation of the English monetary system in the seventeenth century was laid in the various monetary measures adopted between the years from 1660 to 1666. Apart from the Act of 1660 for the lowering of the interest rate to 6 per cent, there were at least six significant monetary Acts passed by Parliament and proclaimed by the King during these years. The first was the proclamation of 1661 prohibiting the export of gold and silver bullion and coins and the buying and selling of bullion at higher prices than those given by the mint. Secondly, there was the proclamation of 1661 which raised the prices of English gold coins. Thirdly, an Act was passed in 1662 which initiated the production of silver coins by the mill and press. Fourthly, a warrant was issued in 1663 to commence the coining of guineas. Fifthly, an Act allowing free exportation of gold and silver bullion and foreign coins was passed in 1663. Lastly, the famous Act for Encouraging of Coynage was passed in 1666.

The proclamation prohibiting the export of gold and silver bullion etc was issued on June 10, 1661, and stated that the scarcity of money had been occasioned by the recent illegal and promiscuous buying and selling of gold and silver bullion at higher rates than were allowed by the mint. It was therefore ordained that, in order to preserve within the kingdom the amount of gold and silver already existing, no person should thereafter attempt to ship out any gold or silver in any form without special licence, on pain of such punishment as might be inflicted by the law.
THE ENGLISH MONETARY SYSTEM

Notwithstanding this proclamation gold bullion and coins continued to be exported in great quantities in July and August 1661, on account of the higher gold prices abroad. It ‘incited men to offend against all laws which had formerly been made against such exportation’. So the King decided to raise the current prices of gold coins in England. Consequently a proclamation was issued on August 26, 1661, declaring that the following gold coins should be current within the realm at the following values:

<table>
<thead>
<tr>
<th>Coin Type</th>
<th>Current at</th>
<th>to be current at</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Unite</td>
<td>22 0</td>
<td>23 6</td>
</tr>
<tr>
<td>Double Crown</td>
<td>11 0</td>
<td>11 9</td>
</tr>
<tr>
<td>Brittany Crown</td>
<td>5 6</td>
<td>5 10½</td>
</tr>
<tr>
<td>Thistle Crown</td>
<td>4 4½</td>
<td>4 8</td>
</tr>
<tr>
<td>Half-Crown</td>
<td>2 9</td>
<td>2 11</td>
</tr>
</tbody>
</table>

The same proclamation ordained that it would be lawful for anyone to refuse any coin which was lighter than the official weight, and reiterated that all the former statutes for preventing the exportation of gold and silver coins and bullions would be re-enforced by all officers of the Government.¹

In order to prevent clipping and counterfeiting, the idea of coining silver coins by the mill instead of by the hammer was considered by Parliament for some time, but it was not until the end of 1661 that Parliament passed a resolution on the matter. On January 17, 1662, an Order of Council was issued, ‘to pay to Sir William Parkhurst and Sir Anthony St Leger, knights and wardens of the Mint, £1,400 by way of imprest, to be employed for erecting houses, mills, engines, and other materials for the coining of money by the mill’.

But it is doubtful if the coining of silver coins by the mill was started at the appropriate time. While milled coins were less liable to clipping and counterfeiting than hammered ones, they were more liable to be melted down or hoarded than the latter. As a matter of fact there was already widespread melting even of hammered coins in 1662, which led Parliament on December 20, 1662, to adopt a resolution to prohibit this. The reason for melting and hoarding silver coins had to be simultaneously tackled if the benefit of coining milled money was to be realized.

HISTORICAL SETTING

In 1663 guineas were first coined. On December 24, 1663, the warrant on coining guineas was issued, which read as follows:

Our Will and Pleasure is and Wee Doe hereby require and authorize you to cause to be Coyned all such Gold and Silver as hereafter shall be brought into our Mint and delivered into you in the name and for the use of the Company of Royall Adventurers of England trading into Africa with a little Elephant in such convenient place upon our gold silver coynes respectively as you shall judge fitting which Wee intend as a marke of distinction from the rest of our gold and silver moneys and an Incouragement unto the said Company in the Importing of Gold and Silver to be coyned. And that our Twenty shilling piece of Crown gold to be coynd by the Mill and Presse may be even Twenty shillings in value after the rate commanded and allowed in our late Proclamation for the raising the price of gold in this our kingdome of England, or as neere as conveniently may bee. Our further will and pleasure is, and Wee doe hereby likewise command and authorize you to cause the pound Troy of our Crown gold hereafter to be cutt into forty and fower pieces and an halfe for Ten [sic] and see the rest of our gold coynes accordingly in proportion. And this shall be your sufficient warrant for soe doing. And the Warden Controller and Assay master of our Mint and the rest of Our Officers there are to take notice of Our Will and Pleasure herein that our said moneys may passe accordingly.

By his Majesties Comand

Henry Bennett.

To Our Trusty and Wellbeloved
Sr. Ralph Freman Knt. and Henry Slingesley Esq.
Masters and Workers of Our Mint or either of them.

From this warrant one can see that the original purpose in coining guineas was to facilitate the African trade carried on by the Company of Royal Adventurers of England. The name ‘guinea’ was not even mentioned in the warrant; the coin was later called ‘guinea’ by the public only because it was struck out of gold from Guinea. There was no denominative value given to the guinea, but it happened that the 20s piece of crown gold was intrinsically of the same value as a guinea, so that it was first rated at 20s. An elephant was stamped on the guinea, presumably because the Africans would regard it as of greater value and give more of their native products, including gold, in exchange for it. The other reason might have been to distinguish it from other
kinds of gold coins with a view to giving a good account of the company.

In 1663 free exportation of gold and silver bullion and foreign coins was also allowed. The Bill was introduced by His Majesty's Council of Trade possibly in early 1661, but it was not enacted until August 1, 1663. The Government explained why it had changed its policy of total prohibition in these words:

Foreasmuch as several considerable and advantageous trades cannot be conveniently driven and carried on without the species of money or bullion, and that it is found by experience that they are carried in great abundance (as to a common market) to such places as give free liberty for exporting the same, and the better to keep in and increase the current coins of this kingdom . . .

The Council of Trade argued that since the balance of trade was the principal cause for the export or import of bullion, the strictest of laws could not stop it if its movement was to depend on the balance of trade. If money was to be imported, the prohibitive law would stop it being brought in, since a merchant would rather send his money to Venice or Amsterdam than bring it to England where he could not export it when necessary. The Council stated that the laws of this kingdom hitherto made had been of no effect to the end thereby designed and that looking abroad there were nowhere more strict and severe laws against the exportation of coin and bullion than in Spain and France, but they were found to be of little avail. On the other hand, 'neither Venice, Tuscany, Genoa, nor the Netherlands have any mines at all of their own nor are at all careful to keep in money or bullion by any restraint of laws; yet they are always masters thereof, and some of them abound therein'. They pointed out that some trades could not be driven or managed to any advantage except by exporting money or bullion, such as the trades with East Indies, Norway and Turkey.

The advice of His Majesty's Council of Trade was written as early as December 11, 1660, but Charles II still issued a proclamation on July 10, 1661, to re-enforce the statutes for prohibiting both coin and bullion exports. Parliament did not take notice of the advice until two and a half years later. Even then there was no

1. See 'Advice of His Majesty's Council of Trade, concerning the Exportation of Gold and Silver in Foreign Coins and Bullion' (1660), being reprinted in J. R. McCulloch, *Old and Scarce Tracts on Money* (1856)
proclamation by the King to affirm the Act. Evidently the advice had not convinced the King or his Privy Council. A king in England always had the prerogative of granting licences for exporting coins and bullions while general prohibition was enforced; this Act, if affirmed, might have been regarded as renouncing a part of his prerogative rights.

The Act of 1663 permitting free export of bullion and foreign coins (but not English coins) brought no good results. It caused large quantities of silver bullion to ‘lie dead’ instead of being brought to the mint for coinage. With a view to encouraging silver coinage the famous Act for Encouraging of Coynage was passed towards the end of the year 1666 to make coinage free and gratuitous without paying anything to the King as seigniorage. The expenses of the mints were to be met by impositions on imports of wines, vinegar and beer. The King was even said to have expressed the desire to bear half of the coinage expenses in order to increase coinage, with a view to facilitating trade and commerce.

The provisions of the Act are so important that the following clauses may be quoted in full here:

Whereas it is obvious that the plenty of Current Coynes of Gold and Silver of this Kingdom is of great advantage to Trade and Commerce, for the Increase whereof, Your Majesty in your Princely Wisdom and Care, hath been graciously pleased to bear out of Your Revenue, half the charge of the Coynage of Silver-money: For the preventing of which Charge to your Majesty, and the Encourage-ment of the bringing of Gold and Silver into the Realm, to be converted into the Current Money of this Your Majesties’ Kingdom, We Your Majesties Duties and Loyal Subjects, do Give and Grant into Your Majesty, the Rates, Duties or Impositions following –

That whatsoever person or persons, native or Foreigners, alien or Stranger shall from and after the Twentieth day of December one thousand six hundred sixty and six bring any foreign coyn, plate or bullion of Gold or Silver, in mass, molten or alloyed, or any sort of manufacture of gold or silver into his Majesties’ Mint within the Kingdom of England, to be there melted down and coyned unto the current coyns of this Kingdom shall have the same there alloyed, melted down and coyned with all convenient speed without any defalcation, diminution or charge for the alloying, coynage or waste in coynage. So as that for every pound Troy of Crown or Standard-

THE ENGLISH MONETARY SYSTEM

Gold that shall be melted down and coyned as aforesaid, there shall be delivered out to him or them respectively, a pound Troy of the current coyns of this Kingdom, of Crown or Standard-Gold, And for every pound Troy of Sterling or Standard-Silver that shall be brought in and delivered by him or them to be alloyed, melted down and coyned as aforesaid, there shall be delivered out to him or them respectively a pound troy of the current coyns of this kingdom of sterling, or standard silver.

And whereas it cannot be reasonably expected that the expence, waste, and charge in assaying, melting down and coynage be borne by your Majesty, and for the further encouragement of coynage, be it enacted that for every tun of wines, vinegar, sider or beer that shall be imported or brought into the port of London or into any other port within the Kingdom of England, dominion of Wales, or Scotland, from and after the twentieth day of December 1666 there shall be levied, collected and paid the sum of ten shillings: And for every tun of Brandy-wines, or Strong waters that shall be imported as above said, the sum of 20 shillings and so proportionably for a greater or less quantity to be levied, collected and paid at the respective customhouses to the collectors, and other officers of the customs for the time being at the importation of the said commodities over and above all other duties charged, leviable and payable upon the said commodities and to be by them distinguished and kept apart from all other moneys by them collected and levied upon the same commodities.

And it is hereby further enacted that no moneys leviable and payable by this Act shall be applied or converted to any use or uses whatsoever, other than to the defraying the charge or expense of the Mint or Mints, and of the assaying, melting down, waste and coynage of gold and silver.

And it is hereby further enacted that there shall not be issued out of the Exchequer of the said moneys, in any one year for the fees and salaries of the officers of the Mint or Mints and towards the providing, maintaining and repairing of the houses, offices and building and other necessaries for assaying, melting down and coining, above the sum of three thousand pounds sterling money (£3,000); and the overplus of the said moneys so kept shall be employed for and towards the expense, waste and charge of assaying, melting down and coynage and buying in of gold and silver to coyn, and not otherwise.

That this Act shall continue and be in force until the Twentieth day of December, which shall be in the year 1671 and until the end of the first session of parliament then next following, and no longer. (Anno XVIII Caroli II Regis, An Act for Encouraging of Coynage, 1666)

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HISTORICAL SETTING

In spite of this Act, however, silver coinage did not increase much in the years after 1666, while gold coinage increased considerably. The Act was attacked by North and Adam Smith for equalizing the denominative value of a coin with its bullion value so that the melting down of coins was rendered more likely than if a seigniorage was made. But, in fact, this point was irrelevant. Since silver bullion was not brought to the mint for coinage in the first place, the question of melting down did not arise. The reason why silver bullion was not brought to the mint was that the market price of silver bullion was almost always a little higher than the denominative value given by the mint so that it was disadvantageous to do so. Moreover, silver bullion was exportable while coins were not. Therefore the Act did not achieve the expected result. Gratuity alone could have encouraged and induced coinage if there were no other factors working against it.

Gratuitous coinage did not remain long. This may seem a surprising statement, for it is generally supposed that England had a free and gratuitous coinage system for many, many years. It is true that the Act was successively renewed every seven years and made perpetual in 1768 and that the import duties which were to defray the expenses of the coinage were also successively provided for by law. But thanks to the mint indentures, which we have had the privilege of inspecting, it seems certain that England did not have a free, gratuitous monetary system as early as 1686. So it lasted only about twenty years. Of course, it was formally suspended in 1789 in consequence of the low market price of bullion and finally abolished in 1816.

Thomas Neale was appointed master and worker of the mint at the Tower in 1686 and his indenture was dated July 23, 1686. His salary was £500 a year and the total expenses on fees and salaries for all the staff of the mint were given as £2,600. He was required to make eight kinds of silver money, namely, (1) crowns, (2) half-crowns, (3) shillings, (4) half-shillings, (5) groats (fourpence), (6) half-sixpence, (7) half-groats, and (8) pennies. Every pound weight of silver was to make 3 pounds and 2 shillings sterling with a fineness of 11 oz 2 dwt of silver and 18 dwt of

1. See Palgrave, Dictionary of Political Economy, ed by Henry Higgs (1925), under the headings Brassage, Free Coinage and Mint
2. Goldsmiths' Library MS 51
THE ENGLISH MONETARY SYSTEM

alloy. And it was stipulated that the master should take 1s 4½d for coinage every pound weight of silver with 8d paid to the mon-
eyers. The indenture reads as follows:

And the said Thomas Neale shall have and receive the sume of one Shilling and sfloure pence halfe penny to be by him taken for the Coynage of every pound weight Troy of Silver moneys for the paying, beareing, and sustaing of all manner of Waste Provisions necessaryes and Charges coming, arising, and growing in or about the Coyning of His Mat.ies Crownes, halfe Crownes, Shillings, and six pences of Silver money by the Mill and press out of the moneys to be paid and payable unto him as is hereinafter Expressed.

And the said Ma.r shall out of the one Shilling & fower pence halfe penny allowed to him as afore-said and received by him for every pound weight troy of the moneys of Silver from time to time pay unto the moneyers the sume of eight pence for the making of every pound weight Troy of the said Silver moneys by the Mill and Presse according to the undertaking and Agreement of the said Moneys with the said Ma.r and Worker.

It was further stipulated in the indenture that an allowance of 2 dwt over or under the standard either in weight or in fineness of one pound weight troy would be permitted.

Thomas Neale was also to make four kinds of crown gold, namely, (1) ten shilling pieces, (2) twenty shilling pieces, (3) forty shilling pieces, and (4) five pound pieces. Every pound weight of gold was to hold £4.44 10s in talle and 22 carats of gold and 2 carats of alloy in fineness. The coinage expense for every pound weight of gold was 6s 6d and the moneyers should receive 3s out of it. As the indenture reads:

And the said Thomas Neale shall have and receive the sume of Six Shillings and Six pence for the Coynage of every pound weight of gold moneys to be by him detainted and kept for the paying, bear-
ing, and sustaing of all manner of Waste Provisions necessaryes and charges coming, arising and growing in & about the Coyning of his Mat.ies said Gold moneys by the Mill and Press out of the moneys to be paid and payable to him as is hereinafter Expressed.

And the said Ma.r shall out of the Six Shillings Six pence allowed unto him and to be received by him as afore-said for every pound weight Troy of the moneys of Gold from time to time pay unto the moneyers the sume of Three Shillings for their Labour, Waste, and Charges in the Coyning of every pound weight Troy of the said Gold
moneys by the Mill and presse according to the undertaking and
Agreem.t of the said moniers with the said Ma.r and Worker.

Sir Isaac Newton became warden of the mint in 1696 and
succeeded Neale as master in 1699. His indenture was about the
same as Neale’s, authorizing him to receive the sum of one shilling
and four and one-half pence for the coinage of every pound troy
of silver money and to pay eight pence to the moneyers.¹

The investigation and report of Newton on Mr Allardes in
1710 also showed that both the mint at the Tower and that at
Edinburgh charged allowances for coining money at the time.
Mr Allardes was for a time Master of the Mint at Edinburgh and
was alleged to have been corrupt. The Lord High Treasurer, the
Earl of Godolphin, ordered Newton to make an investigation
into the accounts of Mr Allardes for the late coinage of silver
money at Edinburgh. Consequently Newton reported in a letter
dated February 16, 1710, that by the indenture of the mint at the
Tower the master and worker was allowed sixteen and one-half
pence upon one pound troy weight for coining silver money and
that by the ‘Act of Parliament made in Scotland, AD 1690, the
Master of that Mint was allowed twenty pounds Scots upon the
stone weight Scots for coinage of Silver money and this allowance
was in use till the Union’ established in 1707. He added, however,
that after 1707 he could not tell whether there was any change in
the allowances at that mint. He said that during the term of office
of Mr Allardes there had been coined 104,227 pounds troy weight
and 10 ounces and that while the allowance for this coinage should
come to £7,165 12s 5d according to the indenture of the mint at
the Tower, he was not sure what the allowance would come to
according to the indenture of the Edinburgh mint. Therefore he
concluded that in order to find out the exact amount of fund
deficient by Mr Allardes, although it was probably two or three
thousand pounds, the amount of allowances entitled to him should
first be ascertained.²

We are not particularly interested in Mr Allardes’s case in itself.
Only the fact that Newton had mentioned the allowances charged
by the mints is interesting since it means that England did not
have gratuitous coinage in those years.

¹. See W. A. Shaw, Select Tracts and Documents illustrative of English Monetary
History 1626–1730 (1933), pp 151–2
². For the text of Newton’s letter to Godolphin, see Shaw, Select Tracts, pp 150–1
Newton’s successor as mint master was John Conduit, and his indenture was dated August 23, 1732.\(^1\) In this indenture no material change in the terms compared with Neale’s or Newton’s is to be found: Conduit was to receive £1 4½d as allowance for minting one pound troy weight of silver and 6s 6d for gold, out of which 8d and 3s were to be paid to the moneyers respectively.

But in 1770 when Charles Sloane Cadogan became Master of the Mint at the Tower, the allowances retained by the mints were greatly increased for minting some kinds of money, while there was little change for some other kinds, as shown by the following table:\(^2\)

<table>
<thead>
<tr>
<th>Table XI</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Costs in the Coinage of Money, 1770</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>For</th>
<th>To the Moneyers</th>
<th>Melter</th>
<th>Die Forger</th>
<th>Master</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guinea</td>
<td>3 0</td>
<td>1 1</td>
<td>1</td>
<td>1 10</td>
<td>6 0</td>
</tr>
<tr>
<td>Guinea</td>
<td>3 0</td>
<td>1 1</td>
<td>1½</td>
<td>1 10</td>
<td>6 0</td>
</tr>
<tr>
<td>Guinea</td>
<td>3 6</td>
<td>1 3</td>
<td>1½</td>
<td>1 10</td>
<td>8 1</td>
</tr>
<tr>
<td>Guinea</td>
<td>4 6</td>
<td>1 3</td>
<td>1½</td>
<td>1 10</td>
<td>7 10½</td>
</tr>
<tr>
<td>Guinea</td>
<td>6 0</td>
<td>1 10½</td>
<td>2</td>
<td>1 10</td>
<td>9 10½</td>
</tr>
<tr>
<td>Guinea</td>
<td>7 0</td>
<td>2 2</td>
<td>3</td>
<td>1 10</td>
<td>11 3</td>
</tr>
<tr>
<td>Crown</td>
<td>10½</td>
<td>3½</td>
<td>½</td>
<td>3½</td>
<td>1 5½</td>
</tr>
<tr>
<td>Crown</td>
<td>10½</td>
<td>3½</td>
<td>½</td>
<td>3½</td>
<td>1 5½</td>
</tr>
<tr>
<td>Shilling</td>
<td>1 2</td>
<td>4½</td>
<td>½</td>
<td>3½</td>
<td>1 10½</td>
</tr>
<tr>
<td>Shilling</td>
<td>1 2½</td>
<td>5½</td>
<td>½</td>
<td>3½</td>
<td>2 2</td>
</tr>
<tr>
<td>Shilling</td>
<td>1 6½</td>
<td>6</td>
<td>1</td>
<td>3½</td>
<td>2 4½</td>
</tr>
<tr>
<td>Shilling</td>
<td>1 9½</td>
<td>7</td>
<td>2</td>
<td>3½</td>
<td>2 9½</td>
</tr>
<tr>
<td>Shilling</td>
<td>2 0</td>
<td>8</td>
<td>3</td>
<td>3½</td>
<td>3 2½</td>
</tr>
<tr>
<td>Pennies</td>
<td>2 6</td>
<td>10</td>
<td>4</td>
<td>3½</td>
<td>3 11½</td>
</tr>
</tbody>
</table>

In the ‘Act of Remediying the Ill State of the Coin of the Kingdom’, there was the stipulation that the mints might charge the Treasury for recoining clipped coins at 14 pence upon every pound troy weight in addition to the charge for melting and refining the coins. It is clear, therefore, that even the Treasury had to pay allowances for minting its money in 1696. It was Lowndes who suggested that the Treasury should pay only 14 pence instead of £1 4½d.\(^3\)

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1. See Goldsmiths’ Library MS 102
2. Goldsmiths’ Library MS 700
HISTORICAL SETTING

There was also an account presented to the House of Commons in 1718 by Newton and two other mint officers of the charges made for the coinage of gold and silver money from 1710 to 1717. This shows that there was no gratuitous coinage during these years.

It seems evident, therefore, that at least from 1686 to 1770 England did not have a gratuitous coinage system as is commonly assumed. It is probable, in fact, that from 1670 onwards when Henry Slingsby was made master and worker of the mint, England had virtually gone off the gratuitous system, for Lowndes stated that the indenture of Slingsby was just the same as Neale's. As to why the Act of 1666 was nominally renewed so many times, this may be explained, in the first place, by the fact that the Government would have liked to retain the so-called coinage duty provided in the Act, which yielded substantially. Secondly, since the passing of the Act up to the end of the eighteenth century the coinage of silver had never been large, so that the successive renewals probably only expressed the continued desire of the Government to increase the coinage of silver, which was the original intent of the Act.

Finally, it may be observed that the coinage charges took the form of a rebate so that it would not affect the fineness, the size or denomination of the coin. In fact, this charging in the form of a rebate was probably a longstanding practice, not a novelty at the time of 1670 or 1686.

Was England during the period from 1660 to 1695 on a simple silver standard or on a parallel or bimetallic standard? What the standard may have been called is immaterial. The fact was that both gold and silver were coined at the mints and that both were legal tender to any amount and considered as money, for which commodities were exchanged. On the other hand, gold coins were rated on shillings and pence which were silver coins, and gold coins had fluctuating market values. In any case, there were two main characteristics of the system at the time. First, the mints

1. In his book, *The First Nine Years of the Bank of England* (1887), on p 240, Rogers had stated that "The English Mint levied on the bullion coined a pretty heavy seigniorage to cover charges, for the coin had to carry not only the fourteen pence per pound charge for manufacture but the cost of melting and refining", meaning that the English coinage system was not a gratuitous but a seigniorage system. It is surprising that this statement has long been ignored by writers on the English monetary system
were open for coinage of both gold and silver moneys. Secondly, the public accepted both gold and silver coins in payment for debts, although gold coins were accepted at no fixed rate.

As may be recalled, gold and silver in bullion and foreign coins were freely exportable after 1663, but gold and silver coins made on British soil were not. However, the Company of Royal Adventurers of England (commonly called Royal Africa Company) could always export guineas provided that they imported the gold with which to coin the guineas. And it was always easier to obtain a licence from the King to export gold coins than silver coins when occasion arose.

England had two kinds of silver money after 1663, hammered and milled. Prior to 1663 silver money consisted of hammered coins only. The workmanship of the hammered coins was so poor that they were most liable to be clipped and counterfeited; they had no exact size or dimensions, not even imprints, and were of different weights. But because most of them were being clipped and under weight, they were not fit to be melted down and exported. Therefore most of them remained in circulation in the country. There had been no demonetization of hammered coins since Queen Elizabeth, except those coins struck during the Usurpation, which were demonetized by Charles II in 1671, and those groats which had not been current since 1676.

After 1663 only milled coins were struck. They were not so easily clipped and counterfeited, but were more liable to be hoarded and melted down and exported than the hammered ones. The standard of both the milled and hammered coins was the same, which had not been altered since the 43rd year of Queen Elizabeth’s reign (1601), i.e. for every pound troy weight of silver three pounds and two shillings sterling were coined, with a fineness of eleven ounces and two pennyweight of fine silver and eighteen pennyweight of alloy, and with an allowance of two pence in weight or in fineness.

There were also two kinds of gold coins circulating at the time. One was called Old Gold, the Eagle coin, the fineness of which was twenty-three carats and three grains and a half fine and only half a grain alloy. The number of pounds coined out of a pound weight of gold of this standard had been successively raised to £44 10s at the time of Charles I. Since the Restoration in 1660, little of gold coin of this standard had been coined. The indenture
of Henry Slingsby in 1670 did not require him to coin gold coins of this standard.

The other kind of gold coins was Crown Gold, with a fineness of twenty-two carats fine and two carats alloy. The guinea was likewise of this standard. The number of pounds coined out of a pound weight of gold of this standard had been successively raised to £44 10s by 1670. From that date onwards only gold coins of this standard were coined.

It appears that the monetary measures adopted between 1660 and 1666 did not affect silver coinage so much as gold coinage. From the following table it will be seen that after 1666 silver coinage was not as large as gold coinage, especially after 1676. From that date until 1695 gold coinage was several times greater than silver coinage, while from 1696 to 1700 the large silver coinage was entirely due to the recoinage. Whenever gold coinage increased, silver coinage was low.

<table>
<thead>
<tr>
<th>Year</th>
<th>Gold</th>
<th>Silver</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£ s d</td>
<td>£ s d</td>
</tr>
<tr>
<td>1660–5</td>
<td>112,868 12 4</td>
<td>902,004 5 5</td>
</tr>
<tr>
<td>1666–70</td>
<td>678,900 15 1</td>
<td>422,626 4 7</td>
</tr>
<tr>
<td>1671–5</td>
<td>523,426 17 2</td>
<td>750,032 3 9</td>
</tr>
<tr>
<td>1676–80</td>
<td>1,704,367 10 0</td>
<td>242,338 19 8</td>
</tr>
<tr>
<td>1681–5</td>
<td>1,675,268 14 5</td>
<td>499,951 15 7</td>
</tr>
<tr>
<td>1686–90</td>
<td>1,717,188 18 6</td>
<td>485,242 7 9</td>
</tr>
<tr>
<td>1691–5</td>
<td>224,963 14 11</td>
<td>17,167 7 3</td>
</tr>
<tr>
<td>1696–1700</td>
<td>992,219 3 9</td>
<td>5,106,019 10 11</td>
</tr>
<tr>
<td>Total</td>
<td>£7,669,205 6 2</td>
<td>£8,423,382 14 11</td>
</tr>
</tbody>
</table>

Source: Haynes, *Brief Memoires* (Goldsmiths' Library MS 72), wherein he gave the annual figures.

It may be said that the insufficient supply of silver coins after 1666 was responsible for the incessant outcry about the shortage of money at the time and for the charge that the Encouragement Act of 1666 was a failure. This was why in 1671 Lord Lucas made a severe speech in the House of Lords in the presence of the King, criticizing the Government for failing to make money plentiful. Here is an account of his speech by Rudings:²

THE ENGLISH MONETARY SYSTEM

His Lordship began by stating the disappointment of all those hopes under the impression of which His Majesty had been recalled to the excise of the regal power; that the burdens of his subjects, instead of being lightened, had been increased whilst their strength to support them was diminished; that in the times of the late usurping power, though the taxes were great, yet there was plenty of money throughout the nation to pay them with. Now, says he, there is nothing of this, brick is required of us, and no straw allowed to make it with. For that our lands are thrown up, and corn and cattle are of little value, is notorious to all the world. And it is evident that there is scarcity of money, for all the parliament money called breeches (a fit stamp for the coin of the rump) has wholly vanished; the king's proclamation and the Dutch have swept it all away, and of his new majesty's coin there appears but very little; so that in effect, we have none left for common use, but a little lean-coined money of the late three former princes; unless it be of copper farthings; and this is the metal that is to vindicate, according to the inscription on it, the dominion of the four seas.

There were several reasons why gold coinage was especially large after 1676, while silver coinage was small. In the first place, since 1601 the mints had never raised the denominative value of silver, whereas that of gold was successively raised. In that year a pound troy weight of silver of 11 oz 2 dwt fine was coined into £3 2s, and it remained so throughout the years. A pound weight of crown gold of 22 carats fine, however, was coined into £33 10s in that year, but into £37 4s in the second year of James I's reign, and into £40 18s 4d in the tenth year of his reign. In the second year of Charles I's reign it was raised to £41, and in the tenth year of Charles II's reign (1670) it was further denominated into £44 10s. As one of the purposes in raising the value of coins was to prevent them from being exported and to attract bullion to the mint for coinage, it was not just a coincidence that since raising the denominative value of gold in 1670 to £44 10s per pound weight its coinage had been considerable.

Secondly, raising the denominative values of gold coins in 1661 had resulted in a higher value of gold in England than on the Continent as compared with silver, the consequence being an influx of gold bullion and an outflow of silver bullion. It may be recalled that in 1661 the 'Unite' was raised to 23s 6d a-piece, which made the ratio between gold and silver 1 to
15.5, while that in Hamburg, for instance, was only 1 to 15.0 in the years from 1661 to 1700. Although the avowed purpose of raising the denominative values of gold coins was merely to make the ratio of values between gold and silver in England correspond to that on the Continent, it was not unlikely that in order to keep gold coins within the country the Government in 1661 had intended to outstrip the continental ratio.

Thirdly, during the whole of the seventeenth century the world production of gold, as compared with silver, had increased both in absolute amount and in relative value. Therefore it was natural that more gold bullion was available for coinage than silver bullion. The following table sets out the annual average figures of world production of gold and silver during the seventeenth century. It should be noted, however, that during this period, although the tendency was for gold to rise both in production and in value and for silver to fall correspondingly, the predominant position of silver was still well maintained.

**Table XIII**

World production of Gold and Silver in the Seventeenth Century

<table>
<thead>
<tr>
<th>Period</th>
<th>Annual Gold Average Kg</th>
<th>Percent-</th>
<th>Annual Silver Average Kg</th>
<th>Percent-</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>age by</td>
<td></td>
<td>age by</td>
</tr>
<tr>
<td></td>
<td></td>
<td>value</td>
<td></td>
<td>value</td>
</tr>
<tr>
<td>1601–20</td>
<td>8,520</td>
<td>19.8</td>
<td>422,900</td>
<td>80.2</td>
</tr>
<tr>
<td>1621–40</td>
<td>8,300</td>
<td>22.8</td>
<td>395,600</td>
<td>77.2</td>
</tr>
<tr>
<td>1641–60</td>
<td>8,770</td>
<td>25.8</td>
<td>366,300</td>
<td>74.2</td>
</tr>
<tr>
<td>1661–80</td>
<td>9,260</td>
<td>29.2</td>
<td>337,000</td>
<td>70.8</td>
</tr>
<tr>
<td>1681–1700</td>
<td>10,765</td>
<td>32.1</td>
<td>341,900</td>
<td>67.9</td>
</tr>
</tbody>
</table>

It should be noted that the rating of gold coins by the mint had been only nominal, for there was no law restricting their passing at the mint rates only. As a matter of fact, the Government often

1. At 236 6d a 'Unite', a pound weight of gold would coin £48 2s, and, as a pound troy weight of silver would coin £3 5s, the ratio between gold and silver would be 1 to 15.5 plus


raised their denominative value as occasion arose. For instance, in the ninth year of James I’s reign the denominative values of all gold coins were proclaimed to be raised by two shillings in every twenty shillings, and there was another rise in 1661. The official ratings, moreover, were to be applied to government offices only; private transactions were not to be controlled, and there was no prosecution for those who wanted to trade their gold coins at other than official rates. Consequently there were market rates for all gold coins, which fluctuated sometimes greatly but sometimes only slightly. Guineas moved from 21s 3d to 21s 9d in the years before 1696. Rogers stated that they cost 21s 6d apiece in 1673 and 1680, 21s 6d and 21s 8d in 1683, and 21s 6d in 1695.

There were two theories about the market rates of guineas. One was that the market rate of guineas was primarily determined by market conditions and that the Government could do nothing about it. It was argued that the increase in trade and wealth of the country in the latter part of the seventeenth century had made gold a more convenient metal to use in business transactions, so that guineas were rated higher in England than on the Continent, and that gold was imported and silver exported. Lord Liverpool asserted that commodity prices had increased ‘so that payments in general required coins made of the most valuable metal’.

The other theory was that the Government had the power to regulate the rates of guineas because its offices accepted and paid guineas at the official rate, and because the public were afraid of breaking the law.

It appears that Macaulay and Liverpool were not aware of the proclamation of 1661 which raised the denominative value of the gold coin ‘Unite’ from 22s to 23s 6d. The market rate of the guinea was 21s 6d after 1663, which merely followed the adjusted rates for Unite and other crown gold pieces. The raising of their denominative values was about 7 per cent; so a guinea with the same intrinsic value as a 20-shilling piece of crown gold should have fetched the market price of 21s 4d to 21s 6d.

During the whole period from 1666 to 1695 the market price of

1. Lowndes, op cit, p 198
2. Rogers, History of Agriculture and Prices in England, Vol V, Ch 18

$1 \underline{20477}$
silver bullion was never below the mint price of £3 2s per pound troy weight, but always one to two pence higher. When the need for its export was great, its market price rose to three or four pence above the mint price. Writers at the time of the recoinage, including Locke, acknowledged the fact that there were market prices for silver bullion for years.

What was the cause, or causes, for the rise of the market price of silver above its mint price? It has been suggested that the high market price for silver was primarily due to the imperfection of the silver coins,¹ for which silver bullion was exchanged. It was pointed out as a fact that silver could always be obtained at the mint price if bought with new milled coins. It was also argued that the high market price for silver was principally due to the demand for its export required by the East India Company and exchange dealers, coupled with the fact that silver coins could not be exported; that is to say, if there was no demand for its export, there would be no occasion for its market price to rise, and, if silver coins could be exported, there would be no necessity to buy bullion for export, but to export silver coins.

It is undoubtedly true that the imperfect state of current silver coins had contributed to the rise in the market price of silver bullion, especially when the coins were in extremely bad condition. But it is worth noting that after the recoinage in 1696 when all silver coins were in perfectly good condition, the market price of silver bullion remained above the mint price for a number of years.² The occasion for its export was at the time certainly a very important cause for a rise in the market price of silver bullion. But the market price of silver bullion seems to have been influenced also by the general monetary conditions which could have caused all commodity prices to rise, including that of silver.

¹. For more details of this view, see Chapters 4 and 5
². See Chapter 11 for market prices of silver immediately after the recoinage
Chapter 3

MONETARY CONDITIONS ON THE EVE OF THE RECOINAGE

Because of the war with France, monetary conditions in England were rather unsatisfactory from 1689 to 1696. During the period silver bullion was exported to an alarming extent and milled silver coins were hoarded. There were signs of capital flight. Clipping on silver coins was greatly increased, while the coinage of silver was practically nil. By the end of 1695 the prices of gold, silver bullion and guineas had risen to an extraordinary extent, and the exchange rate had fallen sharply.

On April 9, 1690, a petition from several working goldsmiths of London was read in the House of Commons. It stated that from October 1, 1689, to March 31, 1690 (a span of six months) there had been exported 286,120 ounces of silver bullion and 89,949 dollars of foreign coins. In his weekly paper Houghton recorded that between March 19, 1691, and April 16, 1692, the export of silver through the London customs amounted to 169,953 ounces, together with 84,756 pieces of foreign coins. An anonymous author wrote: "It appears by the Bills of Entry, That from the twenty-four of May 1689 to this present time (1695?) there hath been exported into Holland, Bullion or melted Silver 2,315,615 Ounces, Pieces of Eight and Dollars in Number 481,357."¹

Because of the critical political outlook after the demise of the

¹. *The True Causes of the Present Scarcity of Milled Money (1695?)*, by a writer of the time
Queen in December 1694, capital flight appeared to be causing alarm during the year 1695. It was mostly the work of foreigners. In a speech made in Parliament in 1695, Sir Thomas Roe observed that while the prevalent decay of money might be due to many causes, one being the export of it to Holland for profit, 'Much have been drawn away by Strangers upon fears of our Troubles; and the Exchanges are the great Mystery, especially such as are used as a trade & the greatest Danger to a State is, when Money is made Merchandise, which should be but the Measure thereof.'

Hoarding of milled coins became a general practice on the eve of the recoinage. It may be recalled that from 1663 to 1696 milled coins amounting to £3,709,437 14s 3d were minted, but nearly all of them had been melted down and exported or hoarded with little left in circulation. Therefore a merchant who received a sum of £35 found but 'only a single half-crown in milled silver'.

Davenant mentioned that the total amount of money hoarded was about £3,400,000, of which £2,200,000 was milled silver and £1,200,000 was in guineas and old gold coins. The reasons he gave for the hoarding of such a large amount of money were 'that ever since the year 1679 we have been a divided people; factions have rent us asunder; sometimes there was a persecution of dissenters; popery pressed hard upon us; there was just cause to apprehend an innovation in religious matters; and lastly, for a long while, the state of things was not thought stable and secure.

And, perhaps the doubts some people did entertain concerning the event of affairs, and the issue of a long war, may partly occasion that rarity of species which at present we complain of.'

On April 9, 1690, after having heard the petition of the goldsmiths, Parliament took up the question of silver export and referred it to a committee of thirty-two members. The petition stated that the East India Company for many years bought great quantities of silver for export at 3½d per ounce above the mint price, but that recently the Jews and foreign merchants did most of the exporting by melting down much plate and milled money, so that something should be done about it in order to prevent the mint from ceasing work.

1. Sir Thomas Roe's Speech in Parliament on Decay of Coin and Trade (1693)
3. C. Davenant, Discourses on the Public Revenues, Part II, Vol I, p 439
The Committee reported back to the House of Commons on May 7, 1690, stating (1) that the facts alleged by the goldsmiths were generally correct; (2) that over seven-eighths of the silver export was shipped off by the Jews 'who do any thing for their profit'; (3) that the cause of the export was the French King having raised the value of his coins by 10 per cent; (4) that various proposals had been suggested as remedies, but the Committee could not agree on which one to recommend, and (5) that the House should give the matter further consideration. The report is so interesting that we may quote from it here at length as recorded by the Journal of the House on May 7, 1690:

Sir Rich. Reynell reports from the Committee to whom the Petition of divers working Goldsmiths in and about the City of London was referred, That they had considered the Matters to them referred; and had directed a special Report to be made of the whole Matter to the House: The which he read in his Place; and afterwards, delivered the same in at the clerk's Table: where the same was read and is as followeth:

That it appears, by a Certificate from the Custom House, dated seventeenth April last, That great quantities of Silver have been of late exported; whereof we had a particular Account for the last Five Years: That above Seven Parts of Eight had been shipped off by the Jews, who do any thing for their Profit. The Reason was plain; that the French King of late, finding his Money very scarce, had raised his coin Ten Pounds per cent: which was an Encouragement to send Silver to fill his Coffers: which the Jews, for their Profit, exported daily in very great Quantities; That on Monday last, they had shipped off about Sixty thousand Ounces by the Name of Foreign Silver; and great Parcels more were ready to be shipped: which did make it scarce and dear, to the utter Ruin of the working Goldsmiths.

That there were also English, as well as Jew, who for their Advantages, would doubtless melt down our Crown Pieces, &c. and sell for Foreign Silver to the Undoing of the whole Nation for want of Money, unless a present Remedy were found to prevent Exportation of any Silver or Gold.

That the Committed held also certificates from the Officers of the Mint, for divers Years; and do find, that, of late, very small quantities have been coined.

That it was offered that the Profit of melting down one thousand Pounds of milled Money for Exportation was Twenty-five Pounds ready Money, and upwards.

That Silver was coined at the Mint at Five Shillings and two
pence per Ounce; but the time of Exportation, was generally sold
at Five Shillings and Three-pence Halfpenny per Ounce: which
gave occasion of its being melted down, and transported as Foreign
Silver.

That Divers Proposals were suggested.
1. A Total Prohibition.
2. A qualified Prohibition for certain Times, or an Imposition for
Exportation for Silver.

So that, though the Committee found the complaint of the Peti-
tions very just, and Inconveniences to the Kingdom very great, they
could not agree of a Way for the preventing the same; but were
humbly of Opinion, That it was worthy of the Consideration of the
House.

But the House could not decide what to do with the proposals
either, so no resolution followed immediately. For some five
years the ‘Bill of Exchange’ was pending in the House, but no
further action was taken. It was not until March 1695 that the
Committee to which the Bill was referred recommended that the
denominative value of the standard coins be raised by 10 per cent,
but the House still could not agree on what to do. It was on
December 10, 1695, that the House decided to make no alteration
of the silver standard.

Coin clipping was a malpractice as old as the existence of
metallic coins; they were clipped because in ordinary times they
could still circulate as full-weight coins if the diminution was not
too great. It was believed that as early as 1672 clipping had
become very common. According to Haynes, the loss of silver
through clipping was about 12 per cent in 1685, 15 per cent in
1688, 30 per cent in 1692, and 49 per cent in 1695.1 Apparently
clipping of silver coins was at its worst during the years 1692 to
1695.

Haynes’s figures were based upon the weight bags taken from
the tellers books in Queen Anne’s excise offices which probably
took only comparatively good coins when receiving payments
for taxes. Therefore it was possible that the state of clipping in
general was more serious than recorded by Haynes.

There was an excavation in 1923 at the old Customs house in
Bristol where a large hoard of silver coins believed to have been

1. Haynes, *Brief Memoires*, p 76
buried in 1688 was unearthed. It was found there that the coins had lost at least one-third of their weight. If they had lost one-third of their weight in 1688, instead of 15 per cent as suggested by Haynes, the general loss was probably more than 50 per cent in 1695. Clipping was so common a malpractice towards the end of 1694 that Fleetwood, afterwards Bishop of Ely, preached a sermon against it on December 16, 1694, in which he warned the people of the great calamities ahead of them in consequence of this scandalous clipping.

Although on May 3, 1695, the Act for Preventing, Counterfeiting and Clipping (6 and 7 William cap. 17) was passed, inflicting heavy penalties on violators, it produced no effect. There were three reasons for its failure. First, the law had not been executed by just officers. As Rogers wrote, 'some men who were most zealous and active in searching houses, but were clippers at the same time, exhibited this energy in order to mask their own proceedings, and were sometimes detected and punished because they could not resist the temptation of robbing the house which they searched'.

Secondly, the law remained ineffective because the public was in sympathy with the perpetrators, who did not regard the clipping of coins, though pernicious, to be as bad a crime as murder and robbery. Macaulay said: 'For the practice of clipping, pernicious as it was, did not excite in the common mind a detestation resembling that with which men regard murder, arson, robbery, even theft. The injury done by the whole of clippers to the whole society was indeed immense; but each particular act of clipping was a trifle. To pass a half-crown, after paring a pennyworth of silver from it, seemed a minute, an almost imperceptible fault. Even while the nation was crying out most loudly under the distress which the state of the currency had produced, every individual who was capital punished for contributing to bring the currency into that state had the general sympathy on his side. Constables were unwilling to arrest the offenders. Justices were unwilling to commit. Juries were unwilling to pronounce the word Guilty....'

2. W. Fleetwood, A Sermon against Clipping on Coin (1694)
3. Provisions of this act will be discussed in Chapter 7
HISTORICAL SETTING

Thirdly, the great profit derived from clipping had encouraged the people to defy the law. It should be noted that the profit from clipping or melting down coins and exporting the silver was in direct proportion to the exchange rate; that is, the more the exchange rate turned against the country, the more profit the clippers would get from their trade. It happened that since the passing of the Act in May, the exchange rate, already low, became more and more unfavourable to England, so it was rather profitable to clip the coins and export the silver. As exhibited in Table IV in Chapter I, the exchange rate with Amsterdam was 31·0 in May 1695, i.e. about 12 per cent below par, in June about 17 per cent below par, in July about 18 per cent, and in August about 25 per cent, the lowest rate of the year.

The amount of silver coined was very small after 1689. From January 1, 1690, to December 31, 1695, the coinage of silver amounted to only £19,383 16s 5d. In 1695 there was no silver coined except that brought by order of the Lord Almoner for making small money. The reasons, Haynes explained, were that the market price of silver in bullion had been much higher than the mint price and that the usual supply of bullion from Cadiz had been interrupted by the war waging at the time. In his own words: 'The Goldsmiths and Merchants who were the usuall Importers at the Mint found very good markets for their Silver in Bullion at 6s 1, 2, & 3 per oz to the Government, East India Company, and others, who besides that stop'd great sums which, as the heretofore would have come home from Cadiz in Specie, upon which account, together with the interruption of commerce by war, we expected very little from the Spanish Flatas, the Returns whereof were formerly brought to the Mint, and produced a constant coynage...'.

There was such a scarcity of money in 1695 that the Government even attempted to retain foreign coins by raising their values so as to discourage them from being exported. The Lord Justices issued a proclamation on May 30 to raise the denomi-

<table>
<thead>
<tr>
<th>With Weight</th>
<th>To Pass at</th>
</tr>
</thead>
<tbody>
<tr>
<td>dwt</td>
<td>gr</td>
</tr>
<tr>
<td>The French or Spanish Pistole</td>
<td>4</td>
</tr>
<tr>
<td>The Ducatoon</td>
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</tbody>
</table>

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MONETARY CONDITIONS ON THE EVE OF THE RECOINAGE

<table>
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<tr>
<th></th>
<th>With Weight</th>
<th></th>
<th>To Pass at</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>dwt  gr</td>
<td></td>
<td>s   d</td>
</tr>
<tr>
<td>The Pieces of Eight of Mexico and Seville</td>
<td>17  0</td>
<td></td>
<td>5   4</td>
</tr>
<tr>
<td>The Old Pere Piece</td>
<td>17  0</td>
<td></td>
<td>4 10</td>
</tr>
<tr>
<td>The Crusado of Portugal</td>
<td>10 20</td>
<td></td>
<td>3   6</td>
</tr>
</tbody>
</table>

The proclamation stipulated that in case of any deficiency in their weight, an allowance of 2d for each grain of gold and 3½d for half a pennyweight of silver might be given.

It may be added that the exchange rate and the market prices of gold and silver fluctuated most violently and frequently on the eve of the recoinage. The exchange rate moved 39 times during the year 1695; the discount in Amsterdam on drafts issued by English banks varied between 13.7 per cent and 23.5 per cent. Gold and silver in bullion and guineas attained their highest market prices. The price of silver changed 21 times and guineas 24 times.
PART TWO

Problems of the Recoinage
Chapter 4

THE PROBLEMS INVOLVED

The first problem considered in connection with the recoinage was whether the silver coins, though badly clipped, needed to be remedied at all. It was argued that the country derived some advantage by leaving them alone, for it was common knowledge that seigniorage coinage would make coins less liable to be melted down or to be exported and that clipping on coins would have the same effect; that is, when a coin was clipped, there was less likelihood of its being melted down and exported for its bullion value. Therefore Davenant stated that what held the species at home for many a year was its badness and that what was current in the country to support credit at the time was mainly the clipped coins. In spite of their poor quality, he said, the clipped coins had served as money units with which to settle accounts and carry on trades, especially retail trades.

Davenant pointed out that the fall in exchange rate and the rise in commodity prices were not entirely due to the bad state of the coinage. He maintained that while the clipped coins were not worth half their intrinsic value, not everything had doubled in price, nor had the exchange rate fallen by as much as one-half. He said that the rise in prices was due to a combination of causes and that the fall in the exchange rate was mainly due to the large remittances made abroad for the maintenance of the English army stationed in Flanders. He therefore concluded that the most effective way to restore the exchange rate would be to relieve the exchange pressure by arranging a loan in Holland.¹

¹. See Appendix II for these points
But a remedy for the clipped coinage was considered absolutely necessary for several reasons. First, it was pointed out that as long as clipped coins were in circulation, good and weighty ones would either be hoarded or melted down, and would never be in circulation; thus the country would be deprived of their use and benefit, as they became dead cash.

Secondly, it was contended that the bad condition of silver coins had led to the public refusing to use them and had caused endless confusion in the market, so that before concluding any bargain people were compelled first to settle the value of the very money they were to receive and pay. It was said that great controversy arose daily among the people in fairs, markets, and shops about passing or refusing the clipped coins, while the receipt and collection of public taxes and debts were retarded.

Thirdly, it was observed that the bad state of the silver coinage was at least responsible for the high price of guineas and of gold and silver in bullion, if not for the general rise in prices.

It seems clear that the case for a remedy for clipped coins was much stronger than the case against it. It was a real nuisance to trade at that time to have a measure of value which was not uniform in its quality. What the actual quality was was less important than its uniformity.

It is true that money is essentially a unit of account, which means that its quality can be disregarded, but when it is made metallic and has bullion value, it seems essential that its quality be kept uniform in order to avoid confusion.

It may be true that clipped coins were less liable to be exported than unclipped ones, but there were better ways to preserve the coins than by allowing them to remain in that state. For instance, devaluation would have been one of the ways of preserving silver coins, a measure Locke satirically termed a ‘public clipping’, but this was surely preferable to private clipping. The profit from ‘public clipping’ would go to the Government, whereas the profit from private clipping would go to the publicly condemned clippers.

A remedy for the clipped coins alone certainly would not have restored the exchange rate or lowered prices, which would have needed other deflationary measures, but it may nevertheless be regarded as a necessary step towards stabilizing the exchange rate and commodity prices. As a matter of fact, no reputable
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writer at the time, including Davenant, denied that there should be some remedy, but only questioned the advisability of taking the measure in wartime.

The question of whether it was advisable to take steps to remedy the clipped coins during the war was therefore really an issue which was much debated at the time. The 'Country Party', arguing for a postponement of the remedy until the end of the war, maintained that the Government was not yet in a position to take action, because it was so deeply engaged in other matters arising from the heavy pressure of a long war that 'it had neither leisure nor minds sufficiently disposed to think of a remedy'. Even the amount of clipped coins was not yet known, it was said, so that the Government would not know how to begin to tackle the problem. It was pointed out that to make good the coinage would take a large amount of silver bullion and unless the necessary bullion could be obtained, the measure would not be practicable. The war had drained the nation of a large amount of silver bullion and more would be needed. It was further argued that, if the measure necessitated a new tax, it would not be advisable to take action, since the people were already suffering under heavy taxes and a new tax would give them a fresh grievance. Finally, it was pointed out that the calling in of the clipped coins for recoinage would take time, so that there would be a long period during which the scarcity of species in circulation would be acutely felt, thus stopping trade and jeopardizing the war effort.

On the other hand, the 'Court Party', including the new Chancellor of the Exchequer, Montague, was in favour of applying a remedy at once, and argued that in order to arrest the falling tendency of the exchange rate and the rising prices of the guinea the remedy should be applied immediately, for it would become more and more difficult to do so with further delays. It was pointed out that the falling exchange rate and the high prices of the guinea had done great damage to the country, because its armies in Flanders were supported at greater expense and there were losses of silver. It was believed that gold would fetch lower prices abroad when it was exported, so that the exorbitant premiums on gold were a disadvantage to the country. Lastly, it was argued that an immediate remedy would enhance England's esteem abroad, which might be conducive to peace.
The arguments for and against immediate action have been ably described by Drake, who wrote:

The arguments were indeed weighty on either side. The reasons against calling in and recoinage our money were, that this was not fit conjuncture for it: That the nation was engaged in a burdensome and doubtful war by which the kingdom had already greatly suffered, and of which it grew every day more sensible: That therefore the people, on whose good affection the government so much depended, should not be provoked by fresh superadded grievances, greater than any they had yet felt, as those would certainly be that such arise from calling in our coin: That if this was done, however things might be managed and accommodated at home, it was impossible to maintain either our foreign commerce, or our foreign war, for neither the merchant could be paid his bills of exchange, nor the soldier receive his subsistence; That this therefore was to lay the axe to the root, and to dig up the foundations of the government: That if this design was prosecuted, trade must stand still for want of mutual payments, whence such great disorders and confusion would certainly follow, as would discourage and dishearten the people in the highest measure, if not drive them to a perfect despair: That therefore the recoinage our money at this time was by no means to be attempted without hazarding all.

It was alleged by those of the contrary opinion that the mischief would be fatal if a present remedy was not found out and applied: That by reason of the ill state of our coin, the change abroad was infinitely to our prejudice: That the supplies that were raised to maintain our army would never attain their end, being so much diminished and devoured by the unequal charge and exorbitant premiums before they reached the camp: That this was the unhappy cause that our guineas were mounted to thirty shillings, that therefore to this profitable market, and would continue to do so, till we should be impoverished and undone by our plenty of gold: That we must exchange for their gold our goods or our silver, till at last we should have only guineas to trade withal, which nobody could think our neighbours would be so kind to receive back at the value they were at here: That therefore this disease would every day take deeper root, in fact the very vitals of the nation, and, if not remedied, would soon become deplorable: That our enemies would sooner be induced to agree to honourable terms of peace, in case they saw us able to surmount this difficulty, by the retrieving the ill state of our coin, on which their hopes of our speedy ruins so much depended:

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That it would justly create a mighty esteem abroad of the greatness and wisdom of the parliament of England, which was able to conquer such an obstinate and almost insuperable evil, in such a juncture of affairs: That our enemies must be mightily intimidated by so great an action, and that it would be natural for them to conclude, that nothing would be impossible for a people who were able to disengage themselves from such an intricate mischief, and get above difficulties that were looked on as invincible.

The Government finally decided to promote the recoinage immediately. It may be observed, however, that those who argued against immediate action had more foresight than those who were in favour. For in 1696 and 1697, as a result of the clipped coins being called in, there was little money in circulation for trade purposes, and this greatly hampered the war effort. Contrary to the assertion that the remedy would intimidate the enemy, the Peace of Ryswick signed in September 1697 was not as favourable to England as it could have been. Davenant observed that if it were not for the recoinage, England could have held on for two to three more years and would not have to close with a peace ‘so distant from its intention and design’ when the war began. It was also misleading to argue that the exchange rate would immediately and automatically be restored and commodity prices lowered merely by recoinage the money; in fact, the Government had to take other deflationary measures, such as balancing the budget and lessening the amount of remittances, in order to do the trick. But was the Government in the position to balance its budget, contract credit, and reduce remittances? Apparently not. The fact that the recoinage took nearly four years to complete seems to show that it was prematurely done. It is also worth noting that at the end of the year 1695 the mint at the Tower was not yet equipped to coin such large quantities of money as required by the recoinage.¹

When the question of whether the silver money was to be remedied immediately or not was settled, the next question was how it was to be done. In this connection several problems arose. The first and most important one was whether the new money should be coined according to the old standard, or whether any alteration was to be made. This problem will be taken up in the

¹. For more details on this point please refer to Chapter 7

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next chapter. The second problem was maintaining sufficient money on the market for the purposes of trade when the clipped coins were called in. The third problem was obtaining silver bullion for the necessary recoinage, and the fourth one was meeting the expenses of recoinage.

The second problem was nearly as controversial as the first one. It would certainly have been very inconvenient for traders to carry on business, if about £10 million worth of money had disappeared from the market all of a sudden. For technical reasons it would also have been impossible for the mint at the Tower to turn out sufficient new coins soon enough to replace the called-in ones, as the machines installed at the mint were incapable of turning out large numbers of new coins in a short period of time, and there was not sufficient bullion to work with.

To tackle this problem, three alternative methods were suggested. First was the suggestion that the Government should allow the clipped coins to pass by weight until such time as they were all collected by government offices as payment for taxes. Locke and many others were advocates of this method. The second suggestion was that the Government should issue some kind of paper currency to bridge the gap. Wren, Heathcote, William James and others advocated this method. The third method suggested by Newton and others was that the Government should call in the clipped coins by stages and at the rate at which the mint could turn out the same amount of new money.

That the clipped coins should pass by weight and should be called in according to their bullion value was advocated for the following reasons: it was said that upon a similar occasion during the Usurpation in 1647 this method was adopted,¹ that Ireland was doing the same, and that the Piece of Eight was accepted in the market by weight.² It was also argued that to order the clipped coins to pass by weight would immediately draw out the hoarded heavy milled coins into circulation and therefore would increase the amount of money in use, and would also preserve the clipped coins from being further clipped, which would be the case if they were called in at face value. It was further stated that in the case

². Anonymous, *A Review of the Universal Remedy for All Diseases Incident to Coin* (1696)
of ordering the clipped coins to pass by weight only, there would be no necessity to fix a date after which they would not be accepted; it would be unjust to holders of clipped coins who might not have an opportunity to dispose of them before the fixed date. Lastly, it was pointed out that if the clipped coins were called in by weight only, it would cost the Government less to recoin them than if they were called in at face value.

However, there were weighty arguments against passing of the clipped coins by weight. The amount of deficiency in the clipped coins, it was said, was so great that the measure would mean a serious deflation prejudicial to debtors and innocent holders of clipped coins. It would give no inducement to people to exchange their clipped coins for new money, so that the recoinage would take a much longer time to complete. Nor would it induce people to make subscriptions to public loans, which would be the case if the clipped coins were accepted at face value by the Government. Lastly, it was pointed out that the difficulty in ascertaining the correct quality and weight of the clipped coins would be insurmountable, and that the Government would incur expenses in appointing many assayers in different parts of the country.

To those who argued that to impose a law to restrict the clipped coins to pass by weight would only cause losses to clippers, it was pointed out that this was not true because a large quantity of the clipped coins was already in the hands of traders and innocent people instead of those who made a trade of clipping. And to those who believed that commodity prices would fall with the passing of the clipped coins by weight so that there would be no real loss to holders, it was said that there was no certainty about the extent of the fall of commodity prices and that there was an inconsistency in the argument; for if it was assumed that holders of clipped coins would not suffer any losses because commodity prices would immediately be adjusted, then it could not be assumed that clippers had made, or would make, profit through the practice of clipping, since they could only realize a profit when the clipped coins could pass hands without raising commodity prices.

Regarding the suggestion of issuing paper money to bridge the gap when recoinage was in progress, some proposed that the issue be made permanent so that the country might benefit by an
increase in the money supply,\(^1\) while others maintained that the paper money should be withdrawn as soon as the new coins were made available or gradually as it was paid in to the tax offices.\(^2\) It was also proposed that the clipped coins should be entirely exchanged for paper money,\(^3\) but others would rather have seen the exchange partly in new coins and partly in paper money or government bonds.

The latter view was advocated by Wren. He suggested that every person who brought clipped coins to the mint should receive the same weight in new coins, as well as government tickets for the short weight caused by clipping. The government tickets would bear interest and be transferable. He would have liked the Government to make portable boxes with which to collect all the clipped coins, beginning on a certain date. He wrote:

> Let one certain Day be set by Authority, wherein Every Man out of Tenderness to his own Interest is required to set down in a Little Piece of Paper, Rolled-up, his Current Money in hand, whether his own, or Deposited, it matters not, an Example of such a Script is in the Margent. The Church Wardens are to carry about a Box with a Hole at the Top into which every Person drops his Roll; of the Contents no man need be conscious but himself. This may be done all over England in one day, the officers going from House to House. It is not to be Doubted, but when every Man understands, there can be no other End in this but the Publick Benefit, and his own Good, he will own but he has in his Chest; even the Avaricious, for fear of Loss will set down what he hath Hoarded, because what is not brought into the Mint, by a certain day, will be Estimated as Bullion by weight without the Recompence designed. No man hath any Temptation to write more or less than the Truth, the Ministers also Urging it as matter of Conscience to do a Publick Justice, when required. These Boxes are carefully Transmitted to the Nearest Justice of Peace, who sends them to the Sheriff, who puts them all into one Cask, and sends them by a day prefixed into the Mint, when

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1. William James, *Proposals about Regulating ye Cyn to the House of Commons* (1693?), MS 62 in Goldsmiths' Library
2. Gilbert Heathcote, *Gilbert Heathcote about ye Cyn* (1693), MS 62 in Goldsmiths' Library
3. John Horne, *Proposals Humbly offered to the Parliament for Regulating the Cyn of this Kingdom* (1693)
they are Thrown together, and Clerks appointed out of this promis-
cuous Heap to collect the Sum total.

Every Person, thus bringing it Money, received back in New
Coyn, as much as it weighs, and what it wants, to make up the value,
he receives in Tickets of the Mint payable in Course, with Interest,
which may be Transferred & Sold, or remain as a good Credit for
any Purpose.

This kind of proposal, however, was not acceptable to the
Government for two reasons. In the first place, the Government
feared that its own credit might not be good enough to command
people's confidence in accepting paper money or bonds for their
clipped coins. Secondly, it was believed that the administration
of such a plan would be rather clumsy.

There were good reasons for the Government to think it
inadvisable to issue paper money or bonds in exchange for
clipped coins at the time. The political situation was not stable.
The common people were likely to think that the Government
was not doing them justice by exchanging their money for paper.
The discount on the existing government bonds was already
heavy, and a further increase could only dampen the market.

But it is interesting to note here that in spite of the fact that the
Government did not adopt Wren's proposal, about seven months
after the beginning of the work of recoinage the Government
had to issue Exchequer Bills which were made current in 1697 as
means of payment.¹

In order that there would be no abrupt diminution in the
amount of silver species in circulation, Newton and others
suggested that the clipped coins be called in by degrees, i.e. one
kind after another. This method was finally adopted by the
Government. Newton wrote:

Considering that the Unmilled Money cannot be call'd in at once,
but must be Mill'd by Degrees, least the Nation in the mean time
want Running Cash & Market Money; it may be distinguished into
Severall Parcels, & each of them call'd in, and Mill'd Successively,
and this Distinction may be made, either by the Weight, or by the
Species of the Coyn. The first way would be Troublesome, the latter
is easy and expedit. For Half-Crowns, Shillings and Six Pennies are
easily distinguished and Separated, and so are the Half-Crowns of
one King from those of another. It may be propos'd therefore that
the Half-Crowns (as being most liable to Falsification) be first call'd

1. See Chapter 9 on more details about Exchequer Bills

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in while the Shillings & Sixpences Pass for Market-Money, and
that among the Half-Crowns, the Unmill’d ones of Charles the II, be
first call’d in and Mill’d, and then those of Charles the First, and so
on. Or else for greater dispatch, the Half-Crowns of Two Kings
(suppose Charles I & II) be first call’d in together and afterwards
the rest. Thus will the Nation Have running Cash during the
Coynage, and so soon all the Coyn of any Species is call’d in and
ceases to be Current, the Clipping & Counterfeiting of that Species
will be at an end. And by this Method all the Money may be Mill’d in
as short a time as the Mint can dispatch it, and Clipping & Coyning
be soonest at an end.

There was one serious difficulty in this method of calling in
clipped coins in stages and at their face value. This was the prob-
ability that those coins which were not first called in might be
clipped further. Clippers would be offered a chance to do this,
because these coins, no matter how badly clipped, would be called
in later and accepted at their face value. To prevent this further
clipping, the Government adopted a suggestion that the coins
called in later should immediately be stamped and punched by
the Government, with an order that the stamped and punched
coins should never be allowed to pass as currency again if they
were found to be defaced or further clipped.¹

It was indeed a problem to fix the successive dates on which
the clipped coins were to be called in. If too long a period were to
eclipse before they were called in, further clipping might occur;
if the dates were too close together some of them might be left
uncollected while the mints might find it difficult to recoin all in
time. In fixing the dates, therefore the Government both paid
attention to the possibility of further clipping on the one hand
and also took into consideration the probable amount of clipped
money that could be collected through taxes and loans within a
certain period of time, and the technical capacity of the mints to
turn out new money.

It was realized that in order to make the recoinage a suc-
cess, there would have to be enough silver bullion in the mints to
work with (which would be the first pre-requisite for its success),
otherwise the amount of new money coined out of the silver of
the clipped coins would be reduced. Since the clipped coins had
lost about 50 per cent of their weight, the amount of new coins

¹. Anonymous, Reasons Humbly offered for Stamping all the Broad Coyn of the Kingdom
(1695?)
THE PROBLEMS INVOLVED

would have been just 50 per cent of the amount of the clipped coins if the mints did not have extra silver to be minted. This diminution in the quantity of money would be a serious matter to trade. Therefore it was agreed that there should be a new supply of silver.

There were three suggestions on how the Government was to obtain silver. First, it was suggested that a law be passed to require all owners to give a certain percentage of their silver plate to the mints to be coined.\(^1\) Secondly, it was proposed that a tax of 6d be levied on every ounce of silver against all plate owners and silver importers who would not bring plate or silver to the mint to be coined.\(^2\) Thirdly, it was recommended that instead of levying a tax on those who would not bring silver to the mint, an inducement of 6d for every ounce of silver should be offered to encourage the people to bring in silver to be coined.\(^3\)

Parliament had several times considered the Bill for levying a tax on plate and bullion which would not be brought to the mint to be coined, but it was finally dropped in favour of the inducement plan, which was advocated by both Houblon and Wren. It would be difficult for the Government to know how much plate and bullion the people actually possessed if they would not declare it, and therefore it would be impossible for the Government to impose the tax. The inducement plan had the distinct advantage of obtaining the maximum amount of plate and silver from the public.

But the drawback of the inducement plan was that it would incur extra expenses in the recoining, as for every ounce of silver coined the Government would lose 6d more. At the time, the Government could not very well afford this extra expense, but in order to encourage silver coinage, it was decided to adopt this expedient and make it a temporary measure.

\(^1\) Anonymous, *A Proposal Humbly offered to the Honourable House of Commons for procuring Bullion to be coined forthwith, for supplying His Majesty and the whole Nation with good Money without prejudice or loss to any* (1695)

\(^2\) See the following anonymous tracts: (1) *Proposals Humbly offered to the Honourable House of Commons, First, for a Way, or Method, to procure Bullion; Secondly, That His Majesty and Subjects will be Gainers thereby; Thirdly, That it will highly tend to the Good of Trade and Commerce in general during the time the Moneys shall be Recoining* (1696). (2) *The Poor Man's Proposal, To Supply the Mint and Prevent Counterfeiting the Cows when Minded* (1696). (3) *Proposals for Raising One Million, By a Tax upon all Plate wrought, And Bullion already Imported* (1696)

\(^3\) John Houblon, *Proposal about the Cows* (1693 ?)
PROBLEMS OF THE RECOINAGE

It was clearly understood that the recoinage would involve the Government in great expense. As the clipped coins were to be called in at face value, the silver deficiency had to be made up. The Government had to establish more mints to speed up the recoinage. The next question was how to raise funds. It had been argued that since the clippers had gained a great deal from their practice, they should contribute to the fund accordingly. But in fact it was difficult to know who the clippers were. So it was decided that the funds should be contributed by the general public since they would benefit by the recoinage.

There were two ways of raising the fund, by loan, or by tax. Thomas Neale proposed that a loan be raised in the form of lottery tickets. Taxes on carriages and horses, or on houses, or on windows, were suggested. Parliament finally adopted the window tax.

Apart from the devaluation problem (which will be dealt with in the next chapter) there were two other important problems which were discussed during the recoinage. First, there was the problem of how to regulate the market price of the guinea. Secondly, there was the question of whether the silver coin, new or old, should be allowed to be exported or not. These problems arose after the recoinage began.

It should be remembered that the market price of the guinea was tolerably stable up to the beginning of 1695; although it had fluctuated for a long time, it seldom, if ever, exceeded 22s apiece, varying between 21s and 22s at most times. But it began to fluctuate violently in 1695. In the latter part of the year and at the beginning of 1696 it reached a peak of 29s 6d and 30s apiece. It was realized that the unstable price of the guinea had harmful effects on trade, which would come to a standstill if traders could not agree on the price of the medium of exchange. Traders complained to the Government that they had suffered losses because they had to receive the guinea in the market at a price higher than the value which the Government would allow in the payment of taxes.

1. Thomas Neale, About Mending the Cyn (1695)
2. Abel Slancx, A Proposal for a Fund, humbly offered ... [to] Encourage the Bringing in of bullion and Plate ... (1695)
3. Anonymous, A Proposal For Raising a Fund for Supply of the Deficiency of the Clay Money on Houses, Buildings, etc ... (1696)
4. For details about the tax, see Chapter 6
5. See the Journal of the House of Commons for February 13, 1696
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The high price of the guinea in 1695 and 1696 was due to several causes, such as the lack of silver coins in circulation, the bad state of the silver coins, and the fall in the exchange rate. The lack of silver coins in circulation had increased the demands for guineas as means of payment and hence their price. Owing to the bad state of silver coins the public had also avoided using them and preferred guineas. The fall in the exchange rate had led traders, the Bank of England and the Government to offer higher prices for guineas and gold bullion, instead of buying bills of exchange, when they had to remit funds to Holland.

This led to a discussion as to whether Parliament should act to regulate the market price of guineas. Some believed that when the clipped coins were called in and retrieved, the market price of the guinea would fall automatically. Others doubted if Parliament could regulate the value of the guinea if the market should think otherwise. It was argued that the regulation of the value of the guinea by Parliament would be just as futile as to regulate the prices of other commodities.

However, most people were of the opinion that Parliament should and could do something about the high price of the guinea.

There were arguments against lowering the high price of the guinea. First, it was said that it would involve a serious loss to traders and the Government, since traders and public receipt offices had received guineas at 29s or 30s apiece for some months, and so a reduction to, say, 22s would mean a loss of nearly 40 per cent. Secondly, it was pointed out that the guinea was the principal means of payment after the calling in of the clipped coins and that a reduction of its price would induce its export. The country could not lose the guinea at such a time without running the risk of having no money at all to use. Thirdly, it was argued that while the continued increase in the price of the guinea would disturb the market, to lower it would be an equal disturbance.

But the arguments for lowering the price of the guinea were weightier. It was pointed out that unless the price of the guinea was reduced to the same level as silver, as in other countries, England would continue to lose silver, and the new silver coins would be melted down and exported in bullion as soon as they came out of the mint. In order to prevent silver from being further
exported and to bring new silver coins into circulation, it was, therefore, necessary to lower the price of the guinea to its ‘real intrinsic value’. It was argued that if the guinea were to remain at 3os apiece, the profit to be made in importing gold and exporting silver would continue to be 30 per cent on each transaction.  

Secondly, it was pointed out that the high price of the guinea had resulted in a large quantity of gold being imported into the country. As the gold importer had to remit funds to Holland to pay for the cost of his gold, the rate of exchange was thus further depressed. If he shipped commodities to Holland, he probably would undersell the ordinary English exporters.

Thirdly, while one might argue against a change in the price of silver as it was the money-standard metal, no one could complain about the lowering of the price of gold since it was purely a commodity with a price which was variable according to circumstances. It was therefore contended that silver might be regarded as the measure of value, with a fixed price which could not be changed even by public authority, whilst gold could vary in price, not being the standard of value.

Lastly, it was argued that although the market mechanism might eventually bring down the price of the guinea, it might be necessary for Parliament to intervene in order to achieve the desired result sooner. Should the market keep up the price of the guinea any longer, the new silver money could totally disappear from the market and be exported in bullion. This, it was concluded, would cause the country a great inconvenience.

The question of whether or not to allow English silver coins to be exported had been the subject of great debates. Their export had long been prohibited by law. The Act of 1693 allowing for free export of bullion and free re-export of foreign coins did not include English coins. In 1695 a number of eminent people such as Wren, Houblon and Corbet advocated the free exportation of English silver coins. In that year Parliament seriously considered the matter.

Suggestions were made about how export of English coins could be permissible. Most people suggested that there should be the same complete freedom for English coins as for bullion.

1. Anonymous, *A Review of the Universal Remedy for All Diseases Incident to Coin* (1696)
2. Corbet, *Proposall concerning the Coin* (1696?)
and foreign coins. Some even advocated that only English coins should be allowed for export, and not bullion or foreign coins. It was recommended that only coins and bullion paid to the customs should be allowed for export. Others wanted to see the free exportation of English coins allowed for a certain trial period only, suggesting that merely a provisional law be passed.

There were several arguments for the free export of English coins. First, it was maintained that if the balance of trade was in favour of the country, laws prohibiting the export of its coins were unnecessary; but if the balance was against the country, such laws would become ineffective, since the honest and the timorous had of necessity to buy silver at high prices for export while the cunning would melt down coins for bullion. It was observed that the bullion price of silver had long before 1695 been 2d or 3d per oz above the mint price due to the need for exporting silver to discharge debts abroad, coupled with the fact that English coins could not be exported legally. It was pointed out that Holland had no law to prohibit the export of its coins and yet it became the great market for silver and gold and their depository, while Portugal and Spain, though fountains of both, could keep none in spite of the fact that there were laws against their export. John Houblon observed that the law prohibiting the export of English coins had been as ineffective as the law prohibiting the export of wool.

Secondly, it was held that the free exportation of coins would induce the people to bring bullion to the Mint to be coined so that the country would benefit by an increase in silver coinage. It was observed that one of the reasons why the people were tardy in bringing bullion to the Mint was that once it was turned into coin, it could not be exported freely, whereas if it remained in the form of bullion, it could be so exported.

Thirdly, it was contended that the English coins, although not freely exportable, had actually been exported in great quantities by the East India Company under licences. This, it was argued, was unjust, since every English subject should have the same rights in doing business; therefore it would only be just if all had the privilege of exporting coins.

Lastly, it was observed that in order to relieve pressure on the exchange rate, coins as well as bullion should be made exportable, since if coins could be freely exported, there would be less need
for traders to obtain bills of exchange to settle their debts abroad.

These were arguments advanced for the free export of coins. Let us now look at the arguments against it. First, it was argued that the country would be more liable to lose coins when they were freely exportable than when they were not, for in the latter case the public could not export coins without incurring some extra cost either in the process of smuggling or melting down, with the result that less coins would be exported.

Secondly, it was held that since the country had little money in circulation at the time, it would be necessary to preserve as much money as possible within the country, in order not only to have sufficient means of payment for the market but also to support the credit structure, which was at a high level. It was feared that actual circumstances were such that complete freedom for coin exports might mean greater losses of coins, which the country could not afford as it had already lost large amounts.

Thirdly, it was contended that once free export of coins were permitted, the malpractice of choosing the weighty ones for export might arise, and consequently only the light ones would be left in the country. Then there would be higher market prices for the weighty than for the light ones.

Fourthly, it was argued that though it might be true that coinage would be encouraged if all coins were made freely exportable, it would be little use if the country could not benefit from its use as money in internal circulation. In other words, it was argued that unless the country could keep the coins for use in internal circulation, there would be no point in encouraging their coinage.

Lastly, it was observed that the country had long adopted the policy of restricting coin exports while allowing free export of bullion, and that this policy had worked well for the country for decades. It was argued that the scarcity of silver coins since 1663 had been due not to the prohibition of coin exports, but rather to the free export of bullion; therefore it was the free export of bullion that should be rectified, not the prohibition on coin exports.

It appears that these arguments against the free export of coins carried the day, and the Government decided in favour of continuing the historical policy of prohibiting coin exports.

This chapter cannot be concluded without noting the highly interesting opinions of the Bank of England on the issues involved
THE PROBLEMS INVOLVED

in the recoinage. As a matter of fact, what the Government and Parliament resolved was mainly on the lines officially suggested by the Bank, as well as privately by the directors of the Bank.

In the first place, the Bank of England seems to have favoured immediate action on the recoinage of clipped coins. In complaining about the haste of the Government in meddling with the recoinage, Davenant suspected that the Bank was behind the scene. In his memorial to Lord Godolphin he stated:

... If the Ministers... had offer’d to the House what before had been represented to them, undoubtedly that wise Assembly (who consult the Kings Service and the Nations Good) had adjourn’d meddling with the Coyne at all, to a more convenient Season. What Secret Motive hurried the young Statesman on this warm advice soe fatall to their Matters Interest, cannot easily be guess’d; But 'twas apparent to all the World, That the Bank of England push’d it on with most vehemence ...

The reason why the Bank favoured immediate action was probably the belief that the bad state of clipped coins was the chief cause for the continuous rise in commodity prices and for the sharp fall in the exchange rate, and therefore the remedy should be applied immediately in order to save the country from being ruined. Houblon wrote:

Our Money being as bad, is the cause why all Goods & Merchandize together with Navall Stores, brought from other Countreys, are risen 25 p. cent in price; The Exchanges of Moneys between one Kingdom & State to another comes always nearest to the Intrinsically Value of that Money for wch. it is Exchanged, so that there is Loss by the Exchange of moneys between England & Holland & Spain one quarter part of what we usually made when Our Money was good, And the Exchange enhanceth the Price of Bullion here, for whereas Standard Silver, when Our Coin was of its due weight was sold here for 5s 3d per ounce, now it is sold for 6s 4d to 6s 6d per ounce and it is evident Bullion is not Dearer in other parts than it was heretofore; but the Alteration of the Exchange caused bye Abuse of our Coin renders Bullion so scarce & Dear with us as now it is.

The ill Consequences arising from the exporting the Coyn and Bullion hath been chiefly from the Melting down the Mill’d & other Weighty money, by private persons, whereby they have made an Unjust Gain to themselves. The Clipt Money having influenced the

1. See Appendix II
PROBLEMS OF THE RECOINAGE

Exchange the Gain was the greatest upon Transporting the Weighty Money, in Specie or melted down, So that 115 in clipt money has been given 100 in milled money. And whereas there hathe been above 8 millions of silver coined in mill’d money since the year 1660 it is presumed not one million thereof remains in the Kingdom.

In the second place, the Bank was in favour of calling in the clipped coins at their face value and paying the deficiency in weight by tallies. As Heathcote suggested,

... for the Manner of New Coining it, I am thinking it may be done some such way as this; That Suppose one carry £100 to the Tower, and the True Silver Coyn in it weighs £30. The person shall receive £50 in milled money, and a Tally, or some such thing for the other £50 which shall pass in all payments as money, and these, as the tax comes in, shall be gradually paid off & destroyed, by this means the want of so much money will be also supply’d and if an Encouraging price was given to bring in all the plate to the Mint, it might do very well.

Thirdly, the Bank recommended that an inducement should be offered for bringing in plates to the Mint to be coined instead of levying a tax on the plate not brought in. It was the opinion of Houblon that the inducement should be 6d per ounce and be paid in tallies.

Fourthly, it was strongly advocated by the Bank that the Government should take action to reduce the market price of the guinea so that the Bank might pay the English army fighting abroad without undue loss. In a letter dated July 7, 1696, addressed to William Blathwayt, who was the Minister of War during King William’s campaign in Flanders and performed the duties of the Secretary of State, the Commissioners of the Bank wrote:

We cannot forebear sending you a duplicate of what we wrote you the end of this month, noe repeating of our Instances by your hands to the King, that a stop may be putt to this mischievous high price of Gold and Guineas in England, which, as we have said, if not speedily done, will have most fatal and certain evill consequences, besides the utter disabling us or any one else from paying the army, this is a most perplexing matter to us, not so much for the loss we sustain by the contract made with My Lords of the Treasury, but for that (if this pernicious Trade of sending Gold from all parts of Europe to England continue) it will be impossible to comply with
it, but we will hope that his Majesty will speedily direct my Lords
the Justices by Proclamation to give remedy hereunto by reducing
the price of Guineas to the Par of our neighbours before this
extravagant rise.

In reply to this letter Blathwayt sent a letter to Lowndes on
July 11, 1696, stating that the matter had the approval of the
King and that he would like Lowndes to refer the matter to the
Lords of the Treasury for their consideration. ¹

Fifthly, the Bank suggested that silver coins be exportable on
payment of a small tax. Houblon was emphatic in pointing out
the futility of any law to prevent the export of coins if there was
an occasion for it. In his own words:

That Silver Coyn be permitted to be exported paying a small Duty,
[it being hardly possible by any Law to prevent it, as is evident by the
dayly Transporting of Wooll out of England, and the Coyn &
Bullion out of Spain & Portugal] notwithstanding the Severe Laws
of Death & Loss of Estate and in probability by such a Liberty
much less will be Sent out than hath been of late, for that upon the
reducing the Coyn, the Exchange will rise to that Degree, that it will
be more profitable & safe to remit by Exchange than to Transport
Coyn or Bullion; And the Coyn being reduced to its Ancient Weight
& Goodness will cause Guineas to Fall to 21s. 6d. so that the
Guineas may be Shipt out as well as Silver to Answer the Occasions
of Moneys in Foreign part for the Publick Service.

If it be objected that a permission to ship out our Coyn will
Diminish Our Silver & Gold . . .

As before is hinted, were there the Severest Laws against it, it
would certainly be melted down & Transported wch. is manifest by
the Small Quantity of Silver Coyn now extant in the Kingdom, and
the Plenty of Gold, which hath been purchased with Silver, but this
may be said the Fixing of our Silver Coyn to its due Weight and
Standard will bring the Exchange of Our Moneys with that of other
Nations so near to the True Value thereof that the Merchants will
rather remit their Moneys than Hazard the Coin by Sea, so that it
will not be Shipt off in such Quantities as of late years, and no more
will go out than of Absolute Necessity, for that the Profit thereto
by will be inconsiderable, however some will be Transported whilst
the Publick Service requires so great an Expence abroad.

Lastly, it may be mentioned that the Bank did not favour
devaluation. Both Houblon and Heathcote advocated the

¹ S. D. Horton, The Silver Pound (1889), Appendix (on the history of the guinea)
maintenance of the silver standard as it was. Heathcote argued that any diminution in the value of the coin would only lower the real value of all the revenues of the Government by price rises. He said that Sweden had a devaluation in 1677 which had proved injurious and futile. He added that the landlords might suffer the most as they could not raise their rents so easily, while the traders would benefit.
Chapter 5

THE PROBLEM OF DEVALUATION

The most important and controversial issue at the coinage was the question of whether the silver standard should be altered. All agreed that the weight or fineness of the new coins should not be changed, but the question was whether the denominative values of the new coins should be the same as the old ones; that is, whether there should be a devaluation. The arguments on both sides were indeed weighty and ingenious. The issue was debated in Parliament for over five years before the final decision not to alter the standard was made.

Those who argued in favour of raising the denominative values of the new coins advanced the following arguments.

First, it was argued that everyone in the market would know that silver bullion had a market price, so that if this was higher than the mint price, there would be no silver to be brought to the mint for coinage and at the same time the weighty coins would be melted down and sold for bullion. It was explained that unless the market and mint prices were the same, there would be no new coins produced, while the weighty ones would continue to be melted down detrimentally to the interests of the public. And the new money coined by the mint would only supply the melting pot. Thus Lowndes argued:

That it ought not to be Alleged that Silver has no price; for every Indenture of the Mint (having first Ascertain'd the Extrinsic Denomination of the Current Coins) has taken care also to Determine

1. The so-called 'Bill of Coinage' was debated in Parliament as early as 1691

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the Price of Value of the Silver to the Merchant or Importer, which was to be Answered in those Extrinsic Denominations; and daily Experience shows every Man, in Buying or Selling of Silver, that it has a Price or Value still Reckoned in these Extrinsic Denominations, although at present it much exceeds, as aforesaid, the said Rate of Sixty two Shillings for a Pound Troy.

It is a Matter of Fact well known to your Lordships, and (by the small Number of the Pieces of the present King, or of His Majesty and the Deceas’d Queen) it is perceiveable by every body else, that since Bullion hath borne a greater Price than Silver in the Coin, there has been none brought to the Mint to be Coin’d, either by Importers or others, unless some small Parcels, that were Seiz’d or sent thither by Publick Authority. And it is utterly against Reason for any Man to think, that any Bullion of Silver will be carried thither voluntarily to be Coin’d, till the Value of Silver Coin’d be Raised, at least as high as the Value of Silver in Bullion.

There would be two alternative ways of equalizing the market and mint prices of silver. One would be to lower the market price, and the other to raise the mint price. But Newton pointed out that to raise the mint price would be more practical than to lower the market price. He said:¹

And in making them of Equal Value, it seems more reasonable to Alter the extrinsic than the Intrinsic Value of milled Money, that is to raise a Crown Piece to the Value of an Ounce of Bullion, wch. at present is at least 6s 3d than to Depress Bullion to the present Value of Mill’d Money. For 1st, this will more Discourage Coins because the greater is the Value of Milled Money & Bullion, the less will be the Profit of those who turn them into base Money. 2dly, It will make a greater quantity of Current Money in the Nation, wch. is now wanting. 3dly. It will lessen the Charge wch. the Nation will be at in Milling all the Unmill’d Money. For instance, if 3 half-crowns conteyn an Ounce of Bullion, and so could not now be Mill’d without the Loss of 2s 6d yet by raising the Value of a Milled Crown-Piece to 6s there would remain only 1s 3d less by Milling them, for 6s 3d want only 1s 3d of 3 half-crowns. 4thly. The cheapness of Commodities in respect of Bullion invites Foreigners to buy here wch. is Our Advantage, the Dearthness invites us to buy abroad, wch. is their’s.

Secondly, it was argued that devaluation would mean an increase in the quantity of money in the country, thereby meeting

¹ See Appendix III

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trade's general need for more money in circulation. It was observed that the lack of metallic money in circulation had apparently been the chief cause of the great amount of paper money in the country and of the setting up of so many offices in London and the countryside for bartering goods; also the insufficient amount of money in circulation had caused unemployment and decline in trade and manufacturing.

Thirdly, it was pointed out that devaluation would cost the country less in recoining the clipped coins. The cost would be reduced in proportion to the degree of devaluation; that is, the greater the degree of devaluation, the lower the cost of the recoingage. It was observed that since the deficiency of the clipped coins was so great, and the financial position of the Government so weak, it would be a good thing to reduce the cost of the recoingage.

Fourthly, to the argument that devaluation would mean robbing creditors by public authority, the reply was that over a period of time every person was a creditor as well as a debtor. It was further pointed out that in so far as the amount of money was concerned, creditors would not suffer any loss at all; for if a creditor received a payment of ten shillings before the devaluation, he would also receive ten shillings after the devaluation, and this new money would be accepted in the market and buy goods as before. It was argued that if the devaluation did not exceed three-fifths of the old standard, it would involve no new loss to creditors, since they had been paid for some time with clipped money which was hardly more than three-fifths of the original weight.

Fifthly, it was argued that prices would not necessarily rise with devaluation, for commodities were actually bought and sold not with bullion according to its weight and intrinsic value but with coins according to their stamp and token value.¹

It was further pointed out that Scotland, France, Ireland, Germany, Portugal and other countries had raised the denominative value of their coins, but that in most cases their prices had not risen proportionally to the increase in the denominative value of their coins. 'Suppose things should rise, 'tis plain the Farmer gets the more and the Gentleman for the present has his Rents better paid through plenty of money, and thereafter may raise

¹ N. Barbon, A Discourse concerning Coining the New Money lighter (1696)
them; whereas otherways through the scarcity of coin, he may expect to have his Lands thrown up.¹

Sixthly, arguing that there were only two ways of increasing the supply of, or decreasing the demand for, money in the country – firstly raising the value of gold and silver and, secondly, lowering the prices of commodities – it was held that as a practical measure it would be extremely difficult to lower prices, but to raise the denominative value of gold and silver could easily be done through the passing of an Act in Parliament and therefore it should be adopted.

Seventhly, it was contended that devaluation would give a favourable balance of trade to the country, for it would cheapen exports in terms of foreign currencies (thus tending to increase the volume of exports) and would discourage imports. A writer made the following remark:²

I must confess that I am so far of an opinion with Mr Lowndes, that the Standard ought to be alter’d, for to keep up a certain equality of Trade and Traffick between Us and other Countries, not suffering an over-balancing of Foreign Commodities with our Home Commodities, or in buying more than we can vend. For thereby our Treasure will be exhausted, which is the Life of Trade and Sinews of War.

It was admitted that the real terms of trade would turn against the country after devaluation, but it was pointed out that in view of the fact that the goods exported could be of a superfluous nature and would cost little, it would be to the interest of the country to pay more in goods to foreigners but less in specie. It was observed that the increase in exports would bring about a greater employment at home and higher land values.³

Eighthly, it was argued that since anything which had become scarce and still proved useful ought to fetch a higher price, this should be the case with silver, for otherwise it would leave the country for more profitable markets. It was maintained that unless its price was raised, no new supply of the metal would ever be available for the mint, and asserted that as long as the war continued, silver could never be plentiful in England.

¹. Anonymous, Some Reasons against Raising Our Coin Answered (1696)
². W. L., A Further Essay for the Amendment of the Gold and Silver Coins (1693)
³. MS No 62 in Goldsmiths’ Library. The manuscript is called ‘A Merchant’s Demonstration superior to Imagination That the Raising of Bullion cannot be any ways Injurious but highly Advantageous to these 3 Kingdoms . . .’ (1695?)
THE PROBLEM OF DEVALUATION

Ninthly, it was observed that in order to bring the relative value of gold and silver in line with that of other countries it was necessary for the silver coin in England to be devalued. It was pointed out that the English silver coin had a greater value in all foreign countries except Spain, so that England imported Spanish money but exported its own money ‘to the great impoverishment of the country’.¹

Lastly, it was argued that the policy of raising the denominative value of coins had repeatedly been practised by the mints in England as well as by the mints in other countries as required from time to time by circumstances, so that a devaluation at this time would involve no question of national honour or dishonour. It was pointed out that from the 28th year of Edward I to the present time the denominative value of the English silver coins had been raised threefold. Lowndes remarked that the great Queen Elizabeth, who in the 2nd year of her reign had maintained the old standard of English money, had thought it one of the glories of her reign and prided herself on conquering that monster, as she called it, had found it necessary in the 43rd year of her reign to alter the measure and raise the mint price of silver from £3 to £3 2s for a pound troy.

However, those who argued against devaluation and in favour of preserving the silver standard carried the day after heated debates in Parliament for a number of sessions.

In the first place, it was contended that an ounce of silver was always equal in value to another ounce of silver for it was impossible to be otherwise, and therefore it was absurd to suggest that the value of silver had risen or fallen in respect of itself. It was held that the value of anything including silver was relative and to be measured by the quantity of other things for which it was exchanged, and that therefore when it was said to have arisen or fallen in value, a comparison must be made between it and other things. It was concluded, therefore, that the value of anything could not be said to have risen or fallen in respect of itself. In Locke’s words:²

Those who say Bullion is risen, I desire to tell me what they mean

¹ J. S., Select Observations of the Incomparable Sir Walter Raleigh relating to Trade, Commerce and Coin etc (1696?)
² We are quoting Locke’s manuscript (Appendix IV) without altering the punctuation or spelling
by Risen. Any commodity, I think, is properly said to be Risen, when the same Quantity will Exchange for greater Quantity of another thing, but more particularly of that thing which is the Measure of Commerce in that Countrey. And thus Corn is said to be risen amongst the English in Virginia, when a bushel of it will Sell or Exchange for more Pounds of Tobacco; amongst the Indians, when it will Sell for more Yards of Wampenpeals; and amongst the English here, when it will Exchange for a greater Quantity of Silver, than it would before. Rising & Falling of Commodities, is always between several Commodities of distinct Worths. But nobody can say that Tobacco (of the same Goodness) is risen in respect of itself. One Pound of the same Goodness will never Exchange for a Pound & a Quarter of the same Goodness. And so it is in Silver, an ounce of Silver will always be of Equal value to an ounce of Silver, nor can it ever rise or fall in respect of itself, an Ounce of Standard-Silver can never be worth $\frac{1}{4}$ Ounce of Standard-Silver, Nor an Ounce of Uncoynd Silver Exchange for $\frac{1}{3}$ of Coyn’d Silver the Stamp cannot so much debase it’s value.

It was further observed that there was no essential difference between money and silver, the stamp on the coins only ascertaining their weight and fineness. It was argued that if the market price of silver had risen to 6s 3d an ounce, that was because the silver was purchased with clipped coins weighing no more than half of the original weight and not because bullion was scarce, so that if the clipped coins were called in and disappeared from the market, the market price of silver would soon fall back to the mint price. It was stated that it was a fact that 5s. 2d of milled, unclipped coins could always buy an ounce of bullion.

Secondly, it was argued that the principal reason for the country’s loss of silver was the unfavourable balance of payments, and therefore the only effective way to prevent the loss of silver or to keep it in the country was to adopt a policy of retrenchment and not to alter the silver standard. A writer argued thus:¹

If our exportation does not exceed our importation in value, we must send money abroad in specie, call it what you will. To prevent which, I conceive there is no other way but by protecting our merchant’s ships at sea and trade abroad, and encouraging our manufactures at home.

And Haynes in his Brief Memoirs stated:

¹ Anonymous, Objections to Raising the Value (1695?)
That the Coynage deserved to be encouraged was a true observation, and there is but one way that will do it, which we have not hitherto altogether approved of; I confess the high impositions on French Goods, and the prohibition of the East India Callicuts are steps which have lately been taken to encourage our Trade at home and hinder the consumption of foreign growth and manufacture; but till we retrench our foreign Expenses, and imitate Mr Locke's Country Farmer who lives within Compass, increases his Stock by diligence and frugality, is never in debt at the years end but has a ballance always to receive at the foot of his accounts, I don't see it possible without the good husbandry to bring home more Silver from abroad, or to keep what we have from being carried away.

It was maintained that a devaluation of the silver standard would not change the country's trade position at all, since all the prices of its exports and imports would rise in proportion to the devaluation, with the result that exports would not increase in quantity and imports would not decrease in quantity. It was concluded that if export prices would not rise in proportion to the devaluation while import prices certainly would, the real terms of trade would turn against the country.

Thirdly, it was observed that devaluation would in effect raise all prices in England because England was a trading country and all its prices would be affected by the prices of its imports. Davenant asserted that if England were a country without foreign trade, the Government might be able to stop all domestic prices from rising after a devaluation; but since this was not so, the case would be very different. He said that since all consumer goods in England were more or less mixed with some commodities purchased from abroad, it was inevitable that a general rise in prices would eventually ensue with a devaluation. In his memorial concerning coin, he stated:

If we were a Nation Subsisting merely from our Selves without any Trade or Concern with other Countries & Living only upon our owne Growth, the Sovereigne power might perhaps Safely and without Damage to private men Exert its prerogative so far as to command that an ounce of silver shall fetch as much as our Native Growth as an ounce and a Quarter was wont to doe before. Nor would it clash with any interest & consequently the People would be contended with It, and an Ounce as established by Law and consent would have the same intrinsick value with us, and the Same operation in all Dealings as an ounce and a quarter had before.
But this can never be our case in England, wee are a Trading Nation, all our Interests are closely linked with the Interests of Trade.

The Product of our Land must be guided and ruled by our Foreign Commerce. Almost whatever our Soile produces must be valued here at the Price, which the Luxury or necessities of other Nations put upon it. And at Home very near whatever wee eat, drink or weare & whatever wee use in Peace and in Warr, is mixed with some commodities produced from abroad.

It was further observed that if prices rose as a result of devaluation, all persons with fixed incomes would suffer. John Wallis, a mathematician, argued that by preserving the standard the cost of the recoinage would be greater and so would be the taxes on the people, but that the rises in prices after devaluation would be but another form of taxation.¹

Fourthly, it was argued that devaluation would mean a breach of public faith, as the Government was supposed to guarantee the sanctity of all contracts and the standard of money with which to settle debts. It would be equivalent to general fraud and public clipping, argued Locke in his Further Considerations Concerning Raising the Value of Money. He said:

Altering the standard by coining pieces under the same denomination with less silver in them than formerly had, is doing the same thing by public authority. The only odds is that by clipping, the loss is not forced on any one (for nobody is obliged to receive clipped money); by altering the standard, it is.

It will weaken, if not totally destroy the public faith, when all that have trusted the public, and assisted our present necessities, upon acts of parliament in the million lottery, bank act, and other loans, shall be defrauded of twenty per cent of what these acts of parliament were security for.

Furthermore, it was contended that the historical example of devaluation adopted by other countries as well as by the country itself in ancient times was not in itself a justification for such a policy, if it proved to be unjust and dishonourable.

Fifthly, it was argued that although a country should always have sufficient money in circulation to facilitate trade and avoid bartering, trade would not be facilitated merely by raising the denominations of the coins, because commodities would always

¹. Dr John Wallis (MS) Concerning The Reformation of ye Covy (1693)
be exchanged for the weight of silver, not for the denominative value of the coins. Locke said that if, for example, the country had 400 ounces of silver in its coins and commodities to be sold to the value of 800 ounces, then 50 per cent of the commodities must of necessity be exchanged by barter, no matter what the denominations of these 400 ounces of silver might be. He concluded that the only way to facilitate trade would be to increase the silver stock of the country.

The Necessity of Trucking one Commodity for another, is one of the many Mischiefs arising from the want of Coyn'd Silver. But that raising the Denomination, as is Propos'd, will make Our Coyn more Commensurate to the General Need thereof, and thereby Prevent the Mischief of Bartering is, what I much Doubt. For I humbly conceive, that this Imaginary Stretching it by a new Denomination will no more make our Coyn commensurate to the need there is of it, than if the Cloth which was provided for Cloathing the Army falling short, one should hope to make it commensurate to the need there is of it, by measuring it by a Yard 1/5 shorter than the Standard, or Changing the Standard of the Yard, and so getting the full Denomination of the Yards necessary according to our present Measure. For this is all, I think, will be done, by the Raising our Coyn, as is propos'd . . . The reason of Bartering is the want of Coyn'd Silver in proportion to the Value of the Commodities, without the Intervention of Money . . . For the whole Silver they have in Coyn being but 4 hundred Ounces, and the Exchange of the Value of Comoditys made in a Distance of time, wherein this Money is paid not above once, being to the Value of 800 Ounces of Silver, 'tis plain, That one half of the Comoditys that shift hands, must of Necessity be Exchang'd by Barter, those who want them having not Money to Pay for them. Nor can any Alteration of the Coyn or Denomination of those 400 Ounces of Silver, help this because the Value of Silver in respect of other commodities will not thereby be at all increas'd, and the Value of the Changed Comoditys being, (as in the case) Double to the 400 Ounces of Coyn'd Silver, to be laid out in them nothing can Supply this want but a double Quantity, i.e. 800 ounces of Coyn'd Silver how denominated it matters not, as (long) there be a fit Proportion of Small Pieces to Supply Small Payments.

Sixthly, to the argument that devaluation would induce hoarded milled money to be put into circulation and would reduce the cost of recoinage, it was replied that there was another way of
doing the same thing, namely, ordering the clipped coins to pass by weight and to be accepted by public offices by weight. It was argued that this would immediately bring out the hoarded milled coins and would greatly reduce the cost of recoining.

Seventhly, it was pointed out that England was not a silver producing country, so that raising the value of silver would only benefit Spain and Portugal whence it came. Haynes observed: ‘Silver and Gold both being Commodities of a foreign growth and not the produce of our own Country, nothing could be more impollitick than advancing the prices of them.’

Eighthly, it was argued that the scarcity of silver was only due to temporary causes arising from the war, such as the interruption by the war of the ordinary returns of the Spanish Flata,¹ causes which could be expected to be removed as soon as war conditions improved. So the temporary scarcity of silver should give the country no real anxiety or basis for devaluation.

Ninthy, it was contended that silver and not gold was the monetary standard, and therefore if the relative market values between gold and silver in different countries had led to the export of silver from England, the value of gold, not silver, should be adjusted. It was held that the prices of gold and other commodities were determined by the value of silver and that guineas had fluctuating market prices for a long time. Therefore it would be more natural and expedient, it was argued, to lower the value of guineas rather than to raise that of silver, the two amounting to the same thing as far as the relative value between gold and silver was concerned.²

Lastly, it was argued that if devaluation were allowed this time, there would be no reason for not allowing the Government to devalue whenever it wanted on subsequent occasions, and then there would be no end to it. As Locke wrote:

> If it be good to raise the crown-piece this way, one twentieth this week, I suppose it will be as good and profitable to raise it as much again the next week. For there is no reason why it will not be as good to raise it again, another one twentieth, the next week, and so on; wherein, if you proceed but ten weeks successively, you will, by new-year’s day have every half-crown raised to a crown . . .

¹ Haynes’s argument
² See Report of the Commissioners of Trade (1698)
THE PROBLEM OF DEVALUATION

If this be not so, I desire any one to show me why the same way of raising the denomination, which can raise the value of money in respect of other commodities, one-fifth, cannot, when you please, raise it again another fifth, and so on? I beg to be told where it must stop, and why at such a degree, without being able to go farther.

After presenting the arguments on both sides we may now make a few general remarks on the great controversy. The argument that the market price of silver had long been higher than its mint price so that it might be expedient to raise the mint price may be regarded as the most basic argument for devaluation. There could be no doubt that for the Mint to be supplied with silver its mint price should always be kept level with the market price. Nothing was further from the truth than the argument that the market price of silver would not be different from its mint price, except for the fact that the clipped coins passed hands at their face value. The market price of silver was determined not only by the state of the coins, but also by various other factors.

There was one practical difficulty in the policy of regularly adjusting the mint price to the market price, however. The market price might change frequently and greatly and so the country might have to recoin its coins all the time, which would be rather troublesome. Therefore Wren suggested that the Government should make out a tariff to regulate the denominations of the coins, the denominations being always provisional and to be changed according to market conditions. Hence there would be no need to recoin all the time no matter what the market price of silver might be.

The fundamental defect in the arguments for preserving the standard was that they were based upon the assumption that there was no distinction between the 'intrinsic value' and the 'extrinsic denomination' of money, i.e. no difference between its bullion value and its monetary value as a means of discharging debts. It was not understood that the two might diverge, that silver in coin might have more value than in bullion, and that the price of silver in coin could mean something other than the price of silver in bullion.¹

¹. For this remark, see R. G. Hawtrey, Currency and Credit (3rd ed, 1927), p 292
PROBLEMS OF THE RECOINAGE

Nor was it understood that a devaluation might not raise commodity prices to the fullest extent of the devaluation, so that it might produce favourable effects upon the balance of the country's external payments.¹

¹. More remarks about devaluation will be found in Chapter 6
Chapter 6

THE CONTROVERSY BETWEEN
LOWNDES AND LOCKE

In order to throw more light on the problems involved in the recoinage, particularly the problem of devaluation, it seems necessary to devote a chapter to the controversial discussions between Lowndes and Locke. Lowndes was made Secretary to the Treasury on April 24, 1695, and published his famous report entitled *An Essay for the Amendment of the Silver Coins* on September 12, 1695. The Lords Commissioners were pleased with the scholarly investigations and ordered copies of the report to be distributed among the Lords of the Council and among members of both Houses. If it was not for the strong opposition from Locke and others, his proposal for devaluation might have been adopted by Parliament.

Lowndes first found historical justification for devaluation. By examining all the indentures of the mint he discovered that from Edward I to 1695, a period of over four hundred years, the standard of both gold and silver coins had been altered many times with the result that their nominal values were increased more than threefold. He reported that in the time of Edward I a pound troy weight of silver was coined into 20s 3d whereas in 1695 it was coined into 62s, and a pound weight of gold of a fineness of 23 carats and 3½ grains was coined into £15 four

1. He worked in the Treasury as early as 1679 at the age of twenty-seven, and occupied the office as Secretary until his death on January 20, 1724. See *Dictionary of National Biography*, Vol XXXIV, Section on William Lowndes
2. The report is reprinted in McCulloch, *Old and Scarce Tracts on Money* (1836)
hundred years ago, but now the same weight of gold of only 22 carats fineness made £44 10s. He added that the change of monetary standard happened in almost every reign, and that it was often done not by altering the fineness or weight of the coins but by raising their denominative value.

Lowndes proposed that new names be given to the new coins and that their denominative values be raised by 25 per cent. He therefore suggested that the new piece having the same standard of weight and fineness as the old crown be called the Sceptre or the Silver-Unite and should pass for 6s 3d, while the old name of shilling might be retained but with the weight of the new shilling equal to four-fifths of the old.

Nine reasons were advanced to justify his proposal for raising the denominative value of the coins to the extent of 25 per cent and for giving new names.

First, it was said that the market price of silver had risen to 6s 5d an ounce and therefore the denominative value of the crown piece should be raised to 6s 3d in order to prevent it from being melted down. It was pointed out that whenever the denominative value of silver in coin was lower than its market price in bullion, coins would be melted down because of the profit realized from so doing.

Secondly, it was argued that unless the value of silver was raised at the mint by 25 per cent, no silver would be brought to the mint for coinage. It was contrary to reason, Lowndes held, for anyone to carry silver to the mint to be coined until the denominative value of the coins was raised to the level of the market price.

Thirdly, it was argued that the higher the denominative values of the coins became, the greater would be the amount of money in take, which would make it commensurate with the general need of trade and commerce.

Fourthly, it was pointed out that the market value of the unclipped coins was already at least 25 per cent higher than the clipped ones, so that coins of equal quantity of silver should have the same denominative value.

Fifthly, it was stated that the proposed denominative value of 6s 3d for the crown would be a sum divisible into a great number of integral parts, so that none of the lesser coins would have any fractional part of a farthing.
Sixthly, it was pointed out that in spite of the fact that new names be given to new coins, the denomination of Pound, Shilling or Penny would remain, so that there would be no confusion in computing accounts.

Seventhly, it was argued that the raising of the denominative values must be sufficient to bring out the hoarded milled coins and to render their recoining and that of the lesser coins unnecessary. This advantage was asserted to be very great.

Eighthly, it was observed that the cost of recoining would be much less if the denominative values of the new coins were raised by 25 per cent, in view of the great deficiency of silver in the clipped coins.

Lastly, it was said that unless the devaluation was sufficient, it might be necessary to devalue again, should the market price of silver continue to rise. This it was concluded would cause fresh difficulties.

One of the objections to his plan was that the necessity for exporting silver would not be diminished by raising the denominative values of the coins, as the export of silver was caused by the necessities of war. But Lowndes observed that the export of silver for recent years was not entirely due to the war or to the loss of foreign trade but also due to the manipulation on the different values of gold and silver in different countries. He argued that from the point of view of national interest there was a great difference between a necessary export of silver due to the exigencies of war and an export merely for profit:

There must be a great difference with regard to the Service and Disservice of the Publick, between a necessary Exportation of Bullion or Coin, (perhaps the One may be as well Dispensed with as the other, by Publick Authority, and to a Limited Sum only for the Service of the War) and such an Exportation thereof, as proceeds Originally from the said exorbitant Profit of the Melters, who being Goldsmiths, Refiners, or other Traders, and by this Means, and by the Clippings, getting great Quantities of Molten Silver into their Hands, know well enough (though by Unlawful or Indirect Means) to convey the same beyond Sea, either to buy Gold there, which is afterwards brought hither and Coin'd into Guinea, passing at Thirty Shillings apiece; or to buy Prohibited Goods, as Lace, Lustrings, Muslins, divers East-India Goods, or other enumerated commodities, or for other Purposes, which, though unlawful or needless, do all help or combine, at this time, to Augment and
Inhance that Balance of Trade between us and our Neighbours, very much to our Detriment, as will be shew'd hereafter.

Another objection to his plan was that it would mean a proportionate loss in rents, revenues and debts to the prejudice of its creditors. In reply to this objection Lowndes argued that this was only an imaginary loss since the badly clipped coins had been circulating at their face value for some time while the good ones were seldom in use. He stated that the silver content in the new coins would not be less than that in the clipped coins, which had on average lost half of their original silver.

The other objection to his plan, which Lowndes discussed, was the assertion that silver had no other price than its own value, i.e. that an ounce of silver would always be equal to another ounce of silver of the same standard so that it would make no difference whether the silver was coined or uncoined; that if there was a market price for silver which was higher than the mint price, it was only a fictitious price because it was in terms of clipped coins, so that if the clipped coins were removed or retrieved, the so-called market price of silver would come down and be equal to the mint price.

Lowndes answered this objection by saying that every merchant or importer knew that silver always had a market price or value reckoned in money units,¹ which at the moment was 6s 3d an ounce. He explained that in determining the new denominative value of coins the mint always tried to follow the market price so as to keep the two level.

While recognizing the imbalance of trade as the chief cause for the loss of silver and its high market price, he argued that the country should replace its coins immediately and not wait for the end of the war, which he did not expect to be as early as 1697.

The above mentioned Balance of Trade being (as is before observed) the Original Cause of the Scarcity of Silver in England, and of the Loss by the Foreign Exchange or Remittances, he that can propose any proper Expedients, either to lessen that Balance, or convert it to our Advantage, ought to be well heard. But any Proposal which supposes the Balance of Trade must be Rectified before our Coins be Amended, or a Reasonable Foundation can be fixed for the Course of the same, does but postpone the Cure of a Disease which may destroy us before such remedy can take effect.

¹. In Lowndes's terminology money units were called 'extrinsic denomination'
THE CONTROVERSY BETWEEN LOWNDES AND LOCKE

And he did not think that as long as the war lasted, the balance of trade could become favourable to England. As he said:

That this Advanced Price of the Silver has been growing for some time, and is Originally caused by the Ballance, Excess or Difference above-mentioned, which Naturally and Rationally produces such an effect. And there is no reason to expect that Silver will decline in its Price or Value here, till be made more plentiful, by turning the Ballance of Trade to our Advantage, which seems to be a Work that can be accomplished with Success in times of Peace, or by such a Protection of our Trade, as will render our Exportations as large as they used to be in times of Peace.

He did not say anything about the possible effect of raising the denominative value of the coins on the balance of trade. Nor did he realize the important relationship between the bad state of the silver coins and the high market price of silver, for otherwise he would not have advocated a devaluation of 25 per cent.

As matters stood, the large remittances to be made abroad, the internal inflation, and the loss of trade had all contributed to the original loss of silver and the fall of the exchange rate. But it was probable that the bad state of silver coins might also have been a condition or cause of the high price of silver. It certainly was not as important a cause as Locke and others believed, and it worked only when the coins were so bad that people lost confidence in them. But since 1694 the coins had become really bad and everyone tried to avoid using them. Consequently the market prices of silver and gold and guineas rose fantastically. Had he visualized the relationship between the clipped coins and the market price of silver, he would have expected the market price of silver to come down as soon as the clipped coins were called in and recoined, and to conform more or less to the mint price, whatever that might be.

A devaluation of 25 per cent would have been too great. It should be noted that the rise of the market price of silver to 6s 5d an ounce was very recent, only of two or three months' duration, at the time he was writing. To devalue a price of such recent origin would appear to be a little absurd.

As a matter of fact, the market price of silver fell considerably as soon as the clipped coins were called in, although it did not fall to the level of the mint price. A devaluation of 5 per cent might have been enough to preserve the silver standard, if the
market price of gold after the recoinage was what it was. However, no one would know precisely what the market price of silver or gold would have been if there had been a devaluation.

As our last comment on his proposal for raising the denominative values of the silver coins, it is possible that he did not propose it in order to keep the value of gold and silver in England in line with those of other countries. He did not argue that if the silver standard was not devalued, silver in England would be underrated and gold overrated. Knowing that guineas at 30s a piece had resulted in a large influx and caused big exports of silver, he believed that the high price of guineas was entirely due to the bad state of the silver coins, so that if silver coins were repaired, guineas would circulate again at their normal price. He did not foresee the possibility that even if the clipped coins were renewed, guineas might still circulate at such high rates as to prejudice the silver standard. As he observed:

And seeing it1 can be attributed to nothing but the present Badness of our Silver Coins, which are so exceedingly Counterfeited, and Clipt, that the Common People will take Guineas almost at any Rate, rather than stand the hazard and vexation of such Silver Moneys as are now Current amongst them: I am therefore humbly of Opinion, That altering the present Standard of our Gold Coins . . . would avail nothing. And that the only remedy to fix these Gold Coins upon a right Foot, will be the Re-establishment of the Silver Coins, which . . . will in all likelihood and probability, presently reduce the Guineas to about Twenty-five Shillings2 a piece by the most Natural and Easie way, without fixing any limited Price thereupon by Publick Authority, which (if one were to judge by past Experience) would never be observed, at least for any time.

The great philosopher John Locke was the chief opponent of Lowndes. In writing his Some Considerations of the Consequences of the Lowering of Interest and Raising the Value of Money as early as 1691, Locke had expressed the view that it was not expedient for the Government to raise the denominative value of silver coins. Since the French Government raised the value of their silver coins by 10 per cent, Parliament had been debating the question of devaluation as well as that of lowering the rate of...

1. Meaning the high price of the guineas
2. Lowndes was assuming a devaluation of 25 per cent on the silver coins so that a guinea of 20s should, accordingly, circulate at 25s
interest.¹ In the latter part of 1695, when the country was clamouring for a reform of the rapidly depreciating silver coins, he again intervened by publishing his Short Observations on a Printed Paper entitled 'For Encouraging the Coining Silver Money in England and after keeping it here'. When Lowndes's report was published, the Lord Justice sent for him to hear his opinion. The Lord Justice put a few questions to him, and his manuscript was the result.² Shortly after, probably at Christmas 1695, he published his famous Further Considerations Concerning Raising the Value of Money³, wherein he formally examined Lowndes's report at length. It was addressed to Lord Keeper Somers, who was known to have held Locke in high esteem.⁴

As we all know, Locke emphatically rejected devaluation. His contention that the old standard should be maintained was chiefly based upon his 'commodity theory' of money, by which we mean that he considered that it was the metallic content of the coins that was the very thing bargained for, and that he

1. Parliament passed the Bill for reducing the rate of interest from 6 to 5 per cent on January 23, 1692
2. Reprinted in this book as Appendix IV
3. These three treatises – Some Considerations, Short Observations, and Further Considerations – can all be found in Works of Locke (1774), or in J. R. McCulloch, Principles of Political Economy (1870 ed)
4. A biographical note on the life of Locke may be inserted here. Locke was Secretary to the Council of Trade and Plantations up to March 1675, when Shaftesbury ceased to be Chancellor. He left for Holland in 1683 when the clouds of suspicion thickened about him after the death of Shaftesbury on January 28, 1683. The Earl had fled to Holland in 1682 in connection with a conspiracy. Holland became Locke's sanctuary for more than five years. He returned to England on February 12, 1689, when William of Orange was successfully placed on the English throne. A month after his arrival from Holland, he was offered the post of ambassador to Brandenburg, which he declined. A little later he accepted the more modest appointment of Commissioner of Appeals with a salary of £200 per annum. This post he held until he was appointed a Commissioner of Trade on May 15, 1696, with a salary of £1,000 a year. He himself described this post of Commissioner of Trade as 'a very honourable employment'. He resigned from the post on June 28, 1699, on account of ill-health

He gained a reputation as a good philosopher following his publication of the essay entitled Essay Concerning Human Understanding in March 1690, which ran into successive editions

Following the example of his friend John Freke, Locke subscribed £500 to the newly established Bank of England in 1694. By this he became one of the original proprietors of the bank. He had persuaded Edward Clarke, one of his closest friends, to accept the directorship of the bank, but without success

He made his permanent home at Oates from 1691. He came to London only on official duties. Although suffering from tuberculosis all his life, he reached the age of seventy-two. He died unmarried in October 1704
regarded money as representing nothing but a quantity of silver. Consequently he believed that all prices would automatically rise in proportion to the rise of the denominative value of the coins. Thus he said:

Some are of opinion, that this measure of commerce, like all other measures is arbitrary, and may at pleasure be varied, by putting more or fewer grains of silver, in pieces of a known denomination, e.g. by making a penny, or shilling lighter, or heavier in silver, in a country where there are known denominations of pieces of silver money. But they will be of another mind, when they consider, that silver is a matter of a nature quite different from all other. The yard, or quart men measure by, may rest indifferently in the buyers or sellers, or a third person’s hands, it matters not whose it is. But it is not so in silver: it is the thing bargained for as well as the measure of the bargain; and in commerce passes from the buyer to the seller, as being in such quantity equivalent to the thing sold; and so it not only measures the value of the commodity it is applied to, but is given in exchange for it, as of equal value.

That silver is that which mankind have agreed on, to make and give in exchange for all other commodities, as an equivalent.

That it is by the quantity of silver they give, or take, or contract for, that they estimate the value of other things, and satisfy for them; and thus by its quantity, silver becomes the measure of commerce.

That money differs from uncoined silver only in this, that the quantity of silver in each piece of money is ascertained by the stamp it bears which is set there to be a publick voucher of its weight and fineness.

When men go to market to buy any other commodities with their new, but lighter money, they will find 20s of their new money will buy no more of any commodity than 19s would before. For it not being the denomination, but the quantity of silver, that gives the value to any coin, 19 grains, or parts, of silver, however denominated, or marked, will no more be worth or pass for, or buy so much of any other commodity as 20 grains of silver will, than 19s will pass for 20s.

Locke refuted Lowndes’s reasons for devaluation as follows: concerning Lowndes’s argument that the market price of silver had gone up to 6s 5d an ounce, he observed that Lowndes laboured under two misapprehensions, first, ‘that standard silver can rise in respect of itself’, and, secondly, ‘that standard bullion is now, or ever was worth, or sold to the traders in it for 6s 5d the
ounce of lawful money of England'. He argued that the extra-
ordinarily high price of silver was solely due to the existence and
circulation of the clipped coins, so that if the market price of
silver had risen, it would only prove that he was right in saying
that the quantity of silver alone governed the price.
He held that there were only two reasons for melting down the
weighty silver coins; first, the irregular weight of the coins, and,
secondly, the loss of trade. When pieces of money of the same
denomination were unequal in their weight but passed for the
same value, he said, it was natural that traders should select the
heavier ones and melt them down instead of using them for pay-
ments. He observed that the unfavourable balance of trade had
caused the rate of exchange to fall so much that it was more
advantageous for traders to send silver abroad to settle their debts.
To meet foreign debts, he added, it would make no difference
whether the coins were made in bigger or lesser pieces, as
foreigners would value money coins according to their silver
weight and not according to their denomination.
Referring to Lowndes's suggestion that silver had a price, he
argued that silver to silver could have no price other than quan-
tity for quantity. If there was any difference in value between one
parcel of silver and another, he said, it must be due to one of the
following two causes: either the value of the labour employed for
one parcel of silver was more than that for another, or some
privilege belonging to one parcel of silver was denied to another,
such as the freedom to export silver but not coins.
As regards Lowndes's argument that devaluation would
attract silver to the mint to be coined, he observed that, 'Whether
you call the piece coined twelve-pence or fifteen-pence, or sixty,
or seventy-five a crown or a sceptre, it will buy no more silk, salt,
or bread than it would before. That therefore cannot tempt
people to bring it to the mint. And if it pays more debts, that is
perfect defrauding and ought not to be permitted. For bullion
cannot be brought hither to stay here, whilst the balance of our
trade requires all the bullion we bring in to be exported again, and
more silver out of our former stock with it, to answer our
exigencies beyond seas.'
On Lowndes's point of making money more in tale by devalu-
ation and more commensurate with the general need of trade, he
ridiculed it just 'as the boy cut his leather into five quarters (as he
called them) to cover his ball, when after all his pains as much of
his ball lay bare as before'. He contended that raising the denom-
ination of the coins would not contribute in the least towards the
removal of the necessity of trust or barter if such a necessity did
exist, because the value of the coins would not thereby be in-
creased. He therefore accused Lowndes of confounding value
with denomination.

There were other observations made by Locke in refuting
Lowndes's proposal for devaluation. For example, Locke also
argued that a country would not be any richer by raising the
denominative value of the coins, because the richness of a
country consisted of the quantity of silver it possessed, and not
of the denomination of its coins. Furthermore he observed that
devaluation would be like clipping done by public authority, a
public crime, giving creditors in effect 80 ounces of silver for
100 ounces, thus robbing them of 20 ounces. Such an action, he
declared, would weaken, if not totally destroy, public faith in the
Government, as it would only benefit the undeserving speculators
or hoarders of the heavy coins. In conclusion he stated his objec-
tions to devaluation in the following paragraph:

To conclude: I confess myself not to see the least reason, why our
present milled money should be at all altered in fineness, weight, or
value. I look upon it to be the best and safest from counterfeiting,
adulterating, or any ways being fraudulently diminished of any that
ever was coined. It is adjusted to our legal payments, reckonings,
and accounts, to which our money must be reduced; the raising its
denomination will neither add to its worth, nor make the stock we
have more proportionate to our occasions, nor one farthing advance
to the publick: it will only serve to defraud the king, and a great
number of his subjects, and perplex all; and put the kingdom to a
needless charge of recoining all, both milled as well as clipped money.

Locke's writings on money and his arguments against devalua-
tion have almost been regarded as gospels for 'sound money'
men.\textsuperscript{1} The influence of his thought was most noticeable in the
early nineteenth century, as shown in the speeches of Canning
and Peel when Parliament debated the monetary standard in
1811, 1819 and 1844.\textsuperscript{2} But strange to say, Locke himself was not

\textsuperscript{1} For this statement, see Feaveryear, \textit{Pound Sterling}, p 135

\textsuperscript{2} In 1844 Peel in a speech defined the word 'Pound' as 'a certain definite quantity
of gold, with a mark upon it to determine its weight and fineness, and that the
engagement to pay a Pound means nothing else than the promise to pay to the
happy about his own writing on money. In a letter to his friend William Molyneux of Durbin dated March 30, 1696, he stated his feelings as follows:¹

The Business of our Money has so near brought us to Ruin, that, till the Plot broke out, it was every Body's talk, every Body's uneasiness. And because I had played the Fool to print about it, there was Scarce a Post wherein Somebody or other did not give me fresh Trouble about it. But now the Parliament has reduced Guineas to two and twenty Shillings apiece after the 10th instant, and prohibited the receipt of clipt money after the 4th of May next.

The Bill has passed both Houses, and I believe, will speedily receive the Royal Assent.

Though I can never bethink any Pains, or Time of Mine, in the Service of my Country as far as I may be of any use: yet I must own to you, this, and the like Subject, are not those which I now relish, or that do, with most Pleasure, employ my thoughts.

There were at least two contemporary critics of Locke, as far as we know, namely, Sir Richard Temple and Nicolas Barbon.² Both attacked Locke's concept of money and affirmed that devaluation would not necessarily raise prices. Both asserted that to coin silver coins below the bullion value would be 'the greatest folly imaginable' that the Government could make.

Although Locke, began Temple, 'by all his writings hath justly acquired the character of every ingenious person, yet, without detracting from his merit in this late discourse of his, he hath fallen into the error which often attends those who write upon subjects of which they have no practical knowledge or experience, to frame notions, and lay down suppositions, which are either false or fallacious ...' Temple said that the fact that an ounce of silver was always of equal value to an ounce of silver of the same weight and fineness would admit of no dispute, but to say that an ounce of silver would always buy an ounce of silver

¹. Works of Locke, Vol III
². Sir Richard Temple's tract called Some Short Remarks upon Mr Locke's Book, in answer to Mr Lownes, and several other Books and Pamphlets concerning Coin (1696) is to be found in Somers's Collection of Tracts, Vol XI. Barbon's tract is entitled A Discourse concerning Coining the New Money lighter (in answer to Mr Locke's Considerations about raising the Value of Money), 1696

holder, when he demands it, that definite quantity of gold'. This represents Locke's definition of money as but a quantity of silver. See Hawtrey, Currency and Credit (3rd ed), pp 442–6
was absurd, because in practice there was no such occasion for barter or exchange. He argued that it was partly true and partly false to say that the intrinsic value of silver was the true instrument and measure of commerce; for money, not silver, was the true instrument and measure of commerce, which passed hands according to its denomination. He further stated that silver bullion was a commodity and had no certain universal price or value agreed upon by mankind, but varied in its value in every age and nation according to its scarcity, plenty or the use made of it. He asserted that, as history showed, raising the denomination or lowering the weight or fineness of the coins would not raise prices at home but would only affect exchange and commerce with foreign countries. He concluded that devaluation would not hurt the country in the least, 'since at worst abroad they will only take their measure according to the intrinsick value, or rather the standard of their own coin; and if they raise their commodities proportionately, it will bring us a double benefit, to discourage the consumption (whereof we are too prodigal), and encourage the advance and consumption of our own commodities, and keep our money at home, which will be the least thing carried out, when it will pass for more here than there.'

Barbon’s criticisms of Locke were similar to Temple’s. He, however, stressed the difference between himself and Locke over the definition and nature of money more than Temple did. He argued that Locke’s concept of money was untenable. He stated that there was no intrinsic value in silver, nor was there any fixed or certain estimate by common consent, as it was but a commodity rising and falling in its value as other commodities did. He questioned why Locke recognized gold as a commodity but not silver. He affirmed that it was not the quantity of silver that men gave or took or contracted for in exchange for commodities, but rather the denomination of the coins:

If it had been the quantity of Silver that Men take, and contracted for, men would have made their Bargains by the Weight of Silver, and not by the tale or money: For money is divided by number, and there would be no occasion for Coining.

But Silver being a Commodity for other Uses besides the making of money, and according to the Plenty or Scarcity to supply those Occasions is dearer or cheaper; therefore money was invented, which by Publick Authority sets and fixeth a certain value to each piece of
money; and it is that which men give and take by tale and number of the pieces, in exchange for all other Commodities without regarding the weight and quantity of silver in each piece.

For if the Stamp to a Crown-piece, which is an Ounce of Silver, be set only to describe its weight and fineness; if any man be asked the question, what Silver is worth? he can mean no more when he says, 'tis worth a Crown an Ounce, that an Ounce of Silver is worth an Ounce of Silver: So that by his description of money, no man can describe the value of Silver.

Consequently Barbon argued that devaluation would not raise commodity prices and so creditors would not suffer. On the other hand, he said, if the denominative value of the coins were not raised, they would be melted down for export, resulting in a shortage of money in circulation and a fall in prices of domestic commodities.

He further contended that the loss of trade was not the main cause for the sending out of money, but the different value of silver bullion in different countries which had induced merchants to export silver rather than buy bills of exchange. He pointed out that money might be sent out of a country and yet there was no foreign debt incurred by that country.

Let us now make a few observations on the controversy between Lowndes and Locke on the question of devaluation. There seems little doubt that Locke's definition, or concept, of money is unsound. Money is something more than a mere quantity of silver or gold. Money is a unit of account. It is only a historical necessity that money has been made of copper, silver, or gold. Barbon is right in pointing out that what people give, take, or bargain for, is not so much the quantity of silver in the coins, which they hardly know, as the denomination or number of the pieces of money. He is right in suggesting that the stamp of the Government on coins is not to warrant the amount of silver in them, but to set denominations. Therefore a devaluation would not automatically raise commodity prices to the full extent as the devaluation.

Prices, however, may rise after devaluation, especially through the increase in the quantity of money. Both Lowndes and Barbon have suggested that one of the advantages of devaluation would

1. Barbon's chapter on the balance of trade and foreign exchange is not quite satisfactory, as he assumed that the only reason for the export of silver was the high price given to it by other countries.

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be to increase the amount of specie *in tale*. So prices actually would become higher with devaluation than without. But, of course, Locke did not argue against devaluation in this way.

Devaluation would lower the rate of exchange and therefore it would raise the prices of both imports and exports. But it would be wrong to assume that the effect of devaluation on prices would be confined to imports and exports. As a matter of fact, the effect will spread over to all commodities produced and consumed at home so that there will be a general rise of prices. The extent of the general rise of prices may be greater or less than the devaluation, depending upon the changed demand and supply conditions.

While Lowndes somewhat overlooked the relationship between the market price of silver and the unusually bad state of the silver coins, Locke was, on the other hand, too emphatic in suggesting that the market price of silver could not have differed from the mint price if it was not for the poor state of silver coins. It may be conceded that the state of silver coins had probably contributed to the extraordinary rise in the market price of silver in 1693, but the steady falls in the exchange rate were probably the chief, if not the sole cause for both the extraordinary clipping and the stiff rises in the market price of silver. It would seem a mistake to deny the possibility that the market price of silver could be different from the mint price, even if the silver coins were in perfect condition. The mint price would help to stabilize the market price, but the two could still differ. Whether the market price would follow the mint price or not would depend upon a number of factors and was probably a matter of chance, depending upon circumstances.

It was not until 1698 that Locke recognized that the over-valuation of gold, as well as the imbalance of trade, might have been a cause for losing silver. But he always maintained that the over-valuation of gold should be rectified by lowering the price of gold rather than raising the price of silver, for silver was the standard metal and therefore its price should never be changed. He was not aware of the practical difficulties in lowering the price of gold to its ‘natural’ level.
PART THREE

The Recoinage
Chapter 7

THE RECOINAGE ACTS

Towards the end of 1694 the House of Commons began to be more and more concerned about the widespread increase of clipping and the alarming extent of silver bullion exports. As a result two Bills were brought in for consideration, one to make the detection of clippers more effective, and the other to prevent the export of English bullion. On January 8, 1695, the House appointed a committee to receive proposals for dealing with these matters. On March 12, 1695, a Mr Scobell reported for the committee that they had received several proposals and were agreed (1) that the best way to prevent clipping was to recoin all hammered money into milled money; (2) that the crowns and half-crowns coined hereafter should be of the present weight and fineness, but that the crowns should pass at 5s 6d each and the half-crowns at 2s 9d each; (3) that all money under the denomination of half-crown should be recoined with a reward of 6d per ounce; (4) that any person bringing clipped coins to the mint to be recoined should receive its equivalent in weight and the overplus in bill or ticket drawn on a fund to be appropriated for that purpose; (5) that the present laws against clipping should be enforced and that all persons found guilty of clipping should be severely punished; (6) that all persons giving more for good silver coins than they ought by law should be punished; and (7) that all persons found guilty of importing counterfeit money or exporting English bullion should be fined etc.  

It is evident, therefore, that the committee was of the opinion

1. For these resolutions, see Journal of the House of Commons, March 12, 1695, or Ruding, Annals of the Coinage of Great Britain and Ireland (3rd ed), 1840, Vol II, pp 56–7
that in order to stop clipping and to prevent bullion export, the
denominative value of coins should be raised 10 per cent. This
percentage was suggested because the French king had also
raised the value of his coins by 10 per cent. The weight and fine-
ness of the coins was not to be altered, and the recoining of small
coins was particularly urged. A prohibition on the export of
silver bullion was strongly recommended.

However, the House could not come to a decision and no act
was passed. It appears that the stumbling block was the question
of raising the denominative value of coins. It was believed by
some members of the House that the malpractice of clipping and
the tendency of exporting silver could be effectively stopped,
without devaluation, by imposing severe laws against them.
Therefore on March 28, 1695, the House voted against devalua-
tion by a small majority of eleven votes.

But a Bill to prevent the counterfeiting and clipping of coins
was passed in the House of Lords in March, 1695, and was soon
brought before the House of Commons for consideration. It was
passed in the House of Commons on April 25 after some amend-
ments had been made, and it received the Royal Assent on May
3. The Act provided for heavy punishment for anyone who
passed unclipped or broad money for more than its coined
value after May 3, 1695, and for anyone found guilty of possessing
money clippings or filings, or of exporting melted silver. It was
forbidden to cast bars like Spanish silver or stamped with the
Spanish mark, and any two Justices of Peace might enter any
house and search for and seize unlawful bullion.\(^1\)

However, this Act did not achieve its purpose of preventing
counterfeiting and coin clipping. Clipping and silver export by
smuggling increased, rather than decreased, after the Act was
passed. The exchange rate fell so heavily after May 1695 that it
became exceedingly profitable to clip and export silver. The
market prices of gold, silver and guineas rose steeply. On account
of the state of silver coins and the violent fluctuations in the
price of guineas there was great confusion on the market. The
Government and the Bank of England lost heavily when making
remittances to Holland. The weighty milled coins almost totally
disappeared from the market, and as a result there was little money
in circulation.

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1. For complete text of the act, see Ruding's *Annals*
THE RECOINAGE ACTS

When Parliament met in November 1695, the condition of silver coins had become so bad, the exchange rate so low, the price of the guineas so high, and money in circulation so limited, that it was generally agreed that something drastic had to be done, otherwise the country would soon be completely ruined and forced to make peace on most unfavourable terms. Meanwhile, it was believed that the state of silver coins was at the root of all the difficulties, so the Government and Parliament had to reform the coins immediately at all costs. The new Chancellor of the Exchequer, Charles Montague, and many others, were of the opinion that if the clipped coins were retrieved, the exchange rate would immediately be restored, the guineas would soon return to their true value, the hoarded milled money would come out into circulation and the export of silver caused by the fall of the exchange rate would soon stop.

On November 26, 1695, King William III delivered a speech to the House of Commons in which he stressed the great importance of retrieving the clipped coins. He said:¹

I must likewise take notice of a great Difficulty we lie under at this time, by reason of the ill State of the Coin; the Redress of which may perhaps prove a further Charge to the Nation; but this is a matter of so general concern, and of so very great importance, that I have thought fit to leave it entirely to the consideration of my Parliament.

Consequently the chief matter under discussion in this winter session of Parliament of 1695–6 was the recoinage of silver money. On December 10, 1695, Colonel Granville of the committee to whom the matter was referred, reported its resolutions to the House, and they were immediately passed with little amendment. The resolutions called for immediate recall of clipped coins and for their termination as legal tender. Being the basis for the reform of the clipped coins, the resolutions may be summarized here.²

First, it was pointed out that the most effective way to put a stop to the damage inflicted on the country through the existence of the clipped coins was to recoin them. Secondly, it was resolved that all the clipped coins should be recoined according to the established standard of the mint, both as to weight and quality. Thirdly, it was suggested that the expenses incurred in the

¹. *Journal of the House of Commons*, November 26, 1695
². *Ibid*, December 10, 1695

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recoinage should all be borne by the public. Fourthly, it was recommended that a day or days be appointed after which no clipped crowns or half-crowns be accepted as payments in private dealings and that a day or days be appointed after which they should not be accepted by the Government as payments of taxes. Fifthly, it was recommended that a day or days be appointed after which money clipped within the ring should not be allowed to pass. Sixthly, it was suggested that a day or days be appointed for all persons to bring in clipped money to the mints to be recoumed into milled money, after which no recompense would be made.

On December 14, 1695, the Chancellor of the Exchequer reported to the House of Commons that the King was being asked to fix the dates required in the resolutions. On December 19, 1695, the King made the following proclamation:  

Whereas the Lords Spiritual and Temporal, and the Knights, Citizens, and Burgesses in Parliament Assembled, having taken into their serious Considerations, the great Mischief which this Our Kingdom lies under, by reason that the Coin, which Passes in Payment, is generally Clipped; and they being of Opinion that the most Effectual Way to put a stop to this Evil, is to prevent the Currency thereof, as soon as We in Our Wisdom should think fit, Have severally by their humble Addresses besought Us to Issue Our Royal Proclamation in that behalf; And we being deeply Sensible of the great Prejudice which Our good Subjects undergo by such Diminution of the Current Coins, and being very desirous to apply a Speedy and Suitable Remedy thereto, have thought fit to Declare and Command; And by and with the Advice of Our Privy Council, We do by this Our Royal Proclamation Declare and Command, That from and after the First Day of January next Ensuing, no Clipped Crowns or Half-Crowns shall Pass in any Payment, except only to the Collectors and Receivers of Our Exchequer; And that from and after the Third Day of February next Ensuing, no Clipped Crowns or Half-Crowns shall Pass in any Payment whatsoever, within our City of London, or within Forty Miles Distance of the same; And that from and after the Two and Twentieth Day of the said Month of February, no Clipped Crowns or Half-Crowns shall Pass or be Current in any Payment whatsoever, within Our Kingdom of England, Dominions of Wales, or Town of Berwick upon Tweed: And We do hereby Declare and Command, That from and after the Thirteenth Day of February next no Piece of Money called Shillings, Clipped within the Ring, shall Pass in any Payment, except

1. The British Museum, 21 h 3176
only to the Collectors and Receivers of Our Exchequer; And that from and after the Second Day of March next, no such Shillings Clipped within the Ring shall Pass in any Payment whatsoever. And We do also hereby Declare and Command, That from and after the said Second Day of March next, no other Money whatsoever, Clipped within the Ring, shall Pass in any Payment, except only to the Collectors and Receivers of Our Revenues and Fares, or upon Loans or Payments into Our Exchequer; And that from and after the Second Day of April next, no such Money Clipped within the Ring shall Pass in any Payment whatsoever.

In other words, the proclamation decreed that from and after January 1, 1696, no clipped crowns or half-crowns should pass in the market except to the collectors of taxes or for payment of loans to the Exchequer; that from and after February 3, 1696, no clipped crowns or half-crowns should pass as any payment whatsoever in London or within a distance of forty miles of London; that from and after February 22, 1696, the same kinds of money should never pass in any part of the country; that from and after February 13, 1696, no shillings clipped within the ring should pass in the market except to the collectors of taxes or for payment of public loans; that from and after March 2, 1696, no such shillings should pass as any payment whatsoever; that from and after March 2, 1696, no other kinds of money clipped within the ring should pass as any payment except to the collectors of taxes and fares or on loans or payments into the Exchequer; and that from and after April 2, 1696, no such money should pass as any payment whatsoever.

It is clear from the above that both Parliament and the King were convinced that their immediate task was to call in clipped coins and to stop their being legal tender after certain dates. However, to avoid inconveniences to trade the coins were to be called in by degrees. But the interval was not to be too long, so as not to give the clippers a chance to indulge in further clipping, as the coins were to be called in at their face value. Crowns and half-crowns were to be called in first, because they were most seriously clipped and most subject to further clipping.

The effects of the proclamation were most confusing, however. People immediately began to refuse to accept crowns and half-crowns for fear that the coins might still be in their hands on January 1, 1696, after which date they could only use the coins
for payments to the Government, while after February 22, 1696, which was not very far off, the coins would be unacceptable for any payment. Therefore the clipped crowns and half-crowns nearly became dead stock after December 19, 1695. Locke told Clarke, in a letter written on December 13 (?), 1696, that a carpenter in his parish at Oates had a debt of £40 to £50 paid to him just before the proclamation came out and that he could find nobody to take the crowns and half-crowns soon after the proclamation, although he owed money.1

Meanwhile, Sir Leonard Robinson, the receiver-general for London and the county of Middlesex, refused to accept coins of sterling silver of a coarser alloy.2 A petition from the revenue collectors complaining about this matter was presented to the House of Commons on January 2, 1696. Consequently a proclamation was issued on January 4, 1696,3 stating among other things that all clipped coins of sterling value but of coarser alloy would be acceptable to the Exchequer.

It soon became evident that the dates fixed for the recall of clipped coins were too early to be practical. There was still a large portion of coins left uncollected when the dates approached. Parliament therefore decided to extend the dates, even at the risk of exposing the coins to further clipping during the interval. On January 17, 1696, an ‘Act for Remedying the Ill State of the Coin of the Kingdom’ was passed in the House of Commons, which became the first statute Act for the recoining of these coins. Royal Assent was received on the 21st of the same month. It allowed all clipped coins to be current for payment of taxes to the Government until May 4, 1696, and for payment of loans to the Exchequer until June 24, 1696. The principal provisions were as follows:

That on or before the First Day of February One thousand six hundred ninety five4 the present Commissioners of His Majesty’s Treasury . . . shall . . . cause all the clipt Money being Sterling Silver or being Silver of a courser Alloy than the Standard and which shall bee then actually remaining in the Kings Receipt of the Exchequer

1. Benjamin Rand, The Correspondence of John Locke and Edward Clarke (1927), pp 428–9
3. The British Museum, 21 h 3178
4. This means 1696 according to our present reckoning of the year, as in those days the beginning of a year was from every Lady Day, March 25

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upon the account of Taxes, Revenues, Loans or others to bee exactly numbered or told and to bee alsoe carefully weighed and the Tale and weight thereof to bee fairly entred in a Book to bee kept for that purpose within the said Receipt whereunto all Persons concerned shall have free accesse at all seasonable Time without Fee or Charge and in the same Book there shall not only bee expressed the general Tale of all the said clipt Moneys that shall bee then found within the said Receipt ... And shall thereupon immediately cause all such clipt Money soe found in the said Receipt to bee there or in some convenient Place ... melted downe and cast into Ingotts and soe to be essayed and delivered by Weight into His Majesties Mint or Mints where the Officers shall receive the same by Indenture to bee there immediately refined or otherwise reduced to sterling and to bee coined by the Mill and presse into the current Money of this Realme to hold such Weight and Fineness as are prescribed by the Present Indenture with His Majesties Master and Worker for makeing of Silver Moneys att the Tower of London and with such Allowance called the Remedy as is given to the said Master by the said Indenture which Weight and Fineness are hereby declared to bee and shall remain to bee the Standard of and for the lawful Silver Coin of this Kingdom.

And be it further enacted by the Authority aforesaid That all the New Money proceeding from the Silver of the said clipt Moneys (except the necessary Charge of makeing the said new Money) which Charge shall not exceed Fourteen pence upon every Pound Weight Troy and except the necessary Charge of melting and refining shall from time to time as fast as such New Money shall be coined or at least by Weekly Payments be brought back into the Receipt of His Majesties Exchequer and be there placed to the respective Accounts....

That the Receivers General and their Several Deputies and the particular Receivers Collectors and other Officers ... shall and by this Act they are severally required and enjoyned to accept and take in Payment for His Majesties Use for or upon Account of any of the said Revenues, Impositions, Duties, Taxes, Aids (or) Supplies respectively such clipt Moneys as aforesaid being Sterling Silver or being Silver Moneys of a courser Alloy than the Standard from such Person or Persons, Bodies Politick or Corporate as shall tender the same in or for such Payment respectively att any time or times before the Fourth Day of May which shall bee in the Years of our Lord One thousand six hundred ninety six att the same Rate or Value as if such Moneys were unclipt or undiminished shall not refuse any Piece or Pieces of Silver Moneys so tendered by reason or pretence of their being worse or holding more Alloy than Standard
THE RECOINAGE

Silver soe as such Piece or Pieces do not evidently appeare to bee made of Copper or Base Mettal plated over or washed with Silver only.

That the Tellers in (the) Receipt of His Majesties Exchequer respectively shall att any time or times before the Foure and twentieth Day of June One thousand six hundred ninety six not only receive and take to His Majesties Use att the Receipt of Exchequer the said Clipt Moneys which shall have been soe received or collected by the said Receivers General and their several Deputies . . . but shall alsoe att any time or times before the said Four and Twentieth Day of June receive and take to His Majesties Use in any Clipt Money as aforesaid any Loans which shall bee authorized to be made and received. . . .

That such Mints as His Majesty shall erect for the greater Ease of His Subjects in the remote parts of this Kingdom not being lesse than foure shall bee under the Methods and Directions prescribed by this Act.

And in regard such of the Coins of this Realm formerly made with the Hammer and not by the Mill and Presse and which doe att this time remain Whole and Unclipt will still be most liable and subject to that penicicous Crime of Clipping or Rounding by wicked Persons who regard their owne unjust Lucre more than the Preservation of their native countrey for the better Prevention thereof bee it further enacted . . . That every Person having such unclipt hamed Moneys in his, her or their Hands Custody or Possession doe before the Tenth Day of February One thousand six hundred ninety five or before they dispose of the same cause such unclipt Moneys to bee struck through about the Middle of every Piece with a solid Punch that shall make a Hole without diminishing the silver and that after the said Tenth Day of February noe unclipt hamed Moneys (that is to say) such Pieces as have both Rings or the greatest part of the Letters appearing thereon shall bee Current unless it (be) so struck through and if any Piece struck through shall appear afterwards to bee clipt noe Person shall tender or receive the same in Payment under the Penalty of forfeiting as much as the clipt Moneys so puncth through shall amount to in Tale to be recovered to the Use of the Poor of the Parish where such Money shall be so tendered or received And His Majesties Justices of the Peace . . . upon Complaint to bee made to them of such Offence are hereby impowered to take Cognizance thereof and to determine the same . . .

And in regard the smaller Pieces of the new Moneys to bee coined as aforesaid will bee most usefull in Commerce Bee it further enacted That from and after the Fourth Day of February One thousand six hundred ninety five the Master and Worker of his Majesties Mint
for the time being shall upon every Hundred pound weight Troy of sterling Silver to bee coined as aforesaid . . . cause att least Forty Pounds weight Troy to bee coined into Shillings and Ten Pounds weight Troy to be coined into Sixpences besides the other Coins which is to make out of the same . . .

Thus the dates for collecting the clipped coins were extended by this Act and the danger of further clipping in the longer interval was guarded against by requiring all unclipped hammered money to be struck through the centre. However, clipping on those pieces which were already without the rings or the greatest parts of the letters still continued to a large extent after the Act was passed, and the country suffered a further loss of about £1 million.1

On December 31, 1695, the House of Commons decided to levy a tax on dwelling houses to meet all the expenses involved in the recoinage but the Act called 'Granting to His Majesty several Rates or Duties upon Houses, for making good the deficiency of the Clipped Money' was not passed in the House until March 18, 1696. It received the Royal Assent on April 10, 1696 and stipulated that from and after March 25, 1696, for a period of seven years a tax of 2s per annum be levied on every dwelling house with less than ten windows, 6s with ten or more but under twenty windows, and 10s with more than twenty windows. The tax was to be borne by the inhabitants, not by the house owners. The sum to be realized from this tax was estimated at £1,200,000. It was therefore stipulated that it would be lawful for any person or persons to advance to the King upon the security of this Act any sum not exceeding £1,200,000 from and after June 24, 1696.

As may be recalled, one of the resolutions reported by Colonel Granville on January 9, 1696, was to give a reward of 3d per ounce to all such persons as should bring in wrought plate to the mint to be coined. But the House did not act until March 26, 1696. On that day the House passed a comprehensive Bill entitled 'An Act to encourage the bringing Plate into the Mint to be coined, and for the further Remedyng the Ill State of the Coin of the Kingdom'. It stipulated that from May 4 to November 4, 1696, all plate brought to the mint would be coined gratis and that a reward of 6d for every ounce would be paid to importers. It also enforced a partial prohibition on the export of silver

1. G. Burnet, History of his Own Times (1734), Vol II, p 147
bullion, since it stated that after March 31, 1696, no melted silver or
bullion for export should be carried on board any ship without
a certificate from the Lord Mayor of London, together with an
oath declaring that the silver was not of English origin and that
no part of it was the result of clipping. It reiterated that no clipped
money should pass after May 4, 1696, as lawful money, upon for-
feiture of double the value.

On October 20, 1696, the House again debated the question of
raising the value of coins. It was then resolved that 'this House
will not alter the standard of gold and silver, in fineness, weight
or denomination'. This closed the question for years.

In order to speed up the recall of clipped coins and to prevent
further clipping, the House on November 24, 1696, passed a
compromise Bill entitled 'An Act for the further Remedyng the
Ill State of the Coin of the Kingdom', requiring all coins to be
accepted only by weight - but at different values. It stipulated that
all hammered money, clipped or unclipped, should be received
at the mint at 58 4d per ounce between November 4, 1696, and
July 1, 1697, but the King's receivers and collectors could take
them at 58 8d per ounce from November 15, 1696, to February 1,
1697, for payment of loans and arrears of aids and taxes due before
February 1, 1697, and of future aids and taxes due before June 1,
1697. After December 1, 1696, all hammered coins were to be
accepted only by weight at 58 2d per ounce except for payments
to the King as aforesaid. Pieces which had both the rings and the
greater part of the letters remaining, or sixpences not clipped
within the innermost ring which were received by tale before
November 18, 1696, should all be received by tale before Decem-
ber 18, 1696, by receivers-general and before January 10, 1697,
by the Exchequer.

On February 24, 1697, a Bill entitled 'An Act for granting to
His Majesty several Duties upon Paper, Vellum and Parchment,
to Encourage the bringing of Plate and Hammered Money into
the Mint to be coined' was passed in the House. It provided a
duty to be laid upon all kinds of paper, to be borne by the maker
or the importer. The makers were to pay a duty of 20 per cent
ad valorem and the importers 25 per cent. The duty on stocks was
17.5 per cent. All these duties were to be levied for two years.

It had been suggested that a duty be laid upon all wrought
plate not brought into the mint to be coined, but the idea was
soon dropped, as it was in contradiction to the original inducement policy. On March 6, 1697, another ‘Act for Encouraging the bringing Wrought Plate to be coined’ was passed in the House, which reduced the reward from 6d to 2d for every ounce of wrought plate brought to the mint. However, the Act did not require the date of the plate wrought on or before March 25, 1696, as formerly, and it promised prompt payment, i.e. as soon as the plate was brought in, payment was to be made without waiting for the plate to be melted down and assayed. All wrought plate brought in between January 1 and November 4, 1697, was to be received at 5s 4d per ounce. It was further stipulated that in order to prevent the new silver coins being melted down the standard of all wrought plate made after March 25, 1697, should be changed to 11 oz 10 dwt of fine silver in a pound troy and that any person might before June 1, 1697, pay a part or whole of the year’s tax in such wrought plate.

In this winter session of 1696–7 the last Act the House of Commons passed concerning the recoinage was the one to prevent counterfeiting, entitled ‘An Act for the better Preventing the Counterfeiting the Current Coin of this Kingdom’. It was passed in the House on April 15, 1697, and received the Royal Assent the next day. There were two main provisions in the Act. First, it stipulated that from and after May 15, 1697, any smith, engraver or founder other than those employed by the mints who made or mended any puncheon, stamp, dyed pattern or mould of any metal would be guilty of high treason. Secondly, should any puncheon or any other tool instrument or engine which could be used for coining or counterfeiting silver money be found hidden or concealed in any place after May 15, 1697, the discoverer might legally seize the same and bring the owner to the Justice of the Peace.
Chapter 8

THE ACTS ON GUINEAS

After passing the ‘Act for Remedying the Ill State of the Coin of the Kingdom’ on January 17, 1696, the House of Commons had been busy preparing Bills to regulate the price of guineas and to permit silver coins to be exported. In fact, before passing this Act the House of Lords had suggested that three more clauses should be incorporated in it. The first clause concerned the prohibition on the import of gold and its coinage, the second the export of English coins, and the third the order for clipped coins to pass only by weight. But the House of Commons only agreed to consider them in later Bills.

On January 21, 1696, the House of Commons had a discussion on the high price of guineas. But again no decision was reached.

On February 13, 1696, an account of guineas coined since Lady Day (March 25), 1695, which was prepared by Thomas Neale, Master of the Mint, was read in the House. According to Neale there were as many as 721,280 guineas coined during the last nine or ten months.

On the same day petitions from graziers, cattle traders, woollen drapers and other merchants complaining about the high and uncertain prices of guineas were read. One petition stated that the commerce of the country was at the moment brought to a standstill by the uncertain value of the gold coin and the low stock of silver so that a gradual ‘sinking’ of the value of the gold coin would be the only effective means to prevent the schemes of dishonest traders. Another observed that the petitioners had of late
been forced by bankers and goldsmiths to pay out guineas at rates under 29s apiece, while they had to receive them from their customers at 30s apiece, or else they could not receive any money at all, because of the scarcity and bad condition of the silver coins; they wanted to see the value of guineas come down gradually. Then followed a long debate on the question but still no decision was reached. How the House carried on the debate can be seen from the following letter, dated February 15, 1696, written to Locke by Edward Clarke, who as a member of Parliament attended the meeting:1

If I had not been quite worn out with an attendance of thirteen hours together without even stirring out of the House on Thursday last, I had then acquainted you with the result of the longest debate I ever yet saw in Parliament. The subject matter whereof was the then current price of guineas, wherein gentlemen’s reasonings were very different, as you may well imagine by the length of the debate, which lasted from about twelve at noon till ten at night. In which debate, a few gentlemen forced the adverse party generally to agree: that unless gold and silver be brought and kept at a par to each other, that which exceeds will eat out and carry away the other. And that unless gold be reduced speedily to its real intrinsic value as well as silver, as it has already devoured a great part of the riches of the nation, so it will certainly ease use of the small remainder of our wool, and woollen, as well as other manufactures, and of our silver likewise, and will in a little time effectually carry away more of the treasure and wealth of the Kingdom than all the expense both of the fleet and army together doth amount unto. And yet, notwithstanding the reducing that exorbitant imaginary value which hath been permitted to be set on gold for so long, all at once by a vote of Parliament was thought to be of such consequence as to prevail so far against the arguments on the other side, that by a small majority there was a vote obtained in the Committee, and this day agreed to by the House, viz That no guineas be allowed to pass in any payment above the rate of 28s, which it is expected will prevent their rising higher. And I hope the true interest of the nation will soon reduce them to their real value. All this is chiefly owing to the monkey and some others of his brethren, who have still strong inclinations to alter the standard and raise the silver to the present imaginary value of the gold, by which you may be satisfied that they are as wise and honest as ever.

As mentioned by Clarke, it was on February 15 that the House, 1. B. Rand, op cit, pp 440–1
acting on the report of the Committee, voted to reduce the price of guineas to 28s apiece. The vote was 164 in favour and 129 against,\(^1\) which showed that the House was still divided as to whether the Government should interfere with the market price of guineas and whether the denominative value of silver coins might yet be raised instead of lowering the value of gold.

Then on February 24, 1696, the House passed the 'Act for taking off the Obligation and Encouragement for Coining Guineas for a certain time therein mentioned'. It stated that great quantities of gold had lately been imported from foreign countries, that an abundance of guineas had been coined, which the people accepted at exceptionally high prices, with the result that the public suffered heavy losses; that the continuance of this practice, unless speedily prevented, would heavily indebt the country to foreigners, and that in the repayment of this debt the country's gold and silver were exhausted on very disadvantageous terms. Therefore the Act stipulated that from and after March 2, 1696, until January 1, 1697, there should not be any obligation on the mints to coin any gold and that during the same period it would not be lawful for any person to import guineas or half-guineas into the country on any pretence whatsoever upon pain of forfeiture of all such guineas and half-guineas. It further stipulated that the impositions on imports of vinegar, cider, beer, brandy and strong waters should be applied entirely to the encouragement of silver coinage. As an exception, however, the Royal Africa Company of England was still allowed to import gold to be brought to the mint for coining.

It was soon found that 28s was still too high a price for guineas. Parliament therefore endeavoured to reduce it to 24s, but without success. However, on February 26, 1696, the House agreed to reduce it to 26s, and a clause for penalties for passing guineas at higher rates was inserted in the 'Act for continuing the Duties on wine, vinegar, tobacco and East India goods . . .', which was passed in the House on March 7, 1696. On March 20 the House reconsidered the problem and agreed to lower it further to 25s. Finally, on March 26, the House by a vote of 182 to 135 settled the price of guineas at 22s, and a clause was inserted in the Bill entitled 'An Act to encourage the bringing Plate into the Mint

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1. See *Journal of House of Commons*, February 15, 1696
to be Coined, and for the further Remedying the Ill State of the Coin of the Kingdom', stipulating that no guineas should pass in any payment at more than 22s apiece after April 10, 1696, upon forfeiture of double the value and £20 besides.

Owing to the fact that the price of guineas had come down to 22s by October 1696, Parliament saw fit to repeal the Act prohibiting gold import and coinage of guineas before the due date of January 1, 1697. Therefore on October 23, 1696, the House passed the 'Act for Importing and Coining Guineas and Half-guineas', stating that the reason why a previous Act had removed the obligation and encouragement for coining guineas was because of the high and unusual price of guineas existing in the previous February, but that now it was being reduced to or near to the standard value, so that it was no longer necessary to prohibit gold import and guineas coinage. Moreover, it was pointed out that some trades could not be carried on with advantage unless gold could be imported and guineas coined. By this Act the master and worker of the mint was ordered to commence coining guineas and half-guineas from November 10, 1696. However, the clause contained in a previous Act relating to recompense being applied exclusively to silver coinage was not repealed.

In point of fact, before November 10, 1696, some merchants had applied to the Lord Justices for leave to coin guineas at their own expense, and such applications had been granted.

For about a year and a half the price of guineas remained steady at 22s apiece and a large quantity of gold was brought to the mint to be coined into guineas. By the winter of 1698, however, people began to realize that the influx of gold was too great and that there was a continuous drain on silver, and that all this was due to the high price given to guineas. Petitions were heard in the Lords Justices in Council, to the effect that the value of guineas at 22s apiece was very prejudicial to the country's trade, particularly to the importation of silver. Then the matter was referred to the Council of Trade, which consequently made a report to the Lords Justices on September 22, 1698, signed by four commissioners including John Pollexfen and John Locke. The report was so significant that it may be quoted here in full:

1. The report is found in Hoston, Silver Pound, or Journal of House of Commons, February 10, 1699

125
THE RECOINAGE

To their Excellencies the Lords Justices
May it please your Excellencies

In obedience to your Excellencies Order in Council dated the 8th of the Month, that we should take into consideration the Value of Guineas, as they are now current at 22s and the prejudice which had been represented to your Excellencies to arise from thence to the trade of this Kingdom, and particularly in the Importation of Silver Bullion; and that having spoken with merchants and other fit persons, we should report to your Excellencies our opinion thereupon, and what we conceive your Excellencies may fitly do in the matter: We have accordingly spoken with several eminent merchants, and other persons, whom we thought most capable to give us information therein; and thereupon must humbly report.

That the merchants and others, we have consulted thereupon are generally agreed, that the Importation of Gold, occasioned by our over-valuing it in the currency of guineas at 22s is a prejudice to this Kingdom in our Trade; and an occasion that so much silver as the Value of the Gold so imported is worth, hath been either carried out of England or hindered from coming in; and that we cannot expect any Silver Bullion, from Spain or elsewhere, should be imported and coined here, whilst we put so great an over-value upon Gold; because it is easy for merchants to know the value of both, in all Places where they deal, and exchange their Silver for Gold; and most certain, that they will only import hither to be coined, what makes most for their own advantage.

But besides their opinion, the thing demonstrates itself, for it is certain, That Gold in Holland, from whence the greater Part, of what has been lately coined here been brought over to us, is about Six per cent cheaper than it is here; that is to say The same Quantity of Gold that will yield here at the Mint a Sum equivalent to One Hundred ounces of Silver will there be bought for less than 94 ounces of the same Silver; and from thence it evidently follows, That whoever imports Gold, gains Six per cent here more than if he imported Silver to be coined, and carries away for it, either so much of our silver or, at least, so much of our Commodities as that Six per cent amounts to: which is both ways alike prejudicial to this Kingdom. That this over-value of guineas draws Gold in upon us, the Mint is an unquestionable Evidence; when from the first of May last, to the 12th of this present September have been coined 250,713 Guineas but in Silver only 72,366L 8s. And it is also observable that the Silver so coined has been only some Remain of our clipped and hammered Money and not foreign Bullion imported: nor can it be
hoped, that this course of coinage, now in the Mint, viz: The Coinage of Gold in a much greater proportion than silver, should alter; but that it will be continued on to the exportation of our silver, and very great loss to the exportation of our silver, and very great loss to this Kingdom in trade, so long as gold here shall have the value of 21s sterling for a guinea.

The Prejudice arising from hence to Trade and the advantage that may be expected from the fall of Guineas, are also more particularly observed to us by Merchants, from the rate of exchange. For the course of exchange between England and Holland, having of late by the importation of so much gold from thence been brought considerably lower than the Par, the consequence of which is, that we pay as much more for everything we bring from thence, and receive so much less for everything we send thither; that course has ever since your Excellencies Commands to us to make Inquiry into this Matter, by the spreading of the Rumours and expectation of some Change, already received an Alteration of about one per cent to our Advantage; and it is not doubted, but as the Price of Guineas shall be more certainly reduced towards their true value, the Exchange will rise proportionately. This being the state of the Matter, we are humbly of Opinion that it is necessary, Guineas in their common currency be brought down to 21s 6d at least; And further humbly conceive that Your Excellencies may fitly do it by giving directions that the Officers of the Receipt of his Majesty’s Exchequer and all other Receivers of His Majesty’s Revenue, do not take them at a higher rate. This appears to us the Most Convenient way; because it may, at all times, be a ready and easy remedy, upon any further variation that shall happen in the world in the Price of Gold; or even in case this new proposed Lowering of Guineas should not prove sufficient: For it being impossible, that more than one Metal should be the true Measure of Commerce; and the world by common Consent and Convenience, having settled that Measure in Silver; Gold as well as other Metals, is to be looked upon as a Commodity, which varying in its Price as other Commodities do, its Value will always be changeable; and the fixing of its value in any country, so that it cannot be readily accommodated to the course it has in other neighbouring Countries, will be always prejudicial to the Country which does it. The value of Gold, here at the price of 21s 6d a Guinea, in proportion to the Rate of Silver in our Coin, will be very near as fifteen and one half to one; the value of Gold in proportion to Silver, in Holland and Neighbouring Countries, as near as can be computed, upon a Medium, is as fifteen to one; so that by bringing down the Guineas to 21s 6d Gold will not here be brought to so low a Price as in our Neighbouring Countries; Nevertheless, we are
humbly of opinion that the Abatement of Sixpence in the Guinea will be sufficient to stop the present disproportionate Importation of gold; because the charge for Insurance, Freight, Commission, and the like, will eat up the Profit that may then be made thereby, and hinder that Trade; but if, contrary to our Expectation, this Abatement should prove too small Guineas may by the same easy Means be lowered yet further, according as may be found expedient.

All of which, nevertheless, is most humbly submitted.

Ph. Meadows
John Pollexfen
John Locke
Abr. Hill

Whitehall
22 September 1698

In other words, the Commissioners of the Council of Trade were of the opinion that the price of guineas at 22s apiece given by the mints in England was at least 6 per cent higher than that fixed by the mints in neighbouring countries, and that this was responsible for the small amount of silver coined of late and for the exportation of silver bullion. They argued that while silver was the true measure of commerce and its price should never be changed, gold, like other commodities, should have variable prices. It was further stated that a reduction of guineas to 21s 6d apiece would make the ratio between gold and silver in England 1 to 15.5, which, compared to the ratio of 1 to 15 in neighbouring countries, was still high in favour of gold, but it was hoped that this adjustment might be sufficient to stop the exportation of silver bullion, since there were costs involved in shipments.

But apparently neither the Lords Justices in Council nor the House of Commons did anything following this report until February 10, 1699, when the report was ordered to be laid before the House. In the meantime the market became very confused. Luttrell recorded on September 22, 1698, that “This day the goldsmiths, that went to receive money out of the Exchequer, were offered guineas at 22s, who refused to take them but at 21s 6d (by reason the clerks of the customs and excise yesterday would take them for no more) upon which they were told there was no silver for them: so the goldsmiths went without their money, and it’s said a proclamation is coming out to lower them, because they are weekly brought into the kingdom from Holland and the new
coin carried away.' And on September 27 he recorded that 'Yesterday the Bank of England refused guineas at 22s.'

On February 16, 1699, the House finally agreed to the report resolving that no person was obliged to take guineas at 22s, apiece. The previous day William Lowndes, then still the Secretary of the Treasury, had already ordered all receivers-generals to accept guineas at no more than 21s 6d each.3

It should be noted that Parliament and the Secretary of the Treasury did not require guineas to pass in any payment only at 21s 6d, which meant that they could pass at any rate below 21s 6d. The report had already expressed the view that when expedient and necessary the value of guineas might be further lowered.

1. N. Luttrell, *A Brief Historical Relation of State Affairs from September 1678 to April 1714* (1857)
2. S. D. Horton, *The Silver Pound*; see the letter from the Board of Treasury to the agents for taxes
The floating of Exchequer Bills was a very important matter in the House of Commons in the years 1696 and 1697. The occasion for their issue was the urgent need of the Government for funds to carry on the war against France. When first issued in 1696, they were not legal tender in any sense. They had only a humble beginning and the amount issued in 1696 was rather small. At first, they circulated at a discount, but from 1697 onwards, especially after the Proclamation in April 1697, the issue became a success and they began to circulate at par.

The success of the issue appears to have been due to several causes. First, it was due to the contract scheme. Secondly, it was probably due to the fact that the bills later became legal tender for payments to the Government. Thirdly, perhaps it was because of the situation in 1697 when money in circulation was so scarce, that it was possible for any kind of public paper to circulate as means of payment in order to meet the demands of trade. Fourthly, it may have been due to the prompt repayment of the bills in 1696 which gained them a good name.

It can be said that the passing of the Act entitled ‘An Act for Continuing to His Majesty certaine Duties upon Salt, Glass Wares, Stone and Earthen Wares for carrying on the Warr against France and for Establishing a National Land Bank and for taking off the Duties upon Tunnage of Ships and upon Coals’ on April 24, 1696, was the first concrete measure taken by the Government and Parliament concerning the bills. This Act provided the Government with power to issue the so-called ‘Credit of Bills’, i.e. the
Exchequer Bills, in order to have a fund before taxes or subscriptions to the National Land Bank came in. The main provisions of the Act were as follows:

(1) That the Exchequer was authorized to issue Exchequer Bills up to the value of £2,564,000, but before August 1, 1696, the sum was limited to £1,500,000 only.

(2) That the bills were to bear an interest rate of 3d a day for every £100 (i.e. about 7 per cent per annum).

(3) That they were payable on demand.

(4) That they were transferable and assignable from one person to another.

(5) That they could be cancelled and re-issued.

(6) That the denominations were to be £10, £20, £30, £50 and £100 each.

(7) That holders were allowed to convert them into consolidated stocks at 7 per cent.

When the scheme for establishing the National Land Bank failed to materialize in July 1696, the Government then started to issue the Exchequer Bills. They were first issued on July 10, 1696, and up to September 28, 1696, the amount issued was no more than £1,337,709.2

On July 20, 1696, the House of Commons debated the question of whether the bills should be made legal tender for payments to the Government, but the suggestion was vetoed. Towards the end of the year, however, the House began to feel that it might increase the issue by making them legal tender for payments to the Government. So on January 29, 1697, an ‘Act for granting an Aid to His Majesty as well by a Land Tax as by several Subsidies and other Duties payable for one yeare’ was passed in the House. It provided among other things for the Exchequer Bills to be made legal tender for payment of taxes and aids for 1697 except for the Aid of 35 in the pound, and that the amount to be issued was not to exceed £1,150,000.

Subsequently an Act ‘for granting to His Majesty a further Subsidy of Tunnage and Poundage upon Merchandizes imported for the Terme of Two Years & Three Quarters & an additional Land Tax for One Yeare for Carrying on the Warr against France’ authorized a further issue of £1,200,000.

1. See the Statute of the Realm for the full text of the Act
2. See MS 54 of Goldsmiths’ Library
THE RECOINAGE

It was soon realized that the issue of the bills was greatly increased after being made legal tender for payment of taxes and aids. To enhance the general acceptability of the bills, Montague later declared that they would be acceptable for all payments to the Government, regardless of the year of the taxes and including the payments for the Aid of 3s in the pound. He also invented the contract or trustee scheme\(^1\) to ensure subscriptions to the bills. The Lords Justices, the Lord Mayor, the Bank of England and other leading merchants were asked to be contractors or trustees guaranteeing payment of the bills on demand. These contractors or trustees were to subscribe to a fund for such a purpose. They were requested to take and pass the bills at face value in their own transactions, so as to set an example for other merchants to follow.

These ideas were incorporated in the ‘Act for making good the Deficiencies of several Funds therein mentioned and for enlarging the Capital Stock of the Bank of England and for raising the Public Credit’, which was passed in the House of Commons on March 26, 1697, and approved by the King on April 23, in a proclamation.\(^2\)

The proclamation reiterated the following points: first, the Government would accept and take Exchequer Bills from all people who should tender the same for or in discharge of any additional customs duties, impositions, excise, revenues, taxes, aids, supplies or other payments due to the Government. Secondly, all people could have such bills exchanged for ready money at the Exchequer. Thirdly, the Government would covenant and contract with any person or persons immediately advancing money to the Government in exchange for such bills. Fourthly, interest at the rate of 5d a day for every £100, i.e. about \(\frac{10}{40}\) per cent, would be paid to the last person in possession of the bills. Lastly, the amount of bills to be issued would not exceed £1,500,000.

This proclamation virtually made Exchequer Bills acceptable at par at the Exchequer, and people could accept them as money for settling debts among themselves. But the bills were never made legal tender in the sense that they had to be accepted and passed as money on the market. In fact, people always transferred the

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1. See Appendix V for Montague’s Proposal
2. British Museum, 21 h 3193
bills with endorsements. When the endorsements on the bills became too numerous, a clause was incorporated in the ‘Act... for the making out new Exchequer Bills where the former Bills are or shall be filled up by Indorsement’, which was passed in the House of Commons on January 4, 1698, ordering new bills to be issued in exchange for old ones.¹

The contract or trustee scheme was successfully introduced on April 23, 1697, when the subscribers had chosen six trustees and the Treasury Lords nominated six others.² The following table will give the details of the nine contracts made after April 27, 1697.³ It is worth noting that the scheme was most successful in 1698 and 1699 immediately after the war.

<table>
<thead>
<tr>
<th>Number</th>
<th>Date Made</th>
<th>Interest Rate per cent</th>
<th>Amount Contracted</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>April 27, 1697</td>
<td>10</td>
<td>431,450</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>July 9, 1697</td>
<td>10</td>
<td>693,170</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>October 26, 1697</td>
<td>10</td>
<td>517,220</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>March 5, 1698</td>
<td>8</td>
<td>300,000</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>April 28, 1698</td>
<td>4</td>
<td>1,000,000</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>February 2, 1699</td>
<td>3</td>
<td>1,000,000</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>April 15, 1700</td>
<td>3</td>
<td>500,000</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>June 16, 1701</td>
<td>3</td>
<td>500,000</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>June 1, 1702</td>
<td>3</td>
<td>500,000</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>£3,443,840</td>
<td></td>
</tr>
</tbody>
</table>

The bills were cancelled in two ways: first, by redemption; the Government built up a fund for this purpose by levying taxes and by borrowing. The second was by paying them as loans and taxes to the Exchequer. Then they were automatically cancelled as they came in.

During the fiscal year which ended at Michaelmas 1696 bills amounting to £85,420 28 10d were redeemed, and during the next fiscal year which ended at Michaelmas 1697 the amount redeemed was £14,490, thus leaving £58,679 unc cancelled at Michaelmas

¹. See the Statute of the Realm for the full text of the Act
². See Appendix V for the names of the twelve trustees of the second contract
1697. According to Lowndes's report submitted to the House of Commons in November 1702, bills cancelled up to October 16, 1702, amounted to £2,501,177 18 7½d and the interest paid thereon totalled £277,335 58 7½d. The amount of bills outstanding on that date was given as £553,417 98 8d, and the total amount of bills issued up to that date was £3,054,594 11s. 3½d.¹

Chapter 10

MUDDLING THROUGH

The task of recoining such a large amount of standard silver coins in the midst of a difficult war was indeed onerous. As a matter of fact, when the House of Commons passed the first formal Act on the recoining on January 17, 1696, the Government was not quite prepared. There was therefore great confusion on the market and the scarcity of money was felt everywhere at first. As the war came to a close in the latter part of 1697, however, the situation improved. The war did not end in complete victory for England, so the recoining was held to be at least partly responsible for cutting short the war. But if there had been no such recoining, it is possible that the war could not have been carried on up to 1697, but would have been stopped short early in 1696, considering the impossible state of silver coinage in 1695. True, the Government and the public suffered great losses on account of the recoining, but it was a price that had to be paid. It was a result of devastating wars.

As may be recalled, the mint at the Tower of London was not equipped to coin large amounts of money at the beginning of 1696. In January 1696 the Treasury ordered the mint to coin at least £30,000 per week, but its maximum working capacity was no more than £15,000 per week. Moreover, the mint was badly managed for years. It was not until the appointment of Newton to the post of warden on March 25, 1696, that conditions in the Mint were improved.

On January 23, 1696, new money began to be coined, but it did not come on to the market until February 8. Five country
mints were established to expedite the work. Altogether £2,714,154 198 4d in new money was coined up to the end of October 1696, but the country did not see much of it in circulation. It was hoarded as soon as issued.

In the meantime, guineas were leaving the country or being hoarded after April 10, 1696, when the Government ordered their price to be reduced to 22s apiece. Since after May 4, 1696, all the clipped coins except the sixpences and the punched pieces could no longer circulate as money, the shortage of money was especially felt in May, June and July of that year. The Bank of England had its greatest difficulty in May and its stock price fell by more than 20 per cent in June. The Government was also in financial difficulties, as its tallies were discounted at 30 per cent or more, taxes were in arrears and the deficit in the budget amounted to £3,160,400. In July the National Land Bank scheme failed. Its success should have yielded the Government a fund of £2,564,000. The issue of Exchequer Bills up to September 28, 1696, amounted to £133,709 only. The military operations in Flanders were nearly brought to a standstill.

John Evelyn described in his Diary the conditions after December 19, 1695, as follows:

1695 Dec. 23
The Parliament wondrous intent on ways to reform the coin; setting out a Proclamation prohibiting the currency of half-crowns etc; which made such confusion among the people.

1696 Jan. 12
Great confusion and distraction by reasons of the clipped money, and the difficulty found in reforming it.

1696 Jan. 23
They now began to coin new money.

1696 May 13
Money still continuing exceedingly scarce, so that none was paid or received, but all was on trust, the Mint not supplying for common necessities.

1696 June 11.
Want of current money to carry on the smallest concerns, even

for daily provisions in the markets; Guineas lowered to twenty-two
shillings, and great sums daily transported to Holland, where it
yields more, with other treasure sent to pay the armies, and nothing
considerable coined of the new and now only current stamp cause
such a scarcity that tumults are every day feared, nobody paying or
receiving money; so imprudent was the late Parliament to condemn
the old though clipped and corrupted, till they had provided supplies.
To this add the fraud of the bankers and goldsmiths, who having
gotten immense riches by extortion, keep up their treasure in
expectation of enhancing its value. Duncombe, not long since a
mean goldsmith, having made a purchase of the late Duke of
Buckingham's estate at near £90,000 and reputed to have near as
much in cash. Bank and Lotteries every day set up.

1696 July 26
So little money in the nation that Exchequer Tallies, of which I
had for £2,000 on the best fund in England, the Post-Office, nobody
would take at 30 per cent discount.

1696 Aug. 3
The Bank lending the £200,000 to pay the army in Flanders, that
had done nothing against the enemy, had so exhausted the treasure
of the nation that one could not have borrowed money under 14 or
15 per cent on bills, or on Exchequer Tallies under 30 per cent.

Unfortunately the confusion on the market at the time was also
caused by the ambiguous points left unanswered by the Acts so
far passed by Parliament. For instance, it was not certain, accord-
ing to the Acts, whether the clipped coins could still pass by their
weight after May 4, 1696. Nor was it certain whether by the clause
of punching on the greatest part of the letters was meant the
greatest part in numbers or in the height of each letter. The other
question was how long the sixpences would be allowed to con-
tinue in circulation, as they were much clipped after February
1696. And people were speculating as to what the Government
would do with the one to two million clipped coins which were
left uncollected on May 4, 1696. They could still be paid to the
Treasury for loan subscriptions until June 24, 1696, but the time
of only fifty days left was considered too short for collecting
them all.

The power of the Government to raise credits was at its lowest
ebb in the latter part of 1696. When Parliament assembled on
October 20, 1696, the King in a speech reminded them of the fact that there still remained some inconveniences relating to the recoinage which ought to be remedied. He added: 'I hope you will find out the best Expedients for the Recovery of Credit, which is absolutely necessary, not only with respect to the War, but for carrying on of Trade.' It was on October 26, 1696, that the Lords of the Treasury addressed a letter to the Directors of the Bank of England to inquire about the measures they considered necessary to raise credits. The letter was considered at a Court of Directors' meeting held on the following day, when it was decided that the Government should (1) 'increase the species of money and expedite ye coyning thereof', (2) make good the 'funds already given and the deficiencys', and (3) discover means 'to prevent the exorbitant rates on discount of tallies upon the Public Funds'.

The recoinage work, however, proceeded slowly but steadily. By the end of 1697 over 90 per cent of the work had been done. According to Haynes, the total amount of new money coined between February and October 1696 was £2,714,154 19s 4d, of which 98 per cent was coined from clipped money and only 2 per cent from bullion and plate. The table on page 139 will set out the details of the money coined during the period.

Haynes also states that altogether £5,488,601 13s 2d in clipped money was received by the six mints during the period, out of which £2,667,131 17s 9d of new money was coined. This would mean that the deficiencies of the clipped coins amounted to 51 per cent of their original weights. And he remarked that this amount of clipped money constituted about six-tenths of the total silver coins existing in the country before the recoinage.

Again, according to him, the amount of new money coined from November 1696 to the end of 1697 totalled £3,621,742 16s 10d, of which 92 per cent was coined from clipped money and 8 per cent from bullion and plate as shown by Table XVI on page 140.

The amount of clipped money received during this period was not mentioned by Haynes. It is possible that the clipped money received during this period was not as bad as before, as a considerable amount consisted of weighty pieces, punched coins and sixpences which had previously been hoarded. These pieces were only slightly clipped and delivered to the mints only because of

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<table>
<thead>
<tr>
<th>Mint</th>
<th>From Clipped Money</th>
<th>From Bullion</th>
<th>From Plate</th>
<th>Total</th>
</tr>
</thead>
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<td>London Tower</td>
<td>£2,463,110 17 7</td>
<td>—</td>
<td>—</td>
<td>£2,463,110 17 7</td>
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<td>Bristol</td>
<td>£41,101 15 7</td>
<td>£3,534 14 3</td>
<td>£7,743 3 3</td>
<td>£52,379 15 1</td>
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<td>Chester</td>
<td>£20,014 6 6</td>
<td>£1,557 0 6</td>
<td>£793 9 0</td>
<td>£22,364 16 0</td>
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<tr>
<td>Exeter</td>
<td>£46,996 7 0</td>
<td>£3,095 2 0</td>
<td>£10,658 0 6</td>
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<td>£1,558 2 6</td>
<td>£5,866 6 0</td>
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<tr>
<td>York</td>
<td>£54,822 1 2</td>
<td>£3,106 11 0</td>
<td>£9,476 0 2</td>
<td>£67,404 12 4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£2,666,766 10 2</strong></td>
<td><strong>£12,851 10 3</strong></td>
<td><strong>£34,536 18 11</strong></td>
<td><strong>£2,714,154 19 4</strong></td>
</tr>
</tbody>
</table>
THE RECOINAGE

TABLE XVI
Amount of Money Coined from November 1696 to December 1697

<table>
<thead>
<tr>
<th>Mint</th>
<th>From Clipped Money</th>
<th>From Bullion and Plate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£ s d</td>
<td>£ s d</td>
<td>£ s d</td>
</tr>
<tr>
<td>London Tower</td>
<td>1,907,244 16 6</td>
<td>263,733 11 0</td>
<td>2,170,978 7 6</td>
</tr>
<tr>
<td>Bristol (fr. Jan. 1697)</td>
<td>365,542 9 0</td>
<td>4,011 5 6</td>
<td>369,553 14 6</td>
</tr>
<tr>
<td>Chester (fr. Jan. 1697)</td>
<td>269,442 0 6</td>
<td>5,481 8 6</td>
<td>274,923 9 0</td>
</tr>
<tr>
<td>Exeter (fr. Jan. 1697)</td>
<td>359,516 10 6</td>
<td>749 7 4</td>
<td>360,065 17 10</td>
</tr>
<tr>
<td></td>
<td>£3,347,767 4 6</td>
<td>£273,975 12 4</td>
<td>£3,621,742 16 10</td>
</tr>
</tbody>
</table>

Official encouragement and because the law prohibited their being passed as legal tender after December 1, 1696, as stipulated in the ‘Act for Further Remedying the Ill State of the Coin’. On the other hand, a considerable amount was collected by weight with a recompense of only 2d per ounce. So the amount of clipped money actually collected cannot be ascertained.

There was little money coined in 1698 and 1699, as the bulk was already coined in 1696 and 1697. The money coined in 1698 was no more than £326,628 8s and that in 1699 was only £60,443 16s. The total coinage of silver money in these four years amounted to £6,722,970 0s 2d.¹

As far as can be ascertained, since the total amount of clipped money collected and recoined by the mints from 1696 to 1699 was about £10 million, the total cost of the recoinage must have been over £3 million, considering that the clipped coins were deficient by nearly 50 per cent and that there was an inducement of 2d to 6d paid for every ounce of unclipped hammered money, bullion and plate brought to the mints. Ruding estimated the cost at £2,700,000.⁸

¹. This figure is comparable to £6,435,039 14s 9d given by Folkes in his Tables of English Silver and Gold Coins (1763)
². Ruding, op cit, Vol II, p 57
PART FOUR

The Consequences
IMMEDIATELY AFTER THE RECOINAGE

The results of the recoinage are well known. Nearly £7,000,000 worth of silver was coined, but the new coins disappeared from the market almost as soon as they were issued by the mints. They were either hoarded or melted down for bullion. Little silver was brought to the mints for coinage soon after the recoinage. The market price of silver remained higher than the mint price by 2d to 3d, and sometimes 6d to 7d, per ounce. An excess of 3d per ounce would mean about 5 per cent above the mint price of 5s 2d per ounce. In spite of the inducement policy, a large amount of silver was still hoarded by the people. In the meantime, there were large quantities of foreign gold coins being imported into the country because of the high price given for them.

On January 20, 1701, Newton as Master of the Mint at the Tower of London reported to the Lords Commissioners of the Treasury on the high price given by the country for French and Spanish pistoles, which ‘made them of late flow plentifully hither’. He pointed out that, ‘For pistoles pass among us for 17s 6d apiece whereas one with another they are worth but about 17s 1d at the rate that guineas of due weight and alloy are worth 21s 6d.’

In response to this report the King on February 5, 1701, issued an order requiring that all pistoles hereafter be received for not more than seventeen shillings apiece. As a result, not only the great import of such French Louis d’Or and Spanish pistoles was

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1. This report and other reports of Newton are all reprinted in Horton, Silver Pound
stopped, but as much as £1,400,000 worth of foreign coins was brought to the Mint for recoinage.¹

By a king’s edict, issued on September 17, 1701, France altered the number of sols in her silver coin, the écu, from 72 to 76 without altering the number of sols in her gold coin, the lewidor. Thus the value of one metal in terms of the other was changed in favour of gold. Pointing this out, Newton wrote to the Lords Commissioners on September 28, 1701,² saying that the recent increase in the number of sols in the French silver coins had the effect of equalizing the relative values of gold and silver in France and Holland and that according to this proportion guineas should be worth only £1 os 11d apiece. He added that in Spain gold was coined at 16 times the value of silver, at which rate a guinea should be worth £1 28 1d, but the Spaniards made their payments in gold and if they had to pay in silver there was an abatement of about 5 per cent. He asked for the Lords Commissioners’ opinion as to whether this alteration of the French money might constitute sufficient ground for changing the proportion of values between gold and silver in England.

As a result, Lord Godolphin, then Lord High-Treasurer, directed Newton to make further reports on the proportion of values between gold and silver in the different countries of Europe and to suggest ways of preserving and increasing silver coins in England. Therefore on July 7, 1702, Newton jointly with J. Stanley and J. Ellis submitted a lengthy report on the matter, with a table showing the weights and finenesses of the standard gold and silver coins of the different countries in Europe. To allow their export was advocated as a roundabout way of preserving and increasing English silver coins.

It was calculated that the English price of a guinea at 21s 6d was higher than that in France by about 9d to 10d, that in Holland by 11d to 12d and that in Germany and Italy by 12d or more. However, in Spain and Portugal gold was valued higher than in England owing to the fact that large shipments of silver from the West Indies arrived in these two countries first. The value of guineas in the countries of Europe were set out as follows:

¹. This figure was mentioned by Newton in his report of September 1717
². This letter is contained in Shaw, Select Tracts and Documents
IMMEDIATELY AFTER THE RECOINAGE

<table>
<thead>
<tr>
<th>Guinea in</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>England</td>
<td>21s 6d</td>
</tr>
<tr>
<td>France</td>
<td>20s 8½d</td>
</tr>
<tr>
<td>Holland</td>
<td>20s 6½d to 20s 5½d</td>
</tr>
<tr>
<td>Germany</td>
<td>20s 4d to 20s 5½d</td>
</tr>
<tr>
<td>Denmark</td>
<td>19s 1½d</td>
</tr>
<tr>
<td>Switzerland</td>
<td>20s 9½d to 21s 0½d</td>
</tr>
<tr>
<td>Italy</td>
<td>less than 20s</td>
</tr>
<tr>
<td>Spain</td>
<td>22s 5½d</td>
</tr>
<tr>
<td>Portugal</td>
<td>22s 5d</td>
</tr>
</tbody>
</table>

Several ways of increasing the coinage of silver were recommended. First, it was suggested that 6d or 9d or 1½d might be taken off the price of the guinea so that gold would be of the same value in England as in France and Holland. Secondly, a law was proposed to forbid the export of any ingot of silver which was melted down in England, unless it was exported by a public office authorized to do so. Thirdly, it was suggested that it might be advisable to prohibit the exportation of bullion and to licence that of silver coins only; but whenever the export of silver coins became dangerously large, it might be limited to the amount coined out of foreign bullion.

It was argued that the advantages in allowing the export of money while prohibiting that of bullion were obvious. Silver had been made more valuable uncoined than coined by the old law, which had not only stopped silver coinage, but resulted in the melting down of coins into bullion for export. The import of foreign bullion was discouraged, for as soon as the bullion was coined into money, it could no longer be exported. If merchants could export what was coined, there would be more coinage and some part of the coins would be put into circulation, thus benefiting the country.

Moreover, it was pointed out that allowing money to be exported would make it unnecessary for the East India Company to export silver to be coined in India, where a substantial seigniorage charge was made. A free flow of money would also help the authorities to know the state of foreign trade. The argument was that if the country’s coins could circulate in a foreign land, it would also enhance the prestige of the country abroad.

It was concluded that the surest and safest way of preserving and increasing money in England would be to regulate her
THE CONSEQUENCES

foreign trade at the same time. 'If trade can be so ordered that no branch of it can be detrimental to the nation, the money will be safe, for which the luxury in foreign commodities should be checked and the exportation of our own commodities encouraged.'

The report did not advocate devaluation as a means of preserving and increasing silver coinage, as it was believed that such a devaluation would mean recoinage or melting down the new coins. But it was suggested that a devaluation on the small coins such as groats, threepences, twopences and pennies in the way of increasing the alloy might be advisable, for such money with a coarser alloy would wear longer and be less likely to get lost.

A detailed plan was mapped out for the regulations governing the exportation of silver coins and bullion. The gist of the plan was that the silver of the coins designated for export must be of foreign origin. Such coins had first to be delivered to the mint for examination. The owner of the silver was obliged to prove that it was imported silver. If it was not yet in the form of ingot, it had first to be turned into ingot, and the owner had to pay 1d per ounce for the work of melting. He could choose between having the ingot coined into money or merely marked with a stamp certified by the mint. Ingots not marked with the mint's stamp could not be exported. All silver money made in England to be exported was liable to a duty of 1/4d per ounce upon shipment, and it had to be shipped on a day appointed by the Commissioners of the Customs. Penalties were to be imposed on any person who violated any of these regulations.

No action was taken by the Government following this report, however. The price of guineas was not lowered, nor was licensing for the export of English coins ever tried. This inaction was probably due to the outbreak of war in 1702, but possibly it was also due to the fact that from 1702 to 1708 the gold coinage, like the silver coinage, was rather small, so that there was no point in lowering the price of guineas, which would only have tended to reduce further the gold coinage. Licensing for the export of English coins was not tried because it was feared, rightly or wrongly, that the country might lose more coins.

In 1709 Parliament began to realize that little silver coinage

1. This argument against devaluation would not be applicable to the condition in 1696 when the silver coins were so bad that they had to be recoined in any case.
had taken place since 1699. It was therefore resolved to take steps to encourage the silver coinage on April 15, 1709, and an Act was passed entitled 'An Act for continuing the Former Act for the Encouragement of the Coinage and to encourage the bringing of Foreign Coins and British or Foreign Plate to be coined . . .' By this Act the Lord High Treasurer was given the power 'to authorize and require the Master of the Mint to issue, out of the overplus money arising from the coinage duty, a sum not exceeding £6,000 for the payment of any sum not exceeding two-pence halfpenny an ounce for every ounce of foreign coins and foreign or British wrought plate of the standard of eleven ounces twopennyweights fine, as should be brought into the Mint after the 20th day of April, 1709, until the 1st day December there to be coined into the current coins of Great Britain'. In other words, 2½d per ounce was offered to anyone who would bring foreign coins and wrought plate to the mint to be coined during the period from April 20 to December 1, 1709.

A result of this Act was that some 23,199 pounds weight of wrought plate was brought to the mints to be coined in the year 1709, making about £71,907 on silver coins. This sum was nearly as much as the total silver coinage recorded from 1703 to 1717.

On May 1, 1711, Parliament again decided to encourage silver coinage by resolving that people bringing wrought plate to the mint to be coined should be given an inducement at the rate of 5s 5d an ounce for the old standard and 5s 2d for the new standard for all plate bearing the mark of the Goldsmith's Company of London or of a similar body in any other city, and for other plate not so marked at 5s an ounce. And this inducement brought about 22,917 pounds weight of wrought plate to the mint to be coined in 1711.

On January 16, 1718 Parliament formed a committee to consider methods of preventing the waste of the country's gold and silver coins. It then ordered the masters and wardens of the Goldsmith's Company and the mint to lay before Parliament accounts of the quantities of silver of both the new and old

1. This Act is commonly alleged to have been passed in 1708. The House of Commons did not actually pass the Act until April 15, 1709. See the Journal of the House, April 12 and 15, 1709
2. Ruding, op cit, 1708
THE CONSEQUENCES

standards which had been stamped at the Goldsmiths Hall in the preceding years, and accounts of silver and gold coinages as well as coinage charges. The Commissioners of Customs were required to submit statements on the exportation of silver and foreign coins for the period from Lady Day 1710 to date.

Accordingly an account of the coinages of silver and gold for the period from Christmas 1710 to Christmas 1717 was presented to Parliament on January 18, 1718, signed by Newton and two other officers of the mint. The account was as follows: 1

<table>
<thead>
<tr>
<th>Year</th>
<th>Weight (Gold)</th>
<th>Charges £ s d</th>
<th>Weight (Silver)</th>
<th>Charges £ s d</th>
</tr>
</thead>
<tbody>
<tr>
<td>1711</td>
<td>9,324</td>
<td>3,030 6 0</td>
<td>24,768</td>
<td>1,806 0 0</td>
</tr>
<tr>
<td>1712</td>
<td>2,855</td>
<td>927 17 6</td>
<td>1,784</td>
<td>130 2 7 1/2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8 oz</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1713</td>
<td>13,137</td>
<td>4,269 10 6</td>
<td>2,333</td>
<td>170 2 3 1/2</td>
</tr>
<tr>
<td>1714</td>
<td>29,526</td>
<td>9,593 19 0</td>
<td>1,566</td>
<td>114 3 9</td>
</tr>
<tr>
<td>1715</td>
<td>39,090</td>
<td>12,704 5 0</td>
<td>1,643</td>
<td>119 16 0 1/2</td>
</tr>
<tr>
<td>1716</td>
<td>23,765</td>
<td>7,723 12 6</td>
<td>1,650</td>
<td>120 6 3</td>
</tr>
<tr>
<td>1717</td>
<td>15,186</td>
<td>4,933 9 0</td>
<td>948</td>
<td>69 2 6</td>
</tr>
<tr>
<td>Total</td>
<td>132,883</td>
<td>£43,186 10 6</td>
<td>34,692</td>
<td>£2,529 13 5 1/2</td>
</tr>
</tbody>
</table>

It can be seen from the foregoing account that silver coinage had been rather small since 1711, while gold coinage reached the peak in 1715. And there were considerable charges on the coinage of both.

An account of the total value of foreign coins and silver bullion shipped out of the country during the preceding seventeen years from Christmas 1698 to Christmas 1715, which was prepared by the Customs Inspector General Henry Martyn, was read in Parliament on January 20, 1718. It showed that East India and Holland were the two principal destinations of the exports and that the export peak was reached in 1699.

1. This account and the following other accounts can be found in the Journal of the House of Commons.
<table>
<thead>
<tr>
<th>Year</th>
<th>From Xmas to Xmas</th>
<th>Total</th>
<th>To East India</th>
<th>To Holland</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£     s     d</td>
<td>£     s     d</td>
<td>£     s     d</td>
<td>£     s     d</td>
</tr>
<tr>
<td>1698–9</td>
<td>850,904 14 6</td>
<td>840,207 12 6</td>
<td>3,201 5 0</td>
<td></td>
</tr>
<tr>
<td>1699–1700</td>
<td>833,570 2 3</td>
<td>805,577 7 6</td>
<td>3,331 15 0</td>
<td></td>
</tr>
<tr>
<td>1700–1</td>
<td>731,187 12 10</td>
<td>725,609 5 0</td>
<td>6,617 11 8</td>
<td></td>
</tr>
<tr>
<td>1701–2</td>
<td>438,588 15 0</td>
<td>410,762 0 0</td>
<td>20,410 15 0</td>
<td></td>
</tr>
<tr>
<td>1702–3</td>
<td>473,730 4 3</td>
<td>451,277 0 0</td>
<td>12,290 1 3</td>
<td></td>
</tr>
<tr>
<td>1703–4</td>
<td>365,076 9 2</td>
<td>303,011 14 2</td>
<td>51,534 15 0</td>
<td></td>
</tr>
<tr>
<td>1704–5</td>
<td>192,711 5 0</td>
<td>174,593 5 0</td>
<td>13,960 0 0</td>
<td></td>
</tr>
<tr>
<td>1705–6</td>
<td>261,109 7 6</td>
<td>231,500 0 0</td>
<td>25,664 1 6</td>
<td></td>
</tr>
<tr>
<td>1706–7</td>
<td>327,208 10 0</td>
<td>313,283 0 0</td>
<td>9,287 5 0</td>
<td></td>
</tr>
<tr>
<td>1707–8</td>
<td>404,666 6 3</td>
<td>362,459 11 3</td>
<td>40,278 10 0</td>
<td></td>
</tr>
<tr>
<td>1708–9</td>
<td>713,688 8 6</td>
<td>515,281 0 0</td>
<td>185,675 1 0</td>
<td></td>
</tr>
<tr>
<td>1709–10</td>
<td>395,620 0 10</td>
<td>228,102 12 6</td>
<td>164,841 3 4</td>
<td></td>
</tr>
<tr>
<td>1710–11</td>
<td>484,183 3 7</td>
<td>357,830 0 0</td>
<td>122,480 8 1</td>
<td></td>
</tr>
<tr>
<td>1711–12</td>
<td>600,017 2 1</td>
<td>152,862 2 9</td>
<td>440,257 1 10</td>
<td></td>
</tr>
<tr>
<td>1712–13</td>
<td>460,913 4 6</td>
<td>315,332 6 3</td>
<td>66,199 15 0</td>
<td></td>
</tr>
<tr>
<td>1713–14</td>
<td>349,585 19 6</td>
<td>202,241 2 6</td>
<td>1,210 3 9</td>
<td></td>
</tr>
<tr>
<td>1714–15</td>
<td>457,145 10 3</td>
<td>393,516 16 3</td>
<td>11,888 0 0</td>
<td></td>
</tr>
</tbody>
</table>

The exportation of foreign coins and silver bullion was chiefly conducted by the East India Company in those years. On the next day (January 21, 1718) Sir Charles Cooke presented to Parliament a copy of a report addressed to the King from the Lords Commissioners of Trade and Plantation, in which the Commissioners reported that from 1702 to 1713 the exports of the Company amounted to £1,126,774 17s 3d in manufactures and products and £3,718,993 17s 6d in gold and silver, with the annual averages being £93,897 18s 1½d and £313,249 95 9½d respectively. The report also stated that from Christmas 1698 to Christmas 1703 the Company exported gold and silver to the value of £3,159,607 12s 6d from London and £193,189 14s from Cadiz, totalling £3,352,797 6s 6d. So the annual average was £670,559 95 3d, which was much larger than that of the years 1702–13.

It was pointed out that gold and silver were smuggled out of the country to the value of about £70,000 per annum during the five years from 1698 to 1703, and that during the period from 1699 to 1702 the average value of re-exports of the Company was
less than that of its gold and silver exports. The re-export values of the Company were reported as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>£</th>
<th>s</th>
<th>d</th>
</tr>
</thead>
<tbody>
<tr>
<td>1699</td>
<td>405,104</td>
<td>17</td>
<td>11½</td>
</tr>
<tr>
<td>1700</td>
<td>720,831</td>
<td>3</td>
<td>5½</td>
</tr>
<tr>
<td>1701</td>
<td>954,803</td>
<td>11</td>
<td>10¼</td>
</tr>
<tr>
<td>1702</td>
<td>458,193</td>
<td>18</td>
<td>6½</td>
</tr>
</tbody>
</table>

Despite all these reports, however, Parliament did nothing further about guineas and silver coins in 1718. Several Bills were discussed and read, but no resolution was reached. The coinage of quarter-guineas was ordered to remedy the scarcity of silver coins, but before long this was found to be of no use, as they were hoarded as soon as issued. The coining of quarter-guineas was, therefore, discontinued. The quantity coined was no more than 210 pound weight, or £37,380.1

1. Rudg, op cit, 1718
Chapter 12

NO BIMETALLISM IN 1717–18

As shown by Table XVII in the preceding chapter and Table XIX in this chapter, gold coinage had been on the increase ever since 1713, while silver coinage remained exceedingly low. Against this background the Lords Commissioners of the Treasury on August 12, 1717, ordered Newton to make a report on the state of the gold and silver coins of the country and on the proportionate values of gold and silver in different countries. Accordingly Newton submitted a lengthy report on the latter on September 21, 1717.

It began by stating the weight and fineness of gold and silver coins in England as follows: a troy pound weight of gold of 11 ounces fine and 1 ounce alloy was cut into 44 grains and a half, while a pound weight of silver of 11 ounces 2 pennyweight fine and 18 pennyweight alloy was cut into 62 shillings; therefore a pound weight of fine gold was worth 15 pounds weight 6 ounces 17 pennyweight and 5 grains of fine silver, the ratio being 1 gold to 15.583 silver. Exportable silver bullion, added the report, was usually worth 2d to 3d per ounce more than coins, so if bullion of standard fineness was on the average valued at 5s 4½d per ounce, the ratio of gold to silver would be about 1 to 14.97, and at this rate guineas would be worth 20s 8d a piece.

Then he estimated the mint ratios of gold to silver and the relative values of guineas in different countries, which are shown on page 152.

It was noted that in Spain and Portugal silver coins were at a premium of 6 per cent in the market and so guineas were actually
<table>
<thead>
<tr>
<th>Country</th>
<th>Ratio of Gold to Silver</th>
<th>Guinea Worth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain and Portugal</td>
<td>1 to 16</td>
<td>22 1</td>
</tr>
<tr>
<td>France</td>
<td>1 to 15</td>
<td>22 8½</td>
</tr>
<tr>
<td>Holland and Hungary</td>
<td>1 to 14·88</td>
<td>20 7¼</td>
</tr>
<tr>
<td>Italy</td>
<td>1 to 14·77</td>
<td>20 7</td>
</tr>
<tr>
<td>Germany and Poland</td>
<td>1 to 14·71</td>
<td>20 6</td>
</tr>
<tr>
<td>Denmark</td>
<td>1 to 14·65</td>
<td>20 5</td>
</tr>
<tr>
<td>Sweden</td>
<td>1 to 14·59</td>
<td>20 4</td>
</tr>
<tr>
<td>China and Japan</td>
<td>1 to 9 or 10</td>
<td>-</td>
</tr>
<tr>
<td>East India</td>
<td>1 to 12</td>
<td>-</td>
</tr>
</tbody>
</table>

worth about 20s 9d. The average ratio of gold to silver in all Europe was, therefore, about 1 to 14·8 or 15, and so a guinea at this rate would be worth between 20s 5d and 20s 8½d.

It was, then, suggested that the price of guineas in England should be reduced, for the time being, by at least 6d to 21s apiece in order to ‘diminish the Temptation to export or melt down the Silver Coin’ and to ‘shew hereafter better than can appear at present, what further Reduction would be most convenient for the Publick’. Newton wrote: 1

... it appears by Experience as well as by Reason, that Silver flows from those Places where its Value is lowest in proportion to Gold, as from Spain to all Europe, and from all Europe to the East-Indies, China and Japan; and that Gold is most plentiful in those Places, in which its Value is highest in Proportion to Silver, as in Spain and England.

It is the Demand for Exportation which hath raised the Price of exportable Silver about 2d or 3d in the Ounce above that of Silver in Coin, and hath thereby created a Temptation to export or Melt down the Silver; and the Demand for Exportation arises from the higher Price of Silver in other Places than in England, in proportion to Silver, and therefore may be diminish’d by lowering the Value of Gold in Proportion to Silver. If Gold in England, or Silver in East-India, could be brought down as low as to bear the same Proportion to one another in both Places, there would be here no greater Demand for Silver than for Gold to be exported to India; And if Gold were lowered only so as to have the same Proportion to the Silver Money in England, which it hath to Silver in the rest of Europe, there would be no other Temptation to export Silver

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1. The report can be found in the Journal of the House of Commons under the date of December 23, 1717; or in Cobbett, Parliamentary History of England, Vol VII, or in McCulloch, Old and Scarce Tracts on Money
rather than Gold to any other Part of Europe. And to compass this last, there seems nothing more requisite, than to take off about 10d or 12d from the Guinea, so that Gold may bear the same Proportion to the Silver Money in England, which it ought to do by the Course of Trade and Exchange in Europe; but if only 6d were taken off at present, it would diminish the Temptation to export or melt down the Silver Coin, and by the Effects, would shew hereafter better than can appear at present, what further Reduction would be most convenient for the Publick.

Precedents were cited in support of this suggestion for lowering the value of guineas. It was pointed out that in 1702, the last year of William's reign, there was a certain influx of dollars from Scotland to the north of England because while they were worth only about 48 8/3d apiece in Scotland, they were put away and passed for 5s in England; so when the Lords Commissioners were informed of the matter, tax collectors in England were ordered not to take them at all, thus putting a stop to the inflow. And so were the lewidors in France, which had been reduced by the king from 17s 6d to 17s apiece. This measure had proved effective in stopping their great inflow to France, as it had been caused by an over-valuation of only 5d on each piece. Since guineas in England at 21s 6d apiece were over-valued by at least 9d, it was no wonder that a great quantity of them had been coined during the last thirteen years, Newton concluded.

It was further pointed out that some years ago the Portuguese moydores, which should not have been worth more than 27s 7d, had been passed in the west of England for 28s apiece. The Lords Commissioners then ordered the tax collectors to take them at no more than 27s 6d, which soon stopped their inflow to this part of England.

On the other hand Newton hinted that if things were left alone till silver money became more scarce, the price of the guinea would fall by itself without any intervention by the Government. He alleged that the people were already reluctant to give silver for gold and would in a little while refuse to give payments in silver without a premium, as had happened in Spain. This premium would mean a fall in the value of gold, and so the question was whether the value of gold should be lowered by the Government or left alone till it fell of its own accord on the market as a result of the scarcity of silver money.
THE CONSEQUENCES

Newton finally observed that there were great quantities of silver plate in the country which would supply the country with plentiful silver money if one could get it coined into money, but as long as it was more profitable to keep silver in bullion rather than in money, one could not induce people to coin it. The profit was said to be from 2d to 3d in an ounce, being almost 4 per cent.

On November 23, 1717, Newton made another report, this time on the state of gold and silver coins over the last fifteen years, including an account of silver money coined out of plate at the Government’s instigation. 1 He stated that from 1702 till November 19, 1717, ‘there hath been coined in Gold 7,127,835 Pounds in Tale, reckoning 44½ Guineas to a Pound Weight Troy, and 218 6d to a Guinea, and in Silver 223,380 Pounds Sterling, reckoning 3½ 2s to a Pound Weight Troy; and that Part of this Silver amounting to 143,086 Pounds Sterling, was coined out of English plate, imported upon Publick Encouragement in the years 1709 and 1711; and another Part, amounting to 13,342l, was coined out of Vigo Plate in the years 1703 and 1704; and another Part, amounting to 45,732l, was coined from Silver extracted from our own Lead-ore; and the rest amounting to 21,220l, was coined chiefly out of old Plate melted down by Goldsmiths; and some of it out of Pieces of Eight’. The annual amounts of gold and silver that had been brought to the mint for coinage during the period are shown on page 155.

These figures show that the quantity of silver brought to the mint for coinage was relatively small compared with that of gold during the period. The incentive in 1709 and 1711 brought more silver to the mint than the whole period of fifteen or sixteen years. The value of gold coinage was roughly thirty times that of silver.

In view of the situation, Parliament debated the subject on December 19, 1717. 2 It passed two resolutions: first, that a committee be set up to consider the state of gold and silver coins; and, secondly, that the King be requested to acquaint Parliament with representations recently made by the mint officers to the Lords Commissioners of the Treasury.

Two days later Newton’s two reports were presented to Parliament by Lowndes. The debate on the subject was renewed.

1. This report is seen in full in the Journal of the House of Commons, under the date of December 24, 1717
TABLE XIX  
Gold and Silver for Coinage, 1702–17

<table>
<thead>
<tr>
<th>Year</th>
<th>Gold £ wt</th>
<th>Silver £ wt</th>
<th>Silver from Inducement £ wt</th>
</tr>
</thead>
<tbody>
<tr>
<td>1702</td>
<td>3,642</td>
<td>114</td>
<td>–</td>
</tr>
<tr>
<td>1703</td>
<td>34</td>
<td>718</td>
<td>–</td>
</tr>
<tr>
<td>1704</td>
<td>–</td>
<td>4,007</td>
<td>–</td>
</tr>
<tr>
<td>1705</td>
<td>104</td>
<td>429</td>
<td>–</td>
</tr>
<tr>
<td>1706</td>
<td>537</td>
<td>932</td>
<td>–</td>
</tr>
<tr>
<td>1707</td>
<td>607</td>
<td>1,174</td>
<td>–</td>
</tr>
<tr>
<td>1708</td>
<td>1,010</td>
<td>3,751</td>
<td>–</td>
</tr>
<tr>
<td>1709</td>
<td>2,468</td>
<td>2,223</td>
<td>23,199</td>
</tr>
<tr>
<td>1710</td>
<td>3,716</td>
<td>817</td>
<td>–</td>
</tr>
<tr>
<td>1711</td>
<td>9,584</td>
<td>1,810</td>
<td>22,957</td>
</tr>
<tr>
<td>1712</td>
<td>2,855</td>
<td>1,784</td>
<td>–</td>
</tr>
<tr>
<td>1713</td>
<td>13,137</td>
<td>2,333</td>
<td>–</td>
</tr>
<tr>
<td>1714</td>
<td>29,526</td>
<td>1,566</td>
<td>–</td>
</tr>
<tr>
<td>1715</td>
<td>39,090</td>
<td>1,643</td>
<td>–</td>
</tr>
<tr>
<td>1716</td>
<td>23,765</td>
<td>1,650</td>
<td>–</td>
</tr>
<tr>
<td>1717</td>
<td>15,186</td>
<td>948</td>
<td>–</td>
</tr>
<tr>
<td>Total</td>
<td>145,001</td>
<td>25,899</td>
<td>46,156</td>
</tr>
</tbody>
</table>

Parliament by this time was convinced that the over-valuation of gold in the current coins of England had resulted in the exportation of great quantities of silver species and small silver coinage. It was pointed out that the smuggling of silver coins out of the country and the importation of gold had been carried out in recent years by the Dutch and Hamburg traders and other foreigners in concert with the Jews, so as to realize a profit of nearly 15d on every guinea coined. As the returns might be made five to six times a year, the profit was very considerable indeed.

It was unanimously resolved that an address be presented to the King to beseech him to issue a proclamation to forbid all persons to take guineas at any greater or higher rate than 21s apiece, and so proportionately for any greater or lesser pieces of gold coins. So a proclamation was issued the next day, December 22, 1717, to that effect.
As the proclamation was so important that it has been claimed that from that day England has been on a bimetallic monetary system, we quote it in full here.¹

G.R. Whereas the value of the Gold, compared with the value of the Silver in the current coins of this realm, as paid and received, is greater in proportion than the value of gold is to the value of silver in neighbouring nations; and the over-valuation of Gold in the current coins of this realm, hath been a great cause of carrying out and lessening the species of the Silver coins thereof, which is highly prejudicial to the trade of this Kingdom; And whereas the Commons in parliament would be graciously pleased to issue our Royal Proclamation, to forbid all persons to utter or receive any of the pieces of Gold, called Guineas, at any greater or higher rate than one and twenty shillings for each guinea, and so proportionably for any greater or lesser pieces of coined gold, which we have graciously condescended unto. Now, for, and toward remedying the said evil, we have thought fit, with the advice of our privy Council, to issue this our Royal Proclamation, hereby strictly prohibiting all and every person and persons whatsoever, to utter or receive any of the pieces of Gold Coin of this Kingdom, commonly called Guineas (which in our mint were coined only at twenty shillings each, but have been by our subjects paid and received at the rate of one and twenty shillings and six pence each) at any greater or higher rate or value than one and twenty shillings for each guinea, and so proportionably for the pieces of Gold called half-guineas, double-guineas, and five pound pieces; and the other pieces of ancient Gold Coin of this Kingdom, which by their wearing may be diminished in their weight, at any greater or higher rate or value than as followeth, That is to say, the piece of gold now received and paid for three and twenty shillings and six pence, to be hereafter received and paid for three and twenty shillings, and no more. The piece of gold now received and paid for five and twenty shillings and six pence, to be received and paid for five and twenty shillings, and no more; and so proportionably for smaller pieces of the like gold coin; At which Rates and Values we do hereby declare the said respective pieces of coined gold to be current. And we do hereby strictly charge and command all our loving subjects whatsoever, that they do not presume to receive to pay the gold coins of this realm, at any greater rates or values than the rates or values aforesaid, upon pain of our highest displeasure and upon pain of the greatest punishment


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that by law may be inflicted upon them for their default, negligence and contempt in this behalf.

Given at our Court at St James's the 22nd of December, 1717. In the 4th Year of our reign.

It is commonly believed that after this proclamation the English monetary system was bimetallic, since the clause ‘At which Rates and Values we do hereby declare the said respective pieces of coined gold to be current’ would suggest that the guinea was thus made legal tender at the fixed rate of 21s. This is not true, however. The proclamation had not fixed the rate of the guinea at 21s; it merely limited the maximum rate of the guinea to 21s without stipulating that the guinea could not pass at a lower rate. The guinea was made legal tender by this proclamation at the maximum rate of 21s, but not at the fixed rate of 21s.

The resolution of Parliament on December 21, 1717, clearly only stated that the King was requested to issue a proclamation to forbid all persons to ‘utter or receive guineas at any greater or higher rate than 21s’, and did not mention that Parliament would not like to see guineas pass at a lesser rate. The penalty clause set out in the proclamation would apply only to cases where the guinea passed for more than 21s, but not for less, which means that there was no restriction on anyone who chose to accept or pay guineas at less than 21s apiece.

As suggested by Newton in his report of September 21, 1717, if the 6d reduction in the price of guineas should prove insufficient or ineffective in curbing the temptation to export or melt down silver coins, a further reduction might be made. This would indicate that the Government might find it expedient to lower the price of the guinea again at a later date.

When the rate of the guinea was reduced from 22s to 21s 6d in 1699, the Government also set only the maximum rate without attempting to fix a minimum rate. As has been noted, Lowndes only ordered the tax collectors not to take guineas at more than 21s 6d; no mention was made of not allowing the collectors to receive guineas at lesser rates.

All the time from 1695 to 1717 the Government had been worried about the high rate of the guinea, so it was only natural for legislation to aim solely at limiting the maximum rate. But the chief reason why the monetary system of England in 1718 and
in later years was not one of bimetallism was that gold was not yet considered as a monetary standard metal like silver and so its value was supposed to change with circumstances. And this was the basic reason all along for not altering the silver standard, even at the expense of losing silver to an alarming extent. The fact that the price of guineas was progressively reduced, while the mint price of silver remained unchanged, was a clear proof that gold was not regarded as a standard metal like silver up to this time.

Parliament and the House of Lords were still debating on the question of devaluing the silver standard in January, 1718. From the debate, one can see that the principal argument against raising the denominative value of the silver coin was that silver, not gold, was the standard and measure of values of all commodities and therefore it should not be altered, so that if it was under-valued in terms of gold in comparison with the valuation of neighbouring countries, the price of gold should be lowered in order to restore the balance without altering the value of silver. Conduit summarized the arguments for and against devaluation of the silver standard and those for and against lowering the rate of guineas during the debates in 1717-18 as follows:

To bring the silver and gold to the same proportion here as they bear to each other in the neighbouring nations, either the value of the guineas must be lowered in respect of the silver, or the value of the silver raised in respect of the gold. The reasons given for lowering the gold are, that gold is only to be looked upon as a commodity, and so should rise or fall as occasion requires; that it either is not, or ought not to be a legal tender at any certain rate, but go only according to its intrinsic value; and therefore no person will have any reason to complain of any necessary reduction; that if the guinea be 6d too high the landlord who receives his rent in gold, receive 6d less in a guinea from his tenant than he ought to have, and is defrauded so much; and that if you lower the gold, that will sink the price of the silver, and bring it equally with gold to the mint, and that the exchange will alter to your advantage in the proportion you lower the gold. The objections made to the lowering the gold are, the immediate loss that will accrue upon all the cash in the Exchequer and publick officers, and in the Bank, and in the hands of bankers and private persons, and in the payments to be made to foreigners, at least for debts now due to them; for though when

1. J. Conduit, Observations upon the Present State of our Gold and Silver Coins (1730)
buying anything of foreigners they will take your gold and silver only according to the intrinsic value, they must receive their debts according to the denomination you put upon them... The objections to the raising the silver are, that where leases have been made or goods sold, or money lent for a certain number of pounds sterling, upon a presumption that a pound weight of standard silver should be paid for 3£ 2s, if you cut it into 3£ 4s the lessee the vendor are defrauded of the additional 2s. That an ounce of fine silver is, and always has been and ought to be the standing and invariable measure between nation and nation; and that if you once alter the silver, which is your bushel, no nation will know how to deal with you hereafter, and that the exchange will alter to your disadvantage in proportion to the extrinsic augmentation of your silver. In answer to these objections it may be said, that it is worth considering, whether the person who pays ought not to be regarded as well as he who receives; and whether it would not be as hard to hurt the first by lowering the guineas as the other by raising the silver. That nine parts in ten, or more of all payments in England, are now made in gold, and if so, they will be very little affected by any alteration in the silver. But supposing for argument sake, that all payments in England are paid in silver, the receiver, in that case, loses more at present than he would do if a pound weight of standard was cut into 3£ 4s, for the species of silver in which payments are chiefly made, are now, by wearing, considerably lighter than new coin made after that rate would be.

During the great debate on January 23, 1718, in the House of Lords, Lord Stanhope maintained that the scarcity of silver species was due to three causes, namely (1) the increased use of silver plate for luxury articles, (2) the great export of bullion and other plates to the East Indies and (3) the clandestine export of silver to, and import of gold from, Holland, Germany, and other countries. Since the second cause could be removed by Government intervention and the third by lowering the price of gold, he argued that no devaluation of the silver standard was necessary.1

Cantillon was in favour of devaluation. He said that in order to adjust the mint price of silver to its market value, which had long been higher, a devaluation of the silver standard might be necessary and expedient.2 Newton told him, however, that 'according

2. R. Cantillon, _Essay on the Nature of Trade in General_ (1755), pp 277–87

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to the fundamental laws of the Kingdom silver was the true and only monetary standard and that as such it could not be altered'. He remarked that ‘Newton here sacrificed the substance to appearances’,¹ and argued that there was no need to adhere scrupulously to the silver standard, for ‘if the gold coins were not considered true money, gold would have supported the variation, as in Holland and China where gold is looked upon rather as merchandise than money’.

Cantillon further argued that, compared with the policy of raising the mint price of silver, the policy of diminishing the price of gold was the ‘least natural and most disadvantageous’. ‘First, it was more natural to raise the price of silver coins, because the public had already done so in the market, the ounce of silver which was worth only 62d sterling at the Mint being worth more than 65d in the market, and all the silver money being exported except what the circulation had considerably reduced in weight. On the other hand it was less disadvantageous to the English nation to raise the silver money than to lower the gold money considering the sums which England owes the foreigner.’

Fortunately there had been no tendency in the market for the price of guineas to fall below 21s apiece since 1718. Hence the maximum rate of 21s became de facto a fixed rate. This may explain why opinions have varied as to whether the rate of guineas at 21s had been a fixed rate or a maximum rate. Had it been a fixed rate, England would have been on a bimetallic monetary system in 1718.

¹. Apparently on the question of devaluation Newton had changed his mind. In writing his manuscript in 1695–6, he was in favour of it, but making his reports on July 7, 1702, and September 21, 1717, and according to Cantillon, he was against it. The principal cause for the change of his opinion was probably the fact that in 1717–18 the state of silver coins was much better than in 1695–6
Chapter 13

THE ASCENDANCY OF GOLD

The reduction in the price of guineas from 21s 6d to 21s apiece had produced no appreciable effect, nor had it changed the course of events. As shown in the following table, the coinage of silver continued to be extremely low and that of gold kept high. By the year 1774, when only gold coins were recoined, silver coins had become subsidiary coins.

Table XX
Gold and Silver Coinage, by Reign, 1702–72

<table>
<thead>
<tr>
<th>Reign</th>
<th>Began</th>
<th>Gold</th>
<th>Silver</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ann, in Tower at Edinburgh</td>
<td>1702</td>
<td>3,608,757</td>
<td>207,094 18</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9</td>
<td>4½</td>
</tr>
<tr>
<td>George I</td>
<td>1714</td>
<td>8,492,876</td>
<td>233,045 12</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td>George II</td>
<td>1727</td>
<td>11,662,215</td>
<td>304,360 8</td>
</tr>
<tr>
<td></td>
<td></td>
<td>19</td>
<td>0½</td>
</tr>
<tr>
<td>George III to 1772</td>
<td>1760</td>
<td>8,819,417</td>
<td>6,546 10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>£31,583,267</td>
<td>£1,071,430</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3</td>
<td>6</td>
</tr>
</tbody>
</table>

For the period from 1670 to the end of the eighteenth century only £63,983 15s 5d was coined in silver. So the total silver coinage in England over the whole of the century was probably not more than £1,000,000 (excluding the amount of £320,372 12s coined at the Edinburgh mint). But the coinage of gold, on the

1. See Goldsmiths' Library MS 100

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other hand, was thirty times greater up to 1772, and after 1774 it was greater still. The Bank of England alone had coined guineas to the value of £950,245 on the eve and £2,898,491 during the recoinage of gold coins in 1774. The amount of defective gold coins that was brought to the mint to be recoined in 1774 totalled £16,498,266. From 1774 to the end of the eighteenth century £36,290,201 3s 3d was coined in gold, of which £19,720,388 4s 6d was from new ingots and the other £17,569,812 8s 9d from old coins.  

The market price of silver never fell below the mint price of 5s 2d per ounce throughout the eighteenth century except for the years 1794, 1797 and 1798. According to Conduit, the average market price of silver in England was 5s 3d in 1713, 5s 4d in 1714, 5s 3d in 1715, 1716 and up to February 1717, 5s 3½d up to July 1717, 5s 4d in July 1717, 5s 5d from August 1717 to February 1718 (during which time 6d was taken off a guinea), and 5s 6d from March to April 1718. We are also informed that from December 1717 to August 1728 the average market price of silver was 5s 4½d in bars and 5s 5½d in foreign coins, and that from 1760 to 1816 it was considerably above the mint price in almost all those years. It went as high as 5s 9½d in 1761 and 1782. In the first eighteen years of the nineteenth century it went higher still, reaching the peak at 7s 6d in 1813. This may explain why the coinage of silver was never large after the recoinage of 1696–9.

There was no attempt to recoin silver coins during the eighteenth century, despite the fact that by wear and filing they had become smaller and thinner. It was realized that unless the market price of silver could be brought down to par with the mint price, the attempt would not be practical as the new issue would only serve as raw material for the dealer's melting-pot. The following table will show the various degrees of deficiency in the silver coins during the years 1712, 1728, 1787 and 1798.

It can be seen from this table that the deficiency in shillings and sixpences was especially serious towards the end of the

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1. See Liverpool, op cit, Chapter XXI
2. These figures are contained in a report prepared by the American delegation who attended the International Monetary Conference of 1878
3. The percentages for 1712 and 1728 are calculated from Conduit's figures in his Observations and those for 1787 and 1798 obtained from Liverpool, Treatise, Chapter XXIII

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eighteenth century. But because they had virtually become subsidiary coins, it would have served no useful purpose to recoin them without changing the standard.

Meanwhile, there were fewer and fewer silver coins in circulation. Lord Liverpool stated that in 1760 the crown pieces, which amounted to £1,553,047, had almost entirely disappeared, and that half of the half-crowns, which totalled £1,164,785, had also gone, while one-third of the shillings, sixpences and other smaller pieces had been lost towards the end of the century. He added that the total amount of silver coins in circulation at the end of the century did not exceed £3,960,435, 'probably very much less'.

As mentioned above, a recoinage of gold coins took place in 1774. A year before Parliament had passed an Act to prevent the circulation of counterfeits and very clipped coins by allowing people and tax receivers to cut or break any gold pieces tendered to them to be destroyed if found to be counterfeits or diminished in weight by more than reasonable wear and tear, but it was soon found that in order to restore the gold coins to a proper state recoinage was necessary. The gold coins were deficient in weight by at least 9 per cent on average, while the new ones were melted down as soon as issued. The principles adopted for recoinage of the gold coins, however, were more or less the same as for the recoinage of silver coins in 1696, namely, the gold coins were called in by degrees (as fast as the mints were able to recoin them), that certain days were appointed and fixed after which the pieces could not pass as payments for taxes and loans, that after certain days they would not be legal tender at all, and so on.

1. Liverpool, op cit, Chapters I and XXIII
2. See the Journal of the House of Commons, May 10, 1774

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THE CONSEQUENCES

While we are not particularly concerned with the details¹ of this recoinage, it is worth mentioning that it was a complete success. More and more guineas and other gold coins came into circulation. Their coinage increased steadily until the last decade of the century. The malpractice of melting down new ones did not continue.

This success may have been due to its taking place at a more suitable time than the recoinage of 1696, which was at the height of a long war. It may also have been due to the experience gained from the previous recoinage. However, the principal fact was that after the recoinage of 1774, the market price of gold in bullion was persistently lower than the mint price, which stood at £3 17s 10½d per ounce. It has been ascertained that while from 1757 to 1773 the market price of gold was on the average 1½ per cent above the mint price, it became lower than the mint price by 0.7 per cent on the average during the period from 1774 to 1799.

In 1774 an Act was passed in Parliament 'to prohibit the importation of light silver coin of this realm from foreign countries into Great Britain and Ireland; and to restrain the tender thereof beyond a certain sum'. This Act was more significant than the resolutions on the gold recoinage from the point of view of our study, because, according to it silver coins were made legal tender only under the sum of £25; any sum of silver coins above £25 had to pass only by weight at the rate of 5s 2d per ounce. And it stipulated that as from June 1, 1774, no light silver coin could be imported into the country. The Act remained in force until May 1, 1776, and was extended twice. It was allowed to lapse in 1783, but was revived in 1798.

However, since there was seldom a case in the ordinary transaction of business where silver coins were tendered in sums greater than £25, the limitation of the legality of the silver coins to £25 was not in fact a serious blow to the silver standard. But in view of the fact that the Government would not recoin the silver coins, although they were actually much more defective and deplorable than the gold coins, the Act was very significant indeed. It would appear that England by this time no longer considered it expedient to treat the silver coins as standard coins, but regarded them as subsidiary coins. In order to let them become subsidiary

¹ For the resolutions on the recoinage of the gold coins, refer to the Journal of the House of Commons, May 10, 1774

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coins with their value maintained in spite of the diminution in their weight, it was realized that it was essential that their quantities be controlled. So the Act also restricted their importation. Although the weighty pieces were still acceptable for payment for any amount, there were in fact very few weighty pieces in circulation. We may therefore conclude that, had the Government not intended to let silver coins take the subsidiary role, it would have recoined the silver as well as the gold coins in 1774 and would have tried ways and means to increase the supply of silver coins.

Another manifestation of the Government’s policy of turning silver coins into subsidiary ones was the passing of the Act on June 21, 1798, which deprived the public of the privilege of bringing silver to the mint to be coined, thus restricting the new supply of silver coins. In 1797 and 1798 the market price of silver fell to 5s 1d an ounce, which was 1d below the mint price; consequently there was a tendency for silver to be brought to the mint to be coined. This tendency, if unchecked, would have restored the silver coins as standard coins and would have prejudiced the coinage and circulation of gold coins. So the Act was passed with the purpose of keeping silver coins in the role of subsidiary coins by limiting their supply.

The Government was seriously contemplating a devaluation of the silver standard at the time. If new silver coins were coined according to the old standard, a serious inconvenience would arise when devaluation occurred.1 Therefore an Act was passed to prohibit the mint from coining any silver, and to rule that the silver coins which had just been made at the mint should not be delivered.

The Act expired on January 1, 1799, and was not extended. As the market price of silver soon rose again above the mint price (the average market price of silver being 5s 6d an ounce in 1799), there was no need to extend it.

The Lords’ Committee of Council already set up in 1798 ‘to take into Consideration the State of the Coins of this Realm’ did not make any report until May 21, 1816.2 The delay was probably due to the waging of the Napoleonic War in those years. But soon

1. A Lords’ Committee of Council was set up in 1798 to consider new regulations regarding silver coins
2. Liverpool was a member of the committee, but he died in 1808
after the report was submitted, the famous Coinage Act was passed by Parliament on June 22, 1816 'to provide for a New Silver Coinage and to regulate Currency of the Gold and Silver Coin of this Realm'. It embodied practically all the recommendations made in the report. The report recommended that gold coins alone should be declared the standard coins of the country; that the silver coins be hereafter considered as 'representative coins' to be legal tender not exceeding two guineas; that in all future silver coinage, 66s instead of 62s should be struck from each pound troy weight of standard silver; and that a sum of 4s as coining charges should be deducted by the mint for coining every pound troy weight of silver. It further recommended that all the defective silver coins should be called in by tale, but that before so doing a sum of not less than £2,500,000 of new silver coins should first be coined. The Act accepted all these recommendations, except that silver coins were declared legal tender up to 40s instead of two guineas.

The report explained why it was advisable to diminish the weight of the silver coins as follows: 'to prevent a recurrence of those inconveniences which have hitherto arisen from the melting of the new and perfect silver coins as soon as they appeared in circulation, for the purpose of converting them into bullion, in which state they have generally been more valuable than as coin'.

It also explained how the number of pieces to be struck from each pound of silver was determined. It stated that 'such a rate as will on the one hand be sufficiently high to protect the new coins, by a small increase of their nominal value, from the danger of being melted down and converted into bullion when the market price of silver rises, while on the other it will, they trust, not be found to be so low as to afford any encouragement to the issue of counterfeit coin if the market price of silver should fall'.

However, the Coinage Act of 1816 provided one thing which the report did not suggest, namely, the free (but not gratuitous) coinage of silver. In other words, the Act repealed the Acts of 1774 and 1798 and restored to every person the privilege of bringing any silver to the mint to be coined, upon paying 4s for every pound troy weight of silver coined.

This provision for free coinage of silver would have brought about a flow of silver into the mint to be coined. For the market

1. The report is reprinted in Hoerton, Silver Pound
price of silver after 1816 had been constantly lower than 62s per pound troy weight which would have made it quite profitable for everybody to bring silver to the mint to be coined even after allowing for the coinage charge of 4s. But this provision was never put into force because no proclamation was subsequently issued to confirm it. The Government was determined at this time to relegate silver coins to a subsidiary position by limiting their supply, and could itself realize a great profit by buying silver on the market at less than 62s per pound troy weight and coining it at 66s.

As to the reason why the idea of free coinage for silver was incorporated in the Act of 1816, one can only surmise. It was probably due to the calculation that the market price of silver would remain at least at 62s (but below 66s) per pound troy weight after 1816 as had been the case during the whole of the eighteenth century. If this calculation turned out to be correct, no private individual would have brought silver to the mint to be coined; but the mint itself could make a profit by buying silver from the market and minting it, so long as the market price did not rise above 66s. If the mint alone were supplying silver, then the amount of silver coins to be issued could be controlled.

Under these conditions, of course, the so-called ‘free’ coinage of silver became only nominal, as no one except the mint itself would care to bring silver to the mint for coinage although free to do so. This provision for free coinage of silver was formally repealed in 1870.

It appears that gold had been over-valued all along since the recoinage of 1696–9. This was the principal cause for its ascendancy ever after. Although the price of guineas was reduced to 21s 6d apiece during 1699–1717 and to 21s thereafter, the over-valuation of gold still existed in England up to 1760 at least. In 1702 and 1717 Newton had observed that while a guinea was only worth 20s 5d to 20s 6d on the European Continent, it was accepted in England at no less than 21s 6d, the difference being 4 to 5 per cent. It was therefore most advantageous to ship gold to England and to bring it to the mint to be coined.

One must point out, however, that Newton’s calculations on comparing the values of gold and silver between England and the Continent tended to exaggerate the valuation of silver in
continental countries. His calculations were made on a comparison between the metallic contents of the coins of the countries concerned. But the French, for instance, had long had a seigniorage coinage system which artificially raised the value of silver in terms of gold. Therefore, if comparing the bullion values of the French gold and silver coins, one would find silver worth much more in France. The seigniorage would automatically alter the ratio of silver to gold in favour of silver.

The seigniorage system in France would not attract silver to France, but France would lose gold to England. Silver would not be shipped to France, except by the French mint itself, because there was the seigniorage charge. But because of the seigniorage, which virtually meant a devaluation of the silver coins, gold would tend to leave France and find places where its price was higher.

The broad fact remained, however, that gold was valued comparatively higher in England than in most countries on the Continent during the eighteenth century, so that England had more and more gold and less and less silver as a result.

When the guinea was at 22s apiece, the mint ratio between gold and silver in England was 15·93; at 21s 6d, 15·58; and at 21s, 15·21. These ratios were considerably higher than those on the Continent. As compared with the following figures calculated by Soetbeer,¹ the over-valuation of gold in England was about 9 per cent when the guinea was at 22s till the end of 1698, about 2·4 per cent when it was 21s 6d from 1699 to 1717, and about 1 to 4 per cent at 21s.

Ratios of Market Values between Gold and Silver in Hamburg, 1681–1800

<table>
<thead>
<tr>
<th>Year</th>
<th>Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1681–1700</td>
<td>15·00</td>
</tr>
<tr>
<td>1701–20</td>
<td>15·21</td>
</tr>
<tr>
<td>1721–40</td>
<td>15·08</td>
</tr>
<tr>
<td>1741–60</td>
<td>14·75</td>
</tr>
<tr>
<td>1761–80</td>
<td>14·72</td>
</tr>
<tr>
<td>1781–1800</td>
<td>15·09</td>
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</tbody>
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As to why the market value of silver rose in Europe during the eighteenth century, it may be suggested that one of the reasons was the relatively greater production of gold up to 1760. The greater supply of gold had made it cheaper, while silver became

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dearer because of a smaller supply. The following relative figures, also by Soetheer, will show that the percentage of gold production in the world was on the increase and that of silver on the decrease in the years from 1681 to 1760,¹ although the total value of silver was still much greater than that of gold during the whole eighteenth century.

<table>
<thead>
<tr>
<th></th>
<th>Gold</th>
<th></th>
<th>Silver</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Weight per cent</td>
<td>Value per cent</td>
<td>Weight per cent</td>
</tr>
<tr>
<td>1681-1700</td>
<td>5·1</td>
<td>32·1</td>
<td>96·9</td>
</tr>
<tr>
<td>1701-20</td>
<td>5·5</td>
<td>35·5</td>
<td>96·5</td>
</tr>
<tr>
<td>1721-40</td>
<td>4·2</td>
<td>40·0</td>
<td>95·8</td>
</tr>
<tr>
<td>1741-60</td>
<td>4·4</td>
<td>40·5</td>
<td>95·6</td>
</tr>
<tr>
<td>1761-80</td>
<td>3·1</td>
<td>31·8</td>
<td>96·9</td>
</tr>
<tr>
<td>1781-1800</td>
<td>2·0</td>
<td>23·4</td>
<td>98·0</td>
</tr>
</tbody>
</table>

While the fact that gold was over-valued in eighteenth century England seems to have been warranted and generally accepted, there has been no unanimous opinion yet as to why it was so. It has been suggested by famous historians such as Liverpool and Macaulay, whose opinion has been followed by most eminent writers, that the high price given to gold was by public choice on the market ‘without any interposition of public authority’.² They asserted that the market price of the guinea was high in England because the country was in the process of developing great and extensive commerce and because gold became in practice the most convenient instrument of commerce on account of its greater value than silver.

It is indeed doubtful if the high price of gold in eighteenth century England was only a result of spontaneous public demand, without any intervention from the Government. It is unfortunate that Liverpool had stated that ‘the Guinea, the value of which in currency had been reduced by an Act to 22s, became current, without any interposition of public authority, at 21s. 6d’. He seemed to have been unaware of the action taken by the Government in January 1699 which prohibited people and tax receivers from receiving guineas at more than 21s 6d apiece.

It is true that Parliament and the Government did not fix the

¹. Helfferich, op cit, p 86. Also for absolute figures
². Liverpool, op cit, p 90
minimum price of the guinea in 1699 and 1717, and it was the operations of the market that kept the price of the guinea at a maximum. But we are of the opinion that the continued acceptance of the guinea at the maximum rate by the receipt offices of the Government and by the Bank of England had a predominating influence on the market rate. It was very unlikely, even though possible, that when the guinea was accepted by the Government and the Bank at the maximum rate, the people on the market would do otherwise. Actually the Government and the Bank led people to accept the guinea at the maximum rate.

Apart from the intervention of the Government, there were, of course, other factors which kept up the market price of the guinea. As Liverpool suggested, one of the causes was the great development of commerce in England, making gold more appropriate and convenient than silver to serve as a measure of value and medium of exchange. The defective state of silver coins soon after 1699 might have been another. The continued increases in bank credit might have been yet another cause.

While the high price of gold was one of the most important reasons for the loss of silver ever since the recoinage, the nature of English trade with the East Indies was probably the second most important cause. One could maintain that this trade had cost England the silver standard. The export of silver to India had made the market price of silver always higher than the mint price and had diminished the silver stock in England. We have noted that from the accounts presented to Parliament by the Lords Commissioners of Trade and Plantation, the East India Company exported gold and silver to the annual value of £670,559 9s 3d during the period from Christmas 1698 to Christmas 1703 and to the annual value of £313,249 9s 9½d from 1702 to 1713. There was in fact little gold exported (none in 1713–17) so that these exports were almost entirely silver.

The amount of silver exported to East India was indeed considerable. Compared with the amount exported to Holland, it was six times as much during 1710–17 and fourteen times as much during 1698–1709.¹

¹ From Lady Day 1710 to Christmas 1717 the amounts of silver entered for export were 9,744,428 ounces for East India and 1,598,001 ounces for Holland. From Christmas 1699 to Christmas 1709 the total value of foreign coins and bullion exported to East India was £5,133,561 15s 5d and that to Holland only £372,244 10s 5d.
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It was generally believed that the value of re-exports of the company to the Continent was usually larger than that of its exports of silver, so that the export of silver by the company, though great, would not matter. But this was not true for the period 1699–1702. For according to the account of the Lords Commissioners of Trade and Plantation, the total value of re-exports of the company during the period averaged annually only £634,733 78 11½d, while the gold and silver exports amounted to £670,559 98 3d annually. This appeared to be specially significant, because it occurred immediately after the recoinage.

Suppose that on the whole and in later years the re-export value of the company was greater than its export value of silver; then the silver stock of the country would not be depleted if silver were brought back with the proceeds of the re-exports. But as a matter of fact, because of the high price given for gold in England, every merchant having a money balance on the Continent would buy only gold and not silver to ship to England. Consequently the operation of the company’s silver export became one-sided, as according to its records it imported no silver at all. This meant that as long as it did not import silver from the Continent, although it might have a balance to do so, the export of silver to East India by the company had the effect of diminishing the silver stock of the country as well as raising the market price of silver in England.

The policy adopted of lowering the price of the guinea in an attempt to bring about the same ratio between gold and silver in England as on the Continent was an expensive one. It involved losses to the Government, the Bank of England and all persons holding gold coins. As some of the external debts had to be paid in guineas, the decrease in their denominative value also meant a loss to the country. This was why Parliament and the Government were tardy and half-hearted in adopting a policy of this kind. It was probably due to the general conviction prevailing up to 1757 when Harris wrote his essay,¹ saying that silver was the standard metal and therefore should not be altered, that this policy was reluctantly adopted. Cantillon had described it as ‘the least natural and the most disadvantageous policy’.² Both

¹ W. Harris, An Essay on Money and Coins (1757–8), reprinted in McCulloch’s, Old and Scarce Tracts on Money
² R. Cantillon, Essay on the Nature of Trade in General (1755), p 283
THE CONSEQUENCES

Cantillon and Conduit suggested that the right course to take should have been a devaluation of the silver standard. The latter recommended that the devaluation be about 4 per cent, i.e. a pound troy weight of silver be coined into £3 4s or £3 4s 6d instead of £3 2s.

It was also difficult to lower the price of guineas for other reasons. The country was at war with Spain and France from May 1702 to April 1713. War was again declared on Spain in December 1717 and this lasted until June 1721. These wars probably brought with them a certain increase in the amount of bank credit and note issue, which had increased the demand for gold and therefore tended to maintain its price. In the face of increasing demands and rising price levels, it was indeed a bold policy to lower the price of gold.

Moreover, there was an ‘Industrial Revolution’ in the second half of the eighteenth century. Since the expansion of trade and commerce had to be accompanied by an equal expansion of credit and means of payment, many country banks were established after the middle of the century as a result. In such circumstances it would have been more expedient to maintain the price of gold rather than to lower it. A reduction in its price could only stimulate demands and discourage supply.

It should be added that the world production of gold was not considerable during the eighteenth century, although it was on the increase up to 1760 on the eve of the ‘Industrial Revolution’. The annual world gold production for the whole century averaged no more than 20,000 kilograms, and this figure was only equal to one-tenth of the average annual world gold production from 1831 to 1900. Therefore, if the market mechanism was to work, the price of gold would have had to be kept up in the eighteenth century, because of its meagre supply.

Judging by the relative amounts of gold and silver coined after 1699, it may be suggested that the predominance of gold coinage probably existed as early as 1717. It may be recalled that at the time of the recoinage the amount of gold coins in circulation was about £4–5 million, while that of silver coins was about £9–10

3. Horton puts the date as ‘not far from 1710’; see *Silver Pound*, p 110

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THE ASCENDANCY OF GOLD

million. But from 1699 to 1700 the gold coinage amounted to nearly £1,000,000,¹ and from 1702 to 1717 over £7 million. Therefore the total amount of gold coins in circulation in 1717 must have been about £12–13 million if none was exported.

What was the position of silver coins? During the recoinage about £7 million were coined, a sum less than the amount previously in circulation. In 1700 the coinage was only £14,898 3s 4d.² From 1702 to 1717 it was about £250,000. So the total amount of silver coins in circulation in 1717 would have been a little more than £7,500,000. Although the exact amounts of gold and silver coins exported during the period from 1699 to 1717 were not recorded, it may be safely assumed that the amount of silver coins exported (after being melted down in bullion) was much greater than that of gold coins. We have noted that the East India Company alone exported annually more than £350,000 worth of silver from 1702 to 1717 and that in the two or three years prior to 1702 the amount exported by the company was even greater. Therefore it is conceivable that the amount of gold coins in circulation in 1717 was twice as much as that of silver coins. The reduction of the price of the guinea from 21s 6d to 21s in 1717 may be regarded as the last attempt of the Government to save the silver coins from gradually disappearing from circulation.

Although the House of Commons had in 1718 resolved not to alter the standard of gold coins either in weight, quality, or denomination, this should not be considered as a recognition of gold coins as standard coins. This should be construed as Parliamentary conviction that it was not advisable further to reduce the price of the guinea, owing to the large quantities of guineas in the country. In 1717 the idea that silver alone was the standard metal was, in fact, still generally held. Cantillon described Newton as holding that opinion in 1717. Harris, writing in 1757, when assay-master of the mint, still suggested that silver was the ‘standard measure’, as gold could not be the measure because it was ‘too dear for a standard’.

This idea was, however, abandoned by 1774. By then silver was no longer regarded as the standard metal. The fact that in 1774 there was a recoinage of gold coins but not of silver coins was a clear indication that the Government would regard the

¹. The exact figure is £992,219 3s 9d; see Haynes, Brief Memories
². This figure is also from Haynes, Brief Memories

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latter as only subsidiary coins. After this recoinage of 1774 the gold standard became firmly established both in theory and in practice. The Coinage Act of 1816 was merely a formal declaration of an established fact.

It is certain that England did not establish the gold standard by any conscious or deliberate act. Nor was it foreseen by anyone that the gold standard would be established. It was established in practice first and then recognized officially later. It was brought about by two major contingent circumstances, namely (1) the high valuation of gold, and (2) the large export of silver to the East. The first resulted in the large importation of gold and the subsequent large gold coinage and gold circulation. The second caused the big loss of silver, its high market price and little silver coinage. Consequently the silver standard was doomed and the gold standard established.
PART FIVE

Conclusions
Chapter 14

AN IRONY OF HISTORY

In view of the bad state of silver coins in 1695, the recoinage which started in 1696 and finished in 1699 was essential. They were standard coins, but their deficiency was so great, almost 50 per cent, that great commercial confusion resulted. The market price of silver had become fabulously high, and its use was avoided. Gold coins were taking their place. The recoinage of the silver coins was therefore a necessity if the silver standard was to be maintained.

The Government was in a dilemma about when to start the recoinage. It was realized, on the one hand, that it was necessary to have the silver coins recoined as soon as possible, but, on the other hand, it was estimated that the expenses involved in the recoinage would be so great that the Government could ill afford to undertake it at the time. There was an expensive war going on. But the matter appeared to be so urgent that some kind of immediate action had to be decided on. As a compromise measure, the calling in of the silver coins was to be by stages. In fact, it was physically impossible to recoin all the clipped coins at once, since the mint at the Tower was in bad shape and other mints were yet to be established. The most practical policy was to call in most of the clipped coins at their face value; otherwise the market would be too disrupted.

A devaluation could have been justified by the fact that prices in general had been falling for over thirty years from 1660 to 1693. In order to halt this tendency, devaluation was called for. It would at least be a substitute for the restrictive tariff policy
CONCLUSIONS

which had induced much retaliation from France at the time.

Moreover, owing to foreign competition, the biggest manufacturing industry in England at the time – the woollen manufacturing industry – had been depressed for some years. So a depreciation of the exchange rate should ameliorate the situation. These two economic conditions – falling prices and depression – were there before the outbreak of the war in 1689, so that devaluation was justified even without a war.

Since the war, economic conditions had become more appropriate for a devaluation. The war had been a long one, the expenditure of the Government enormous, huge public debts had been contracted, and prices had been high. The justifications for devaluation based upon these conditions were first, to avoid dislocation of prices, and secondly, to lighten the burden of the people with regard to the national debt. To lower prices would require difficult adjustments in wage structures. The burden of the national debt would be more easily borne by the people and the Government when there were high, rather than low, prices.

Another advantage in devaluing was that it might produce more silver coinage, which was, and should have been the real purpose of the recoinage, by keeping the values of gold and silver in England comparable with foreign countries. It was a historical irony that while it was intended to keep up the silver standard by not devaluing, the standard failed to maintain itself in the end just because it had not been devalued.

A devaluation would have reduced the cost of the recoinage. The cost of the recoinage would be reduced in proportion to the degree of the devaluation. The Government was in financial straits and therefore a less expensive measure should have been adopted.

The extent of the fall of the exchange rate in 1695 is in respect no criterion of the degree of the devaluation. It may be recalled that the exchange rate on Amsterdam fell to 27·2 Flemish schillings in August 1695, about 27 per cent; if a devaluation of 27 per cent had been attempted, it would have been a great mistake. The exchange rate fell so heavily in 1695 mainly because of the urgency of the remittances, and this fact might have been expected to disappear as soon as the war was over. The fall was also due in part to the loss of trade with East India and America, but this trade could have been expected to be resumed with the end of the war.
AN IRONY OF HISTORY

Nor should the extraordinary rises in the price of silver or gold in 1695 have been the measure of the extent of devaluation. The extraordinary rises in 1695 were only of a temporary nature, partly caused by the exceptionally defective state of the silver coins, partly by the sudden falls in the exchange rate, and partly by some other temporary causes such as loss of trade. Stabilization at such a low level would seem unjustifiable. As far as can be ascertained, a devaluation of $5 to 10 per cent would have been sufficient to restore the silver standard and to increase the silver coinage, as the market price of silver was seldom above the mint price by more than 5 per cent for the years from 1660 to 1694. To be on the safe side and to take into account the unforeseeable conditions in the supplies of both metals, gold and silver, it might have been reasonable to have had a devaluation of about 10 per cent.

The arguments against devaluation were largely ultra-conservative, if not fallacious. They were based on the so-called commodity theory of money, which was that there was a direct and invariable relationship between the quantity of money and commodity prices. The possibility of under-valuing silver was overlooked, the argument being that the price of the guinea could be successfully reduced to bring about an equilibrium between gold and silver, if this was required. It was not realized that it might not be so easy to reduce the price of gold and that the action might be so belatedly taken that irredeemable damage might already have been done.

The recoinage was a complete failure inasmuch as it did not achieve its purpose. The silver coinage was still at a low ebb after the recoinage. The new silver coins could not be kept in circulation. The silver standard, in fact, continued to lose ground to gold.

But the ascendancy of gold was a happy outcome. If a devaluation had taken place, the monetary history of England would have been quite different from what actually happened during the eighteenth and nineteenth centuries. By under-valuating silver England became the first country in the world to adopt a gold standard.
Appendices
Appendix I

SIR CHRISTOPHER WREN'S PROPOSAL

The present Distempers of the State labouring under a Consumption of the Mony (The Nerves of Warr) which visibly and daily Increases, requires a Speedy Consultation before the Disease be Fatal.

To Prescribe a Method of Cure will be Preposterous and ineffectual, without first Inquiring into the Causes of the Distemper.

The most manifest Causes seem to be Two.

1. The Spoyl made of the Coyn, by Melting down, Clipping and Falsifying.
2. The Over-balance of Trade occasioned by
   Great Payments abroad
   Losses at Sea
   Luxury at Home.

The Spoyl of the Coyn is but a consequence of the Over-balance of Trade, and the first cannot be usefully Discours'd of, without Considering the latter, and if the Coyn should be Amended & Supply'd; in very little time it would be to no

1. This is one of the thirteen manuscript proposals kept in Goldsmiths' Library as MS 62. According to Mr Reginald Arthur Rye, Goldsmiths' Librarian of the University of London and author of the Catalogue of the Manuscripts and Autograph Letters, 'these manuscript Proposals were originally bound up with seven printed tracts on the same subject in a small volume in which was inserted the bookplate of Stanesby Alchome. Alchome’s books mostly came from the library of George Chalmers, bought at the Crossley Sale in 1884.'

In order to preserve the original form of the manuscripts no attempt has been made to change any of the punctuation or spelling of the text

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purpose. A Vessel filled up will Run out, as before, if the Leak be not Stopp'd.

To make this Clearer, I will lay down some Principles as Undeniable, I think, as Common Notions.

Mony is nothing but a Common Measure, for the more Ready Exchange of All Commodities, prescrib'd & Fix'd by the Government; The Material of this Common Measure may be any thing Enacted & Stamp'd by the Government, that all may Know it to be this Common Measure.

For if England were so divided from the World, that it Trades only within it self, any Convenient Species might be made Mony, as well as Silver, and it is not material what Denomination the Mony bears, or what the Intrinsic Value of it is, if Settled by Authority: This is Apparent from the Brass-Mony lately Current in Ireland when Goods were Bought & Sold, and Houses built in Dublin, for Mony whose Intrinsic Value was not the Twentieth Part of Our's. There are Nations that Trade with one another (and We with them also) in Strings of Certain Shells not to be Counterfeited, being Stamp'd by Nature; and with Us certain papers (as Bank-Bills & the like) are as Usefull, and in some Cases more than Coyn, if agreed upon by Dealers, and Secured by Authority. So that if We regard our selves only, Mony may be of any Intrinsic Value & Weight.

But herein lies the Difference, We stand not by ourselves, but our Seas, that seem to divide Us, make Us the more a part of the Commercial World; We are a Province in the Grand Common wealth of Trade; Our Lands may Feed & Cleath Us, but it is our Trade that Fills our Coffers; and if Silver were of the Growth of England, we could not Eat it, Trade must make it of Use to Us, and still that Trade must be Rightly Manag'd, for it be no better derived into Proper Channels than in Spain (the Fountain of Silver) We should soon be as Poor & Helpless.

By reason of this Necessity of Commerce with our Neighbours, Our Common Measure must bear a proportion with that of our Neighbours, and be Acceptable to them. It is agreed then that it be Silver in Bullion or Coyn.

Coyn is by Law Prohibited, or in part Restrain'd to be Transported, Bullion is Free; and one or other must be Transported for the Sake of Trade; For if I carry Goods to one Mercate intending to Buy Goods there, to Sell in another, with expected Profit, if
that Mercate be Glutted, and I cannot Barter off all my Goods, I must then Buy, with Ready Mony, the Commodities my Goods would not Purchase, or Lose the Advantage of my Second Mercate; and this is the Overbalance of Trade, which if continued, Spends the Stock; but if my Goods be Wanted, and desired at the First Mercate, I then Stock my Self with Mony, for a farther Advantage of Trade, and as the Balance is on my Side. To come nearer, If a merchant of London should Build a House in Flanders, if the Goods he Sends from hence will go well off in Flanders, he Easês his Expence there; if not, he must Supply the Overplus with Mony, to the Diminishing of his Stock.

We may now plainly Discern how this Over-balance of Trade hath had Immediate Influence upon Our Mony, not only to Lessen the Cash, but to Spoyl the little Coyn remaining. First, Bullion was Transported; this failing, (as Trade in General by the Dangers of Warr at Sea) all the Heavy Mony (forbid to be Transported) was Melted down, and made Bullion to Supply the Over-balance; who (that had Sums run thro' their hands) were not Tempted to Cull heavy Mony? The Gain was Considerable, because Bullion was higher Abroad than at Home (and indeed then it Naturally should have been abroad in the Regular Course of Trade) occasion'd by the Necessity of a Quicker Circulation of Mony, than Usual; Goods rise that are much demanded, and so doth Silver, and it is in the Body Politice, as in the Natural, Exercise quickens the Pulse, the Digestion is quicker, and required more speedy Aliment. Now both these Ways being at an Ebb, and the Cause continuing, Dealers in Mony set on foot the Villanous Practice of Cliping, and making New Bullion out of the Clippings; Numbers of Men, Women & Children were Set at Work in obscure places, till the General Cash of England, formerly Estimated by Sagacious Men at Eight Millions, or much more, is now reduced by Probable Computations to less than Four Millions. I Know no Exact Way to determine this Loss, hath yet been thought of, but We Feel it is very Great; I cannot lay this alone upon Avarice, and the weakness of our Laws, it was so quick and so Universally Disseminated over all England, that We need not Doubt, but our Enemies had a Vigorous hand in this Contrivance by Correspondence, more Usefull to them than the Gain of Battels & Towns. Thus we Slept, and the Laws
APPENDICES

Slept, till this Terrible Wound was inflicted, out of which a Few Years will not Recover Us.

I Confess, We cannot wholly lay this Loss upon the extravagant Exchange, or the Cliping; a great part must be laid upon our Losses by this Piratic Warr; the Merchants astonish me, by Reckoning the Millions; but we must Count also, a good Part hath been Regained; it is not little part must be Attributed to our Luxury at Home; the French have charm’d All Europe into Modes that Naturally Conduce to an Over-balance of Trade. I shall not Insist farther upon these, but rather Consider some Propositions that seem proper Remedy’s for this Complication of Distempers.

First, in order to Amend the Coyn, I cannot Conceive any good Reason for Alteration of the Standard, which is but a Trick, that will not Hold; for, as soon as it is Understood abroad, the Exchange is proportioned still, according to the Value of Bullion, with Consideration of the Alloy here & abroad.

The Raising the Value of the Coyn is of so little Effect, for the same Reason, for Suppose it be Enacted, That, Money New Minted of the same Weight with the Shilling, should now have the Value of 15 or 16 Pence, The Merchant understands this immediately to be but a New Denomination of the same piece, and can Buy no more Goods for this 16 penny piece, than he could before, for a good Shilling. The Country-Man understands this Later than the Merchant, and will for a Time be abused, till his Experience in the Circulation of Home-Trade disabuses him, which at last he will be. We see every day, that all Home Commodities, Workmanship and Day-Labour rises higher & higher, as the Ill Consequence of Clipt Mony is more Understood in the Countreys, till at last it will come to a Balance with the Intrinsic of Bullion, which is the only Fixed Common Measure. It must not be Argu’d from hence, that it is all one at Long-Running, if the Light Mony be let alone, There are many Reasons to Call it in; but this is enough, that it so Uncertain, it is already Twice Clipped, and may be hereafter Thrice, there will be no End till Shillings into Groat’s. How then the Mony may be New Minted is the next Consideration.

Call’d in it must be, and that with the greatest Expedition after the Work is once Resolve’d, otherwise the Interim will mightily Encrease the Disorder, which our Tender Hearted Laws are too Slow & Faint to Rectify, in the Punishment of Criminals.

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It must be by Encouragement, that Mony must be brought into the Mint; the Mony must not only be made up what it falls short of the Weight it ought to have had, but some Advantage must be allow'd. A Fund therefore must be Setled, with Credit to Answer the Expence in time, by Tickets transferable & so reducable, if requir'd, to present New Coyn.

I Confess this is a Shift, like an Opiat in a Wasting Disease, to gain time for the Operation of Remedies; but it is necessary, to give the People Ease, and stop the Growth of the Disease, Cure it, it will not, for the Nation, by this, will never be the Richer: if a Tradesman hath been Robb'd of Half his Stock, and Projects to Supply it, by Mortgaging his Land, he is not the Richer; but his Trading Stock & Credit (which he could not want) is in better Condition.

What the New Coyn shall be for the Future, and of what Weight, I am of Opinion, it is not at all Material; but it would most Usefull & Convenient, if the Alloy be the usual Proportion, and the Weight an Ounce Troy, and the Alignot parts of an Ounce Troy, the known Measure of the World. Thus Money will Answer to Bullion, without Confussion; whatever the Mony is, the Merchant always Understands his Exchange, but to the Populace also it must be Easy, that the Current Mony do not Slide from them, by Foreign Exchanges.

But here lies the Difficulty. How shall the New Mony be Fixed, when the Value of Bullion is so Movable a Thing? It depends manifestly upon the Plenty or Scarcity of it in Europe; as the Galeons bring more or less, from the Mines, so it Rises or Falls at Genoa, Lyons, and this Side of the World, in Proportion to the Distances of Places, and Advantages of Trade, and particularly the great payments in some Places more than others, as where great Monarchs move their Armies or Fleets; This Alteration of the Price of Bullion is sometimes Sudden, and then Our Coyn insensibly Falls into the Melting-Pot, and the Exchanges abroad grow upon Us, and Exhaust Us; now We cannot New Mint Our Coyn, as often as the Price of Bullion Shifts like the Wind, and yet if we do not Humor it, our Money runs from Us, to the advantage, possibly, of some Merchants, and the Damage of the Publick. It seems, therefore, absolutely Necessary, That Publick Authority should Watch over the Ebbs & Flows of Bullion and Raise & Fall the Value of Money, as the Ounce Rises
& Falls, if the Difference be Considerable, not frequently, but as a Necessary Expedient.

It may be objected, That if the Crown, for Example, be always Fixed of the same Weight, and yet the Value should be made Movable, Men will never be Certain what their Bags, Bonds, Settlements, & Contracts will Amount to: Neither are they now certain, for Money in effect is what it will purchase; for if Commodities Rise, the Bagg is certainly less Worth, if they Fall it is of more Value for Use, and it will Buy more necessaries of Life; but if the Value of Mony Rise & Fall, as Commodities, it will keep always a Balance, that is to say, if the Several Species of Coyn be of one Fixed Weight, and never be made Lighter or Heavier, but rather be Raise’d or Lower’d, in Value, as Bullion Rises or Falls. Now it is more Natural, that the Coyn should be Fix’d in Weight, and that the Value should be Movable, than that both should be Movable, which would be more Liable to the Tricking & Artifice of Dealers in Mony.

Upon all that hath been Said of the Nature of Our Distempers, I shall now Venture to Propose a General Remedy, which appears to me Sufficient to cure them all. It is no new proposition, but was neglected & never apply’d, tho’ something of the same Nature hath been long Settled in France, and hath Serv’d in great Measure to keep their Mony circulating within themselves.

Let there be a Council of Trade, not Numerous, but Consisting of Persons of good Understanding, Public Spirited, Vers’d in Trade, but not Traders themselves, not Byass’d by being of any Company; if such can be Found, their Business & Instructions may be such as these.

1. To Watch over the Publick General Stock of the Nation, and Study when & how to Vary the Value of Coyn from time to time, that it Slide not out of the Kingdom, by Exchanges, and the Practises of Dealers in Mony; and when such Variation is necessary to Set out a Table of the Value of the Ounce, and every Species of Coyn, so that every Countryman may Understand it; This in France they Call the Tarif, and may be a Page in every Almanack.

2. To Examine the Nature of all Commodities Imported and Exported, whether they Tend to Encrease or Diminish the General Stock, and to Regulate every Trade to the Advantage of the Stock.
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3. To Consider Modes & Fashions of Living, and Discourage those Manufactures that Carry out Our Mony, and Encourage those which bring it in, and Detect any growing Luxury that Impoverisheth the Nation, and Project how it may be Extinguished.

4. To Consider of proper Means to keep up all our Manufactures to a just Reputation Abroad, that they be not Under-valued, and Run into other hands.

5. To Consider of Methods for Encreasing, and for securing our Trade at Sea, by Settling any Useful Factories, or Colonies, and Augmenting our Numbers of Seamen.

6. To Encourage, by all proper Methods, the Importation of Bullion, which, I think, should pay no Duties.

7. To be a Court, Establish’d in a Summary Way, to Decide all Controversies affected by the Change of the Coyn.

If Wise & Industrious Men Sit to receive & weigh Propositions of this Sort, brought in by Men of Sence & Experience; and present their own Conclusions thereupon, to the Privy Council and (when Law is wanting) to the Parliament; I do not Question but all these Distempers we groan under, as the Spoil of the Coyn, Over-balance of Trade, Losses at Sea, Luxuries at home will in Few Years of Peace be wholly Remedyed; and tho’ Warr continue, we shall be preserved from so Visible a Decay, as now Threatens Us. Tho’ we may have Courage & Strength for Warr yet if we put Our selves once out of Breath, we must Succumb to our Enemies, who boast of their Management; that this is a Warr of Mony, that they are in Methods of Keeping their Mony by a due Circulation, whereas We by our Negligence of this Art are very near Spent.

Having but discou’d in General, it may now be Expected that I should project more particularly of what Weights the New Coyn should consist, and how it may be Effected; but here lies the Difficulty we want Ground for our Calculation: how is it possible to conclude in what proportion the Defect of the Coyn must be made up to the People, when they bring their Light Mony to the Mint, unless we could have a sure Estimate, what the present Cash of England is, that must be amended? All Estimates of this, hitherto made, seem to me but Wild Conjectures, grounded upon Uncertainties, and therefore the Projects built upon them are as Uncertain. The Registers of the Mint can give us no Light,
because there are, besides Cliping, so many ways of it’s wast; most of our Trades have concurr’d to do it, I will Instance but in one, The Norway-Trade is all manag’d by ready Mony, In few Years 30,000 Houses & 3000 Ships built, must have consum’d divers Millions of our Cash; I speak very modestly, for the merchants reckon more than 3000 Ships to have been Lost, since the Warr, and none of these without some Mony or Bullion, or what would have Produced it. We cannot therefore Reckon by the Mint, because We know not the Wast, that by Deduction we might thence Conclude the Remainder. The Cash of England was certainly very great, not many years since, to be able to bear so great a Consumption; some will have it still to be Eight Millions, others who I take to be nearer the Mark, make it Four Millions, and, if I may Guess, as well as others, I think it rather less at present. It ought to be Known, whatever the Difficulty be, lest the Recompence pitched upon should prove too Little, or too Great, too little leaves still matter of Complaint, and may oblige to New Minting all again, too much burthens the Publick unneces-sarily, and produces Stock-jobbing. I think the following Method may be taken, to know it certainly.

Let one certain Day be set by Authority, wherein Every Man out of Tenderness to his own Interest, is required to Set down in a little Piece of Paper, Roll’d up, his Current Money in hand, whether his own, or Deposited, it matters not, an Example of such a Script is in the Mergent. The Church Wardens are to Carry about a Box with a Hole at the Top, into which every person drops his Roll; of the Contents no Man need be Conscious but himself. This may be done all over England in one day, the officers going from House to House It is not to be Doubled, but when every Man understands, there can be no other End in this, but the Publick Benefit, and his own Good, he will own what he has in his Chest; even the Avaricious, for fear of Loss will set down what he hath Hoarded, because what is not brought into the Mint, by a certain day, will be Esteem’d as Bullion by weight without the Recompence design’d. No Man hath any Temptation to write more or less than the Truth, the Ministers also Urging it as Matter of Conscience to do a publick Justice, when required. These Boxes are Carefully Transmitted to the Next Justice of Peace, who sends them to the Sherriff, who puts them all into one Cask, and sends them by a day prefixed into the Mint, where they
are Thrown together and Clerks appointed, out of this promiscuous Heap, to Collect the Sum Total.

The Total of the Cash of England being known, and Medium taken of the weight of several Bags, the Conclusion may be certainly Determin’d how much hath been Eaten away by the Clipper All which must be made good by the Publick one way or other.

Let us then Consider all the possible Ways of Finding this Recompence to the People, and inducing them to bring in the old Mony.

1. Either the Mony must make good itself, by Raising the Value of the Coyn, which shall be New Minted.
2. Or by Debasing with more Alloy.
3. Or making good the Defect by a Publick Fund.
4. Or by all these 3 ways mixed together, to help one another, that the Difference be less Sensible.
5. Or by keeping the Old Value & Goodness, and appointing a Fund, Sufficient to make good the Recompence.

We may consider these Different Ways separately.

1. The Raising the Value of the Coyn, to that degree, that will be Sufficient, will be a Prodigious Change, a Shilling must be Valued at 20d. or more, if a Clipt Bag be suppos’d to contain little more than Half the Weight it should have.
2. To make the whole Recompence by the Alloy will be worse, for the Coyn must be Half Copper.
3. To make it good by a publick Fund hath but one objection, That it will go hard in concurrence with other Taxes.
4. If the Recompence be divided, partly, by Raising the Value, partly by Debasing the Coyn, then for Example, 12d. may be made 15d. and also a Greater Alloy added. But this still a Shift, which may serve a while at Home, but in Trade Abroad, will Signify nothing, for where the Balance of Trade is even, the Exchange goes always according to the Intrinsic Value, and where there is an Overbalance, according as the frequent Demands for Exchanges more than there is Goods to answer, gives opportunity to your Correspondents to work upon your Necessities. And in England, where Trade hath so great an Influence upon Land, all Commoditys will Rise, according as the Coyn is worse than the Intrinsic, and this fairly begins to be visible, and in a little time will be very apparent; and the reason why all Prices in
the Countrey are not yet Risen Double, as it should follow by this Maxim, is attributed only to the Necessity of Taking Bad Mony or none: but this is force that will not last: and an Ounce of Coynd Silver that hath Lost half it's Weight, will in a little time, Buy but Half so much Wheat; and if you Say I will make up the Weight in Copper, still it will Buy no more Wheat, but it may be, you will Call it an Ounce, tho' it is but half an Ounce, this will not Mend the Matter, it is still but what it was, altho' Authority give it a New Name. If a Tax be laid besides to help out these other Methods, that the Deceipt of Miscalling the Mony, or that of Abasing, or both mixed, may be less discernable to the Vulgar, and so the easier admitted. This way, I confess, may do for a while for want of a better, but if a Tax must be Rais'd why not one Sufficient to do all, without the others of Alloying or Raising the Value, both which in effect are but more Concealed Ways of Taxing the People.

5. It seems the better way to keep the Coy in it's ancient Parity, I will therefore venture to wish what is best, tho' I fear impositions will go hard at this time.

Suppose an Imposition be laid upon some Commoditys to the Value of about 200,000 £ per annum. If then the Current Mony of the Nation, once certainly found, should want a Million 5 years would make it good, if 2 Millions, then 10 years, still length of time will make good the Mint.

All Plate in Publick Houses, at least, should be Called in, and returned in New Coy, but I think in Private Houses also; if all Plate be out of Fashion no body will be Contemned for the want of it, we had the Example of it in the Civil Warr.

Mints should be set up for a time in several places of England, and convenient Methods to Ease the people in bringing in their Mony before a Fixed day, after which it will be Estimated but as Bullion by Weight.

Every Person thus bringing in Mony, receives back in New Coy, as much as it Weighs, and what it wants, to make up the value, he receives in Tickets of the Mint payable in Course, with Interest, which may be Transferr'd & Sold, or remain as a good credit for any Purpose.

As for the New Coy, I have shew'd, it should be Fix'd to a certain Intrinsic, that is, to the Weight of Silver, and what better than a full Ounce of Silver for the biggest Species, For Example,
We may call this Piece a Noble (as indeed it is near the value) Divide this Ounce into 10 parts (as it was ancienly into 20) so each of these Pieces may be Two peny weight: Lower than this, the Brass may be divided into 10 parts also, Call the Silver Primes, the Brass Seconds, so the Noble is divided into 10 Primes, & 100 Seconds, which Centessimals Division will be very Proper for Accounts, there may be Coyn’d also Half-Nobles & Half Primes.

I Conceive there is no need to Accomodate these Coyns to the Old Names, nor need We Labour that the New & Old Coyns should be reduced without Fractions of Pence & Farthings, when all the Old are intended to be Abolished in Few Months after the Work begun. There will be Easy Tables to teach the Usurer how to reduce the one to the other, as readily as he doth his Interest or Purchases.

Let the New Mony be very Artificial, it will much hinder the Counterfeiting, as the lettered Edges doth the Cliping, Yet I wish it Thinner, for thinner Mony could not be so easily Plated or Cast.

But when this Fine Mony is once made, how is it to be Kept? No Nation, no, nor Single person can keep mony if he be Negligent in Accounts. I ask, how came we some years ago to this General Stock of Wealth, which now we Complain is near Lost, it was by Trade, As every individual Merchant (that kept his Books well, and look’d to his Balance) increas’d his Stock, so from many Thriving Traders the General Stock increas’d. Now this Councill of Trade must be, as it were, General Book-Keepers to this General Stock of the Nation, they must continually Watch over it, that there be no Overbalance in any Trade Two of our Neighbours France & Holland are Diligent to keep their Mony Circulating within themselves; Spain is remiss in this, and we see the effect. If now for Example, Bullion should rise 4 per cent. in Our Neighbour Countries, the Tarif then declares the Noble to be Valued 104 Seconds, the Half-Noble 52, so for any Rise or Fall by Centessimal parts, so Ballancing our Coyn always with Bullion, we shall always keep it. It will be easy to Accomodate this to Taxes, Rents, Interest, Contracts by a Table made for that purpose.

This should be the Method, for a while, till the Fund for the Mint do fully Answer the Occasion, and till Peace and the Industry of a Council of Trade restore the Nation to it’s Ancient Stock, or
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at least to a good Balance of Trade, which being once done, there will be Occasion afterwards of Altering the Value of Coyn, if one thing be observ’d (which tho’ it seem a Paradox at present, a little Experience would Convince Men, that it is a Truth not to be Rejected) that Coyn should be as free to be Exported, as Bullion; and the Mint also as free to Coyn Bullion without Charge; For Bullion will always be brought in to supply the Mint, when Coyn & Bullion are the same thing, and there will be no Temptation to Melt the Coyn, when there is nothing to be Got by it. An Ounce will still be an Ounce at Home & Abroad, And nothing can Impoverish us for the future, if we Understand one Caution, That Great Trading may be so ill-Managed, as to impoverish a Nation, for the Wealth of Particular Traders is no Argument of the Publick Wealth, but if all Trade be so Inspected as that there be no over-balance then out of the Wealth of Individuals ariseth the Publick Wealth, And this is the Use of a Council of Trade.
Appendix II

CHARLES DAVENANT'S OPINION ON
THE RECOINAGE

(A) Extracts from Charles Davenant's Memorial Concerning the Coine of England in which are handled these 4 Questions.
1. Whether if the Money be new Coyn'd, it be Advisable to raise its value?
2. Whether it be advisable during this Warr to new coyne the Money?
3. Whether it may be possible for us to pay ye Armies abroad, and carry on Our Foreign and Domestic Trade in the present Posture of Our Coyn?
4. Whether there are any Expedient that may help the Publick, till the true Species of money can be restor'd?
(Addressed to Lord Godolphin; Begun on October 19 and delivered on November 12, 1695.)

Answer to Question 1
If we were a Nation Subsisting merely from our Selves without any Trade or Concern with other Countries & Living only upon our owne Growth, the Sovereigne power might perhapps Safely

1. Davenant's writings on the recoinage are not generally known, as they are all in manuscript and are not accessible to the public. This appendix contains extracts from two of his Memorials, which we hope will clearly illustrate his opinions on the recoinage. The Memorials are a part of Goldsmiths' Library MSS 59-60
Davenant was Commissioner of the Excise from 1678 to 1689 and succeeded Culliford in June 1703 as Inspector-general of exports and imports. He wrote profusely on economic and political subjects, and was known to have been a well-informed and capable man. Macpherson called him the able but venal Davenant
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and without Damage to private men Exert its prerogative so farr as to command that an ounce of silver shall fetch as much of our Native Growth as an ounce and a quarter was wont to doe before. Nor would it clash with any Interest and consequently the People would be contented with It, and an Ounce so established by Law and consent would have the same & intrinsick value with us, and the Same operation in all Dealings as an ounce and a quarter had before.

But this can never be our case in England wee are a Trading Nation, all our Interests are closely Linked with the Interests of Trade.

The Product of our Land must be guided and ruled by our Foreignne Commerce. Almost whatever our Soile produces must be valued here at the Price, which the Luxury or necessities of other Nations put upon it. And at home very near whatever wee eat drink or weare & whatever wee use in Peace and in Warr, is mixed with Some comodities purchased from abroad.

... To raise the Money (as farr as it concerns foreign Commerce) can have no effect but to make our Neighbours vary their ways and manner of reckoning with us, for from the moment we doe it, without all contradiction the Exchange abroad will alter, and the Dealers with us will so make up their Accompts, as they may exactly square with the Intrinsick value of money, for an ounce of silver of equall fineness everywhere and eternally must be worth an ounce of Silver.

But an Innovation of this Nature will bring upon the Landed Men of England Difficulties, all of them not to be by any Wisdome foreseen, and hardly by any Law to be prevented.

That almost all things of common use are dearer now than formerly, is apparent. But the Question is how farr this arises from the badness of money, and how farr it may be occasioned by the Want of Bullion to cleare our Balance abroad, and produc'd by the Influence foreign Trade has over all our Affairs.

The most probable decision in the Matter is that this Effect Proceeds from a Complication of Causes, of which the ill posture of our Trade seems to be the most prevailing. For the goods wee use to Transport rise more in proportion than others. If our Coyne were in its originall Perfection yet a sudden and general Call for any commodities would raise its price.

Besides the Warr makes Labour dear, and the Warr must need
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raise the value of all Foreigne Materialls. And what is there in
Common Use among mankind that is not either the Product of
Labour, or in which there is not some mixture of Foreign
Materialls?

Therefore the Posture of the Exchange abroad and the Diffi-
culties which warr brings upon Trade may be rather thought to
occasion the Dearness of most Commodities, than any Corruption
of our Money.

But if as all along hath been hitherto argued upon raising the
Money, the people will raise the Price of all their Goods, and if
this doctrine of their desiring Intrinsic for Intrinsic, will in
that case obtain so much, why are not all things now at double
their former Rate, when the Money generally speaking is not half
its intrinsic value? And why is not this badness of money the
Sole or Principal Cause of the dearness in all Commodities?

To cleare this Matter, wee must a little inquire which way the
Domestic Commerce is now transacted. We must consider what
reall Cash there is stirring, and what fictitious wealth goes about,
which virtually has all the Power and effect of money. And Lastly
wee must distinguish between the Bulky and Retailing Trade of
the Kingdome.

It was ever granted that the greatest part of Trades both
foreigne and Domestic is always carryed on by credit.

If men in England spend one with another but seven pounds
per anno the expense of the Nation in the Common turning
and winding of money must be fifty-millions per anno to
which our Quantity of Cash could at noe time in any measure
answer.

It must follow then the remainder is all transacted by creditt,
and that things must be still the more managed by creditt, the
more our cash decreases. As wee have now less reall, soe wee
have more fictitious wealth than formerly, of which Nature are
Tallies Bank Bills and Goldsmiths Notes; whose going about
from hand to hand transact the greatest part of our Business, &
especially in our home Commerce, and stand in the Roome and
Place of Money; and in these and by these are made the Payments
for great purchases, and any larger Quantity of Goods, and by
and in these are handed the bigg Summs to and from the Ex-
chequer, and thereby is managed the Bulks from Domestic Trades, and these being calculated to the former Value of Money
help to keep up the former Estimation here at home and they Influence in the Same Manner when Subdivisions are to be made of these Summs into smaller parcels, for if a hundred pounds bill be esteemed at a hundred pounds its subdivided parts are in proportion of equal value.

Thus we See the bulk of our home Trade is managed by that which has noe existence but in credit, the Species of Money Seldom Intervening, and while this continues, the coyne may passe in the Retailing Trade at the rate wholly from Law and Custome.

In the Price of Gold and in the exchange abroad, the badness of our present Silver coins comes to have its true operation, for Gold, dear as it is, has yett more of Intrinsick value than the white Moneys, And the merchants abroad have altered the exchange in contemplation of the same Matter. However, there is not yet that Difference in the exchange as the badness of our Silver does really deserve, for the Exchange which before the Warr was used to be at least at the Parr, is every where altered to our Losse in Some parts 20, in some 25, in some 30 p. cent. but upon the whole reckoning one place with another, wee lose not above 27 or 28 p. cent, whereas indeed it ought to be near at 50 p. cent the lightnesse of our Silver coyne dueley considered. But this proceeds from our money being helpt out and Strengthened by other creditts, And because hitherto we have commodities to returne (tho' at Losse and Disadvantage) in Lieu of Bullion to satisfy the over-balance that lyes upon us.

Answer to Question 2

... We are so deeply engaged in other councils, and under the heavy burden of a long warr, 'tis a matter much perplexed & will require long & Calm Debates, for which we have neither leisure, nor minds sufficiently dispos'd.

When things of this Importance are to be transacted the thoughts of men should be free of other cares. Partiality and faction should be banished ...

There is sometimes a kind of Artificall or Seeming health formed in the Constitution, which may be dangerous ever by the most wholesome remedies to alter, and tho' this habit of Body cannot be called sound which is chiefly supported by Art, yet it is better than Death, or the high raging of any Distemper, and
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Nature by degrees disposes her facultyes, So as that they become subservient to such helps as she Received from Art, and a body so patched up but crazy and diseased however, will run a great hazard by endeavouring with new Medicines to putt it selfe into a More natural State of soundness and vigour.

"Tis a thing so entirely new to have a Trading Nation quite without the Species of money, That no man is able to judge what effects it may produce.

The current Cash, (bad as it is) serves for the present with the People as Counters wherewith to reckon, and cannot be sent away by the Merchant with any Profitt, and has still at least some reall value, and its credits has been hitherto by many accidents supported.

Answer to Question 3

"Tis true if the Species were mended, it might make the Payment of our Troops more easy for one yeare, but the Publick view in this matter must reach farther than just to supply and answer one single occasion and necessity. Will it add any reall wealth or give any reall Strength? Will it enlarge the Publick Credit? Will it so increase Trade that by an Overplus in the Ballance, wee can make our paymts. to the Army either in Bullion or in Commodities? If it operates none of these ways, it will in this case afford noe help at all to the Government.

Upon the whole Matter there seems good reason to believe, that paying the Troops does not so much depend upon the reforming the Money, as upon keeping up and enlarging the Publick Credit; and our being able to send large Effects to these Countrys where our Armys must subsist, and if this by Skill or conduct can be brought about, we may carry on the warr notwithstanding ye Ill posture of the Coyne.

If the posture of our Coyne were better no doubt we should stand upon a more equal foot with our Neighbour; but there seems good reason to believe that mending the condition and State of Trade would of course restore ye Money; and that till we have brought one about, it will be to no effect and dangerous to attempt the other.

Answer to Question 4

In times of peace, perhaps it may not be advisable to tye up
Trade as restrain it to many Rules, since 'tis its nature to prosper best in freedome.

But as bodies wanting health are kept to regular diets, So in warr, which is the Sickness of Trade, it cannot be safely left to govern itself.

The naturall helps will chiefly consist in three things, that is to say, an universal care of Traffick, paying ye Army as much in kind as possible, and by changing the Manner of the Warr and turning the Land Troops into a greater Navall Strength.

The Artificall helps may be ministered by enlarging credit publick and private. The care of Traffick will peculiarly consist in well governing encouraging & protecting the Generall Trade of the Nation.

(Then a Council of Trade was proposed.)


(To his Grace the Duke of Shrewsbury and the Rt. Hon:ble Sidney Lord Godolphin.)

The part relating to coin

However notwithstanding all this, Tho' they had run the Nation into such an Expense by the Warr of Ireland, Tho' they had putt that with France upon Soe wrong a Foot, Tho' they had Soe much impair'd our Foreigne Traffick and So misgovern'd the Kings Revenue, wee might Still have proceeded on, our Misery had not been Soe Notorious to all the World, wee might have held up two or 3 years with some appearance of Remaining Strength; We might have oppos'd France for some time Longer, wee had not been forc'd to close with a Peace So distant from our Intention and designe, when wee began the warr; and wee might have concluded this expensive Matter with much more Safety and Reputation but for one Council more fatall than all the Rest.

If the French are in that Distresse and reduced Soe Low as to desire Peace at any Rate, tho' fully acquainted with our Weakness; It must naturally follow that if our condition could have been for a while disguised, better Terms might have been made than in the present Juncture.

If wee had putt our Affairs into such a Posture as that really wee could have Subsisted Longer, or if wee could have assum'd
such a show of Strength as had Seem’d likely to support the Warr. Two years more, Wee might in one Case probably have press’d France to a Degree wch. would have procur’d the Term’s we propos’d to our Selves in the beginning, or at least the other way (with a bare pretending to hold out) wee might have forc’d such an Agreemt. as had been more lasting Safe and Honourable to the whole Confederate Interest.

If the Ministers knew France was near Exhausted they should have taken care not to dry up our own Fountains Since if it had run a little longer, it had refresh’d us, So that wee might have finished the whole Course.

Wee made Warr for a good Peace, and they should Soe have husbanded our Strength, that it might have lasted till a sound one had been obtain’d or at least they should have conceal’d our Decays, till a Peace had been concluded by which Meanes they had made us Dreadfull to our Foes, and more regarded by our Friends.

Nothing has soe plainly discover’d our weak Part nor more open’d our Poverty both to our Enemyes & Allyes than the Matter of the Coyne. It has shown to the first wee are not much to be fear’d for our Power, and to the others, wee are not much to be depended on for our help; and our Circumstances being soe well knowne of both Sides, wee must not pretend to a Peace that will bring us any Advantage, but are to be contented with such a one as may be convenient for the Rest of Europe.

By all the Rules of Prudence and wisdome, wee were neither to lett our Friends nor Enemies be Masters of Soe Important a Secret, as that wee drew neare to the End of our Treasure, which was knowne only to a few observing men here at home; But abroad, by the Millions that were given and actually rais’d, they had reason to think our wealth was not to be exhausted, and for a while they might have been still in the Dark as to that Point if our young Statesmen had not soe eagerly desir’d to try Experi-

ments upon the Body Politick; Wee were Soe rich, that in 7 Yeares all their Ill conduct could not make us Impotent for the Warr, but at last one rash advice brought that about, which had Soe long baffled their Joynt Endeavours. For notwithstanding all the false Stepps, the Nation Stood upright and Strongly, and by that unbounded Creditt the Publick had obtain’d, and with the remaining money which perform’d the Office of 10 Millions, we
might still have proceeded further but for one precipitate Councill which at an Instant had render'd Us unable to wage Warr, and not in a Posture to make good Conditions.

If a Stopp be putt to the King’s Heroick Courage, If contrary to his designs he consent to a Peace before the Growth of France be chequed, and its Navall Strength Reduc’d, If his Noble Intentions for the Good of humans Kind are Interrupted, If his measures soe wisely concerted from the beginning are all broken, or in case the warr continue, If he cannot maintain his wonted figure in the Alliance, assist with his Troops and head their Armyes, He must blame such of his Ministers as, right or wrong, would be for maddling with the Coyne of England at a Season soe Improper.

Never Parliamt. assembl’d with a truer Zeale to the Kings Service, nor minds better dispos’d for the Publick Good than that which met Nov. 1695. They were ready to assist their Prince, and to forgett the Errors of those abst. him. And tho’ there was ground enough for Anger Accusation and Impeachmt. agst. such as by their Negligence has suffered the money to be soe impair’d, yett they chose (which is always wisest) not to blame the past, but to mend the future.

"Tis true the Country Gentlemen came up full of Complaints from their Shires & Burroughs concerning these Difficulties the People lay under in Relation to the Coine. But when they Saw how ill the Managers were furnish’d with any Regular Scheme to mend it, when they perceiv’d upon the Debates that the Business was not thoroughly understood, and had not been at all digested before by those Province it lay properly, and when they Saw the Ministers themselves divided in every point relating to It, the Major Part of the House (who had noe Interest but that of the Nation to promote) soon found the Evill was too bigg for any present Remedy, & at last became wholly passive in the Matter.

They who pretended to guide and Governe in this Business Soe Important to the Kingdome had not soe much as prepar’d the Engines Necessary at the Tower for a New Fabrication, which might have been done at a Small expence, and would have much forwarded the work tho’ indeed the first and most usefull Materiall for Projection in this Case had been a Quantity of Bullion.

They had not well Examind to what Summ the Deficiency might amount, nor consider’d of a solid Fund to charge this
Deficiency upon, both which Neglects will be the Cause of much Confusion for taking a short Leap in either Instance was sure to Injure Creditt.

They were uncertain and differ'd in opinion one with another, which was most for the Publick Good to raise the Species or to observe the former Standard as to weight and value.

In this manner, without any due Preparation, and having only heartened to their Platterers, and whisper'd with a few Projectors, they took in hand an Enterprise of as great Concern as ever Ministers brought before a Parliament.

The House of Commons had reason to think all things had been well concerted before hand, and that the Executive Power (whose care it lay under) had given Shape and Forme to that Mass, which was to receive Life and Motion from the Legislative Authority.

Undoubtedly the House of Commons hop'd the Ministers had duly weigh'd what Influence it might have upon the Kings Affairs, to reduce at a stroak the Species of the Kingdome to very near a halfe. 'Twas likewise expected they had sufficiently consider'd how farr such an undertaking might affect creditt by the help of which both the King and Indeed the Kingdome had been for some time supported.

That the Coyne was sometime or other to be reform'd could admitt of noe Dispute; and 'twas also plain that it could never be done without bringing great hardships and distresse upon the People.

Purity of Coyne is noe doubt a true Signe of wealth and greatness in a Nation, and its corruption is a Mark of Poverty and want of Strength in the Laws and Governmt.

And noe question it was the Interest of the Landed men to have their Rents paid in Pieces of that value as might enable 'em to live as well as formerly with their Estates, which could not be under that Ill Posture of the Money, because a thousand pound of that clipp'd Species did not goe soe far as Six hundred was wont to doe.

However, If the Ministers (whose business it was to be well Instructed themselves and to Inform others in this Matter) had offer'd to the House what before had been represented to them, undoubtedy that wise Assembly (who consult the King's Service and the Nations Good) had adjourn'd meddling with the Coyne at all, to a more convenient Season. What Secret Motive hurried
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the young Statesmen on to this warm advice soe fatall to their Matters Interest, cannot easily be guess'd; But 'twas apparent to all the World, That the Bank of England push'd it on wth. most vehemence; 'Twas alsoe notorious that such as contended most hotly for this unfortunate undertaking, fought under the Banner, and were led on by those who had blindly espous'd all the Concerns of that Corporation, and who were the very persons of whose Braine this Bastard had been the wretched off spring begotten Illegitimately at the end of a Session, when the House was thin.

Before the Parliamt. Sate, it had been told ye Ministry (by men unbyass'd who had well inform'd themselves & Maturely weigh'd the whole Matter) with how many Dangers (Touching at all upon the Coin in that Juncture) would of necessity be attended.

And particularly there was deliver'd early to ye Ministers A Memorialis, & read Cabinent on or about the 12th of Novemb. 1695 which plainly foretold most of the Events that since have hapen'd in Relation to the Coyne, and it was to this purpose.

First, That the Necessityes of the Warr had carried away most of the ready Money, in the Stead of which the Moneyed Men stood possessed of Securityes upon ye Publick by Tallyes or Banck-Bills (which had their Foundation in the Publick Credit) And that these Securities by the Repute the Excheq'r. had justly gain'd, did passe currently, and had all the Uses of Money here at home, and that by them were transacted well nigh all great dealings whatsoever. That this Debt upon ye Kingdome would be increas'd from time to time, and grow still larger, Soe long as the Expense of the Warr amounted to more than could be rais'd within the Yeare. That the Warr could not be maintain'd, but wth. Remote Funds, and by the help of Credit. That this credit of the Exchequer was much Augmented & promoted by the bad postures of the Coyne. That the great Summs in which the Publick stood Indebted to private Persons were owing before the Money was corrupted, 'that there had been noe year in which the State had not ow'd more than all the Reall cash of the Kingdom would amount to. That the People chose rather to continue on their Traffick with the Exchequer, than to take in their Moneys from thence, when perhaps it would not have above halfe of its Intrinsick value. That the Uncertainty in the worth of Gold and the
want of weight in Silver made every one Shift from themselves having any great Sum in their Possession, and that this naturally Lead them to trust the Government where they found the most Encouragement and highest Interest, and brought thither without doubt the loose Sparable and running Cash, which was always accotted near two Millions, and that Mending the Coine would introduce some great Change in that Course of Credit, and at last draw the Running Cash from the Publick into Private Uses.

2. That not only the Publick dealt with the People by giving Tallys and Bank Bills for Goods and Money, but the People Dealt among themselves by assigning or Transferring those or such like Securities, which had noe Existence but in credit publick or Private, by which the Bulk of Trade was carried on, the Species rarely intervening. That these Sort of Securities were already equall to the Running Cash, and if the Supplys to be given hereafter consisted (as 'twas likely they would in credit upon remote funds) they would farr surmount it, and grow the governing Wealth of the Kingdome, And that when credit upon remote Funds amounted to Eight Millions (to which the State of the Warr for 96. would bring It) the present Cash would be but sub-servient to those Securities, and become as Money of base alloy is to the better Coyne of Severall Country's which only Ministers to the Rest and Serves for change of the other and to pass at Markett in the retaile Trade.

3. It was likewise showne that mending the Coyne would add noe reall wealth nor give Us any more reall Strength or Soe increase trade, that by an overplus in the Ballance, wee might make our Paymts. to the Army either in Bullion or in commodities. That on ye Contrary it would weaken us in those Feet upon which wee stood. That the Governmt. had noe way to preserve it selfee, but by the Exchequer keeping its repute with the People. That all ways were rather to be thought on which might enlargt creditt, that any thing ventur'd that might hurt It. And (Forreigne Nations valuing any Government but as they See it valued and trusted by ye Subjects) that this credit at home might augment our creditt abroad.

4. It was likewise proved by many Argumts. that our Business at home, the Warr and Forreigne Trade might proceed on for a whilee under that Posture of the Coyne as 'twas help'd and
supported by Tallyes, Bank Bills, Goldsmiths Notes with all the other Fictitious Wealth wee had Erected among ourselves.

3. It was further offer'd, That there is Sometimes an Artificial or Seeming health found in the Constitution which may be dangerous even by the most wholesome Remedies to alter, and tho' this Habitt of Body could not be call'd Sound, which was chiefly Supported by Art Yet that it was better than Death or the high raging of any Distemper, and that Nature by Degrees did soe dispose her Faculties, as that they became subservient to such helps as She received from Arts, and that a Body soe patched up (but craz'd ' diseas'd however) would run a great hazard by endeavouring with New Medicines to put it Selfe into a more Naturall State of Soundness and vigour. That therefore a Man in this Condition was to lett Nature works of her owne Accord, that time might give him Strength to Struggle with the Disease or the Disease might spend it selfe, and then he would be enabled to undergoe a thorough and perfect cure, That the Same might be said to hold in the Governmt. of State Affairs. That the Creditt which the Exchequar and the Bank had obtain'd was grown in the Body Politick a prevailing part in Its habitt and Constitution, and wee were thereby for the present supported. That the Regulation of Money might occasion some Change and prove noe safe Experiment. And that as ye Publick in Seasons of Warr and trouble is timorous, crazy, feaverish, weake and dispirited, Soe in times of peace and a free and large Trade, it becomes capable of Strong and Usefull Councills, and of a Sedate temper fitt for their Execution, and then recovers its right Faculties and Naturall Force and Vigour, and that in time of Peace (and perhaps then only) might be applyed Remedies for the disorders that were engendered and had Sprang up in the State During the course of Soe long a Warr, and that till a Peace 'twas not Safe to meddle with the Coin. These were the chief heads of that Memoriall and It was very well received by many of the Ministers (especially by one, whose Experience and deep wisdome made him easily foresee what a precipice they were going to run the King and Governmt. upon.) but 'twas entertain'd by others with the Same coldness as they shew to all things wherein their Light Notions are not flatter'd, and where the Reall Service of the Publick is intended. The author of It perceiving that the prudence of some was like to be overborne by the Noise and Madness of the Rest, did
endeavour to offer something that might render the Approaching Mischief, as little hurtfull to the Nation as possible; and the 19th of the Same November delivered another Memoriall to this Effect.

1. That the Expence of the Warr, the Losses at Sea, and the Overballance that lay upon Us in Trade might very nigh some way or other draw out of this Kingdom two Millions and a halfe every yeare.

2. That some of our Trades did of Necessity export Money (or Money turned into Bullion) That the Manufactures by which wee carry on the West India Trade, the Turkey, Italian and Spanish Commerce, could not proceed, unless a certain Stock of Cash were preserv'd within the Kingdome.

3. That pursuing our present Measures (if in Soe high a point it was Lawfull to frame a Conjecture) wee could not Subsist in our Trade, and carry on the Warr without utter ruine to the Nation, and above two Years reckoning from 1695 exclusive, Unless some way could be found out to pay the Armies abroad, & Yett keep at home a great part of our Money for the Uses of Forreigne and Domestick Traffick, which could be brought about but two ways, either by changing the manner and nature of our Proceedings, that is Lessening our Land Armyes, and encreasing our Strength at Sea, or by soe inlarging Publick creditt, that it might operate abroad in other Countrys, with as good effect, as wee Saw it worke here at home.

4. That the People of England in Zeale to ye Common good of Europe, and to carry on the Warr with more Vigour, had neglected their owne Peculiar Profitt & Interest, that our Business had been to have insisted upon Strength at Sea, for a large Fleet would have guarded our Traffick and would have kept that Money with in the Kingdome, which has been Sent out to pay Land Armies in other Countries; That our Army in Flanders did without doubt, help to preserve Holland in its Libertyes; That the Interest of the whole Confederacy requir'd these Troops should be maintain'd there, but if wee remitted thither such a Summe as was Needfull for their Subsistence, Wee must bring upon ourselves utter ruine & Poverty.

5. That Credit would noe way be made to operate abroad, unless the Kingdome here, and the States Generall of the United Provinces, would resolve to consult their mutuall safety, and
consider how much the Welfare of one People depend upon the
well being of ye other.

6. That nothing could enable England to proceed on in the
Warr without ruine, unless the Dutch (who had the great Banks
of Money) would upon Parliamt. Security make a Loan to the
English Nation of two Millions, and agree to negotiate the Pay-
ment of the Armies for two Years, to be repayed by annuall
Portions and at such a Convenient Distance of time, as might not
draw off too fast the Money of this Kingdome.

7. That a Body which can beare small and frequent Bleedings,
must dye, if too large a Quantity be drawn from It at once, That
if the Army could be pay’d by the yearly Remittance of noe large
Summe, the Exchange in course would immediately alter for that
at Bottom, those great Returns which had been made for the
Troops had influenc’d It in all parts of the World where we dealt,
as well as in Holland.

8. That if Trade in this Manner could have two yearees to take
breath in and recover it selfe, with such an assistance as to have a
large proportion of the Nations Stock and Wealth, apply’d to
it’s Sole Benefit and not carried off to the uses of the Warr,
Bullion and Commodities would flow in upon Us, and that at the
end of these two Years (in all likelyhood) our Affairs would be
soe restor’d as that wee should have power to maintaine the Warr
with France Yett Longer, if a Safe and Honourable Peace could
not then be obtain’d.

9. That such a Loan would make restoring the Species of
Money during the Warr much more Safe & practicable than it
could otherwise be, Since it would prove a Meanes to keep our
Wealth within ye Kingdome at Least for Some time, and that the
fear of its being exported, as soone as Coyn’d, was a maine
objection to that undertaking.

I have here my Lords Sett downe the Substance of those two
Memorialls, First to make it appear that the Ministers had early
Notice how fatall It would prove to Credit to touch upon the
Coyne at all in Soe dangerous and criticall a Season, And Secondly
to shew, that since they were determined to pursue their Mad
Designe, they should have taken Some care to Stop the Bloody
Issue that in a Short time would emaciate & bring death the Body
Politick. Must not such have resolved their Countrey’s Destruct-
ion that could doe a thing, which would certainly pull downe all
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Creditt, and yet make noe provision to secure the Remaining Money? but it suited with their whole proceedings & was of a Piece with the Flattery they so openly profess.

What had held the Species at home for some years, but its badnesse; and when they had made it good, should they not have taken Some care to keep it here? Did they not know that Nations who cannot Satisfye their Ballance with Commodityes, must doe it by Money & Bullion or become Bankrupt? Was it not plaine this overballance agst Us proceeded chiefly from the great Remittance to the Troops abroad? And could the overballance soe arising be any way hindred but by procuring Forreigne Creditt? Was it not evident the Money would goe away as fast as minted, and could It be Stopp’d by any other Means? Have not all discerning Men for a Long while Seen wee could proceed noe further unlesse Holland came to bear a more equall Proportion of the Burthen? Why then have not the Statesmen pressed that the Dutch might make such a Loane, as would give England Effectuall help? Is that an equall Confederacy where one gets what the other looses? why was not this with Sincerity & virtuous Boldness layd before him, whose fatherly love to his People makes him Patient of wholesome Council if the ministers were dispos’d to give it. If they had done this, If such a Loan had been insisted on and obtain’d, their Restoring the Coyne had less broken the Kings measures, and had not been Soe destructive to this Country. After a Scrutiny of three Yeares into Matters of this Nature and a Nice examination, I have good Reason to think, That when this desperate advice was first Sett afoot, wee had about 4 Millions of Guineas which operated in the Common Traffick of the Nation as Six Millions of Pounds, and it now appeares there was current of the clipt money about 4 Millions Seven hundred thousand pound, And there may be still remayning about 3 hundred thousand pounds in the clipt & about one Million of the Broad and better sort.

The Broad Money being then hoarded up, and the clipt and Guineas only passing about, wee may very well compute our Current Cash to have been at that time Eleven Millions, besides the Million that was hoarded.

'Tis true this Kind of Species did not carry with It the Legall value, and had not the intrinsick worth of what it passed for by Consent and Custome. It Serv’d notwithstanding the People as

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Counters wherewith to reckon, and tho' with some difficulty and clamour the Lesser Business of the Nation was thereby transacted and the retaile Trade carryed on, Yett Money being the Measure of Trade, 'twas undoubtedly Convenient that some time or other, this measure should be render'd certain, and tho' the contrary did not much hurt the Common People, (who are the Bulk of a Country) it affected however to a great degree Such as Subsisted by their Rents, and annuall Income.

But as Some Serpents bear in their head a Stone which cures the venom of their biting, Soe this mischief of the Coyne did in a manner produce its owne Remedy.

For the badness of the Species (concurring with other Accidents and Circumstances) had soe enlarged Creditt that wee hardly felt the want of Money.

'Tis evident that in all times the greatest part of Traffick Forreigne and Domestick has been carryed on by Creditt, But 'twas grown here beyond all bounds, and to know no Limitt.

After a long Enquiry, I have reason to believe that the Summe out upon Land Security (a kind of paper Creditt) has for many years been about twenty Millions.

Upon the fourth of May last (the Expense of the Warr for 1696. Included) there were Tallies struck and to be struck on the Exchequer for upwards of nine Millions.

The Lottery Ticketts Standing out, might on that day be reasonably valued at about a Million.

The Bank Bills (with Interest annex'd to 'em) then unpaid were at least a Million.

And there is Sufficient Ground to compute that the Bank bills without Interest, Goldsmiths notes, Countrey Bills, Bonds and private Notes might then amount to about Nine Million, Soe that the Paper Creditt of all kinds then running in this Kingdome, could not be lesse than forty Millions.

As to the Twenty Millions out upon Land, they are on a Solid and reall Foundation, but the other twenty Millions had Existence only in Publick or Private Credit.

This was the Fabrick the consent of Men or their Necessities had erected here, wee had forty Millions running in Creditt, Eleven Millions in what we called passable, and one Million in good Money, and probably the building might have stood for a
few years, if some of the Ministry had not been Industrious and hasty to pull It downe, without having thought before hand wth. what Materialls they should Sett up another.

Tho’ money hath been hitherto called a Measure of Trade, Yett Mankind may agree to sett up in Its roome any other thing, and whatever it be in the Place where it universally takes, it may serve their turne as well as Gold and Silver.

When Paper Creditt flourished, Tallies, Bank bills, Goldsmiths Notes and such like Securities performed all the offices of Money, The great Paymts. for Land and Rich Goods, were thereby readily made, the Kings Duties paid and all kinds of Business readily transacted.

The Millions every year given in Parliamt. were presently raised and the Publick Supply’d, tho’ the Fund was never soe unsound or chimerical, Provision for the Navy were brought in without difficulty, the Soldier had subsistance, and the warr was carried on by Land and Sea without the Fleet or Army being in any great Arreare.

The Land Lord received his Rent duely, The Farmer sold the product of his Land at a high rate, wool, Tin and lead bore a great Prices, and which was of chiefest consequence, the Manufactures of the Kingdome went on cheerfully, and for some time there was a large Exportation of all our Native Comodityes.

’Tis true the Price of Gold did something influence in these Matters, but not soe much as the young Statesmen have imagin’d. For the Eight Millions in Tallies and Twelve Millions in Bank bills, Goldsmiths Notes and other Paper Creditt, were in the Nature of a new Stock in the Nation, and being soe Transferrable, did help forward and quicken the under Trade and all our manufactures, but to open this fully, would be too large a digression from the present subject.

Whether or noe this was a right condition of health is hard to determine, perhaps a Body Politick with this florid complecion might yet have lurking in It Apoplectic Symptoms. The pressing call that was for our Comodities and manufactures, might be a false appetite and peradventure wee did export them at some disadvantage. But a Country cannot easily be undone that has a large vent for its Native Product, and ’twas better to Sell at some Losse than to loose the benefit of soe many hands, as for want of Stock must shortly stand still without Employment.
The Price of Guineas was noe doubt hurtfull, and Clipping (which would have gone on) was certainly very prejudiciall to the Publick. But did these Inconveniences weigh Lesse in a Ballance against other Mischiefs. For in most present Evills, the worst is to be seene and some Remedy may applyd. but it was hard to foresee and provide for all the various Events that might follow a New Counciill, by summing up the Difficulties on either side and computing upon the whole the Soundest Judgment was to be made in Such a Matter.

Did not the Losse of Creditt singly of Itselfe outweigh the perplexities wee then laboured under? was that foundation (on which the Governm't. in all appearance stood So firmly) to be pull'd downe because something looked amiss in the superstructure.

Has not this Loss of Creditt made Peace difficult and Warr Impossible? What ways and meanes in nature can be thought on to supply the Publick? can credit be easily reviv'd in a Country where money (upon which all is built) has no Existence?

If the Young Statesmen knew our Condition to be unsound at bottom, what had they to doe but to sett a good face upon our Affairs, conceale our true State, and to close with the first good Term's that should be offer'd.

Could it be wise in the heat of a Warr, by soe many ways to make the People unable to pay future Taxes, and at once to pull downe both Money and Creditt, the Pillars that supported the King and his Subjects?

As to Money, supposing that on the 4th of May wee had four Millions of Guineas, by reducing them from 30 to 22 shillings, there was a Losse to private Persons of £1,600,000.

And suppose the Silver Coyne was then Six Millions in Tale, (the broad hammer'd mony reckon'd) when it comes to be all melted 'twill not amount to above 3 Millions, 3 hundred thousand pounds, Soe that the Species will be thereby Lessen'd to ye Publick about 2,700,000

In all . . . 4,300,000

So that the Money which the 4th of May was probably in Tale about 12,000,000.

By the new coyning of It and by Lowering Guineas will be reduced to abt. 7,700,000.
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But there are cogent reasons to believe that since the 4th of May there has been one way or other exported about 1,700,000.

So that when the remaining clipt and all the hammer'd is call'd in, and when they have done Coyning in the Tower (if It can be kept here when it is minted) wee may have in the Kingdome in Gold and Silver about 6,000,000.

This probably seems the Posture into which their conduct has put the money of England, and as to creditt, 'twill be found yet in a worse condition.

The twenty Millions trusted upon Land Security is now noe better than a Dead Treasure, which formerly was a quick Stock in continuall Motion and transferrable from hand to hand, and by It purchases of Land were made, Portions raised to marry children or sett up Trades, and Summs procured to supply any other necessity, whereas at present all this lyes by in a matter uselesse, and there is soe little probability to any one of calling in his Principall that he Counts himself happy, who can gett ye growing Interest.

The wound Credit has receiv'd locks up in private hands all the remaining Cash, which if placed as formerly in a Bank or with Bankers, one Million would work as four to all the Uses of our Traffick.

The twenty Millions (consisting in Tallyes, Bank bills and Paper Credit of the like kind) if not quite dead, remayne at least very unactive, in the Esteeme of Men have certainly lost much of their former value.

And this great Stock (whereby wee were enabled to pay the Kings Dutys, and give Taxes to support the Warr, & by which forreigne Trade, and our Domestick Businesse were soe well transacted and the manufactures sett at work) must continue in a bunemud and motionless condition, will time and better conduct have brought into this Nation such a quantity of Gold and Silver as may produce in this Stock new life and circulation. The Six Millions we may now have in Specie will not doe the work, and is not Strength Sufficient to give motion to so vast a Body.

Upon the whole matter, the managers should not have disturb'd what was quiet. Noe wise man desires to be better than well. They should not have tamper'd with the Body Politick, whose constitution they know soe little. If wee were sick, it
required abler heads than theirs to sett us right, and by the Event, it plainly appeares these Empiricks neither understood our Distemper nor the cure.

But to cover their Ignorance, or indeed to extenuate their Guilt, (for grosse Negligence is to be accounted Fraud) they pretend that Erecting the Land Bank did blast Credit, and soe would charge their owne proper Errors upon the House of Commons.

Would they have Credit thought a Mistric that is to be confin'd to one Lover? On the Contrary she must have many followers, her honour consists in the number of her admirers, and with her the Multitude of Rivalls, instead of a hinderance, are assisting to one another.

She is not like love or Empire which admitt of noe Partnership, but rather like the Sea that is richer for other waters.

They would soe impose upon mankind, as to have us think two Banks could not subsist together. Were the Number of Banking Goldsmiths prejudiciall to the Banking Trade? Soe farr from It, that as they increas'd in this Citty, paper Creditt augmented, For if Fifty Bankers procured to be trusted with one Million, another fifty found ways to gett into their hands a Million more, which two millions lodg'd with them did turne in creditt at Least as Eight Millions for the Use of Trade, and the Goldsmiths being involved with one another, had an Interest each to help his fellow upon any sudden call or great Emergency, Insomuch that when those of Lombard Street have been press'd very hard, and the money all brought up to Fleet Street in the morning, the same baggs have been sent back privately at night to help for next day their Brethren of Lombard Street. And this did happen more than once.

A Land bank, instead of hurting the Bank of England, must have been helpfull to it. The designe of all Banks is to further and wind a great Summe with a small Quantity of Money, and would not this have proceeded better, when a new Corporation with a fresh Stock had been engaged to set it forward?

If a Land Bank had been Settl'd, (either for want of Cash and credit after their first Payment of £300,000) they could not have gone on in the undertaking, and in that Case the Field had been againe left open to the Bank of England, with this Advantage, that their Rival had been baffled.

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Or on the otherside if those Gentlemen had been able to go through and make Good all their Payments to the Governmt. at the Limited time, had not two Millions and a halfe, invited out of Private hands into the uses of the Publick, gone a great way towards restoring Creditt in generally? had not such a Sume given motion to that huge Engine now off the Wheels? What could have advanc’d it more than engageing a new Sett of Men to support it with their Councill and their Fortunes? and by a fair correspondeance, a mutuall acceptance and a free Intercourse of their Bills, might not both banks have been helpful to each other?

The managers therefore must not pretend the House of Commons did insure credit by giving such a Fund, these Young Statesmen should rather be brought to answer in Parliament why they Secretly obstructed it all along to the great Damage of the Kings Affairs, only to promote a wretched Whimsey of their owne, which the whole Nation but themselves were satisfied could not succeed in the present Juncture.

But admitt the undertakers in this Business had not strength to Carry It on why did the manager accept of such a fund and close with it in the Houses? were the Paymts. to the Fleet and Army and our Reputation abroad in soe criticall a time to be ventured on any project? Had they any other Proposalls ready? Was it not the Province of Some among them to digest & prepare Schemes for better Funds? Was not the Exchequer Bank the single thing they had thought on? Did not the Parliamt. allow It to be brought forth & Twin with the Land Bank? (yea and one child starved the other) were they now allowd to modell It at their owne Pleasure? have they not confidently assured the Governmt. it would succeed? and upon that score, did not the other Fund meet wth. a colder Reception? But in the Meane while, miserable is that Nation, where in Matters soe Important, the ministers are permitted to say they were mistaken. Neither the Erecting a Land Bank, nor the Ill conduct of the Bank of England in their Paymt. to the people have so much occasioned the bad posture of Credit. The true cause of this misfortune lies a greate deale deeper, and the Evill will not wear off soe soone as is vulgarly imagin’d. For can there be any Credit, where there is no money? when the Guineas are brought out and the Silver all Coyn’d, will Six Millions be a competent Sum to answer a Demand of fourty
APPENDICES

Millions which the People have upon the Publick or upon one another? And if some way cannot be found out to keep at home this remaining Treasure, credit soe farr from reviving, must be yett in a worse Condition.
Appendix III

ISAAC NEWTON CONCERNING THE AMENDMENT OF ENGLISH COINS

It seems reasonable that an Ounce of Bullion should be by Parliament Enacted of the same Value with a Crown-Piece of Milled Money, under a Penalty on every Person who shall Exchange or Sell it for more. For such a Law, I take to be the only sure means to make Milled money constantly of the same Intrinsick & Extrinsick value, as it ought to be and thereby to prevent the Melting or Exporting it, and to make the Milling of Bullion Practicable without Loss.

And in making them of Equal Value, it seems more reasonable to Alter the extrinsic than the Intrinsick Value of Milled Money, that is, to raise a Crown Piece to the Value of an Ounce of Bullion, wch. at present is at least 6s. 3d. than to Depress Bullion to the present Value of Mill'd Money. For 1st. this will more Discourage Coiners because the greater is the Value of Milled Money & Bullion, the less will be the Profit of those who turn them into base Money. 2dly. It will make a greater Quantity of Current Money in the Nation, wch. is now wanting. 3dly. It will Lessen the Charge wch. the Nation will be at in Milling all the Unmill'd Money. For instance if 3 half-Crowns conteyn an Ounce of Bullion, and so could not now be Mill'd without the Loss of

1. This manuscript is also taken from Goldsmiths' Library MS 62. It is a very valuable manuscript because it shows that Newton was in favour of devaluation at the time of the recocunage, although he appeared to have changed his opinion after the recoinage
2s. 6d. yet by raising the Value of a Milled Crown-Piece to 6s. 3d. there would only remain 1s. 3d. Loss by Milling them, For 6s. 3d. want only 1s. 3d. of 3 half-Crowns. 4thly. The Cheapness of Commodities in respect of Bullion invites Foreigners to buy here wch. is Our Advantage, the Dearness invites us to buy abroad, wch. is their's.

In Stating the Value of Gold and Silver, care should be taken that they bear nearly the same proportion to one another at home and abroad, And this Affords another reason for raising the Value of Milled money to that of Bullion. For if Gold in proportion to Silver be of much more Value at home than abroad the Bullion & Milled Money will be Exported to buy up Foreign Gold, and the contrary would happen by raising the Value of Milled Money & Bullion too much without raising Gold in due proportion.

If it be said that by raising the Extrinsic Value of Milled Money, the King in receiving Excise, Customs and Taxes, and all Persons in receiving Annuities Rents and other debts must be content with a Crown-Piece instead of 6s. 3d. & so lose 1s. 3d. wch. is 1/5 of his Money: I answer, that if the Loss be computed in the Extrinsic value of Money, it will be none at all, because a Crown-Piece after it is raised, will be of the same Extrinsic Value with 6s. 3d. at present, and go as far in a Market or in buying Land. But if it be Computed in the Intrinsic Value, it will be no New Loss, because Taxes, Rents, Annuities & all other Debts are Payable by Law in Unmill'd Money which has already lost at least 2/5 parts of it's Intrinsic Value by Clipping and Adulteration.

Considering that the Unmilled Money cannot be call'd in at once, but must be Mill'd by Degrees, least the Nation in the mean time want Running Cash & Market Money; it may be distinguished into Several Parcels, & each of them call'd in, and Mill'd Successively, and this Distinction may be made, either by the Weight, or by the Species of the Coyn. The first way would be Troublesome, the latter is Easy and expedite. For half-Crowns, Shillings and Sixpences, are easily distinguished and Separated, and so are the Half-Crowns of one King from those of another. It may be propos'd therefore, that the Half-Crowns (as being most liable to Falsification) be first call'd in while the Shillings and Sixpences Pass for Market-Money, and that among the Half-
Crows, the Unmill'd ones of Charles the 2d. be first call'd in and Mill'd, and then those of Charles the First, and so on. Or else for greater dispatch, the Half-Crowns of Two Kings (suppose Charles I & II) be first call'd in together and afterwards the rest. Thus will the Nation have running Cash during the Coynage, and so soon all the Coyn of any Species is call'd in, and ceases to be Current the Clipping & Counterfeiting of that Species will be at an end. And by this Method all the Money may be Mill'd in as short a time as the Mint can dispatch it, and Clipping & Coyning be soonest at an end.

But it seems an easier Method (tho' not so quick) that the old Money be milled, as it comes into the Kings hands, For this may be done without any further trouble than barring the King from paying any Unmill'd Money to the Subject & allowing him for the loss of Milling it. And because the Half-Crowns are most liable to Falsification, all Men may be enjoyn'd to Pay the King's Duty in Unmill'd Half-Crowns, untill they grow scarce, and then those half-Crowns, may be cry'd down, so that they shall be no longer payable to any body besides the King's receivers, or into the Mint, for Milling. Afterwards the Shillings & six-Pences when they grow scarce may be also cry'd down. For this will cause them that have hoarded Money to carry it to the Mint that it may be made current by Milling, And for their Encouragemt. the Nation may bear the Loss of Milling it, till a certain time, but not afterwards.

While the Money is Milling I can think of no better way to prevent Clipping & Coyning than quick dispatch in the Mint till at least all the old half-Crowns be Mill'd, and great Rewards to any that shall discover a Clipper or Coyner or any of their Confedirates. And because there is most Temptation to Counterfeit Crown-Pieces, and these are at least fit for Change & Market Money, and easiest Counterfeited while new, and may be Supply'd by small Coyns of Gold, it may not be amiss to forbear Milling any larger Pieces than half-Crowns. If all the old half-Crowns be mill'd into half-Crowns, and afterwards all the Shillings into Shillings the Proportion of all the half-Crowns to all the Shillings will not be much altered, Yet the Crown pieces make quicker dispatch in the Mint.

If the Nation bears the Loss of Milling all the Lighter mony it's fit it should have the Advantage of Milling all the heavier.
But by what means to make all men produce both together I cannot yet find out.

Tho' the badness of Unmilled Money has Occasioned the rise of Gold and White bullion, yet it ought not to occasion the rise of any other Commodities, as it now doth, For these are bought & sold not wth. Bullion according to it's Weight and Intrinsick Value, but with Silver Coyn, according to its Stamp and Extrinsick Value, and with Gold, according to it's Price in Silver Coyn. To raise the Price of Commodities is all one as to lower the Value of Money and diminish the Quantity of Current Cash in the Nation, and therefore 'tis the Common Interest of the King, Lords, Commons, & all Men who have revenues & estates in Excise, Customs, Taxes, Set Rents, Annuitys, Money, & debts of money to endeavour (if possible) that Merchandizes & Commodities rise not on this Occasion above the rates they were at last Winter, before the rise of Gold, & White Bullion. There is more Reason they should Fall than rise, because they ought to keep proportion with the Prices of Comodities abroad, and with the Quantity of Current Money in the Nation, wch. now grows scarce and will still be diminished by the Milling of light Money, Their Dearness promotes the Importation of Foreign Wares, hinders the Exportation of our own, and beggars all the Nation to enrich the Merchant.

When the Current Coyn shall be diminished by Milling light Money, and perhaps by further Exportation, if there be found a greater want of running Cash than can be Supply’d by calling in Plate I know but 2 ways of remedying it. One is by raising the Value of Gold & Silver, The other by lowering the Prices of Commodities. The last is difficult to effect, the first is easily done by Act of Parliamt. but not in any great Proportion without ill Consequences, and will prove a remedy but of short Continuance. For whenever the value of Money shall be raised it will put Merchants & Tradesmen upon Endeavouring to raise the Price of their Commodities proportionally unless they be Checked, And by what means to check them, and to bring down their Goods (if need be) to lower Prices, so that the whole value of all the Wares of Shopkeepers may keep a due Proportion to the whole value of all the Land, and both together to the whole value of all the Gold & Silver in the Nation is a thing of difficult consideration. The best way that I can think of is a Commission of
fit Persons over the Trade of the City (wch. governs that of the whole Nation) with Power to Set Prices upon Wares according to the lowest rates they have been at within a certain Number of Years (suppose 3, 4 or 5) unless so far as a just reason can be given for Raising them. By such a Commission all Combinations of Tradesmen to Engross any sort of Wares into a few hands, and thereby to raise the price may be Defeated, and the Exorbitant raising of the Prices of Commodities upon Parliamentary Impositions, or Losses at Sea may be Curbed & Stinted, and the Commodities more speedily and certainly brought down again to their former Prices when the Impos. cease, or Rich Fleets arrive. Such a Commission I propose not to be perpetuall, but only continued from year to year during the Franch-war, by reason of the present Instability of Trade. A Power of Moderating the Prices of Commodities is noe new thing, and if it should not prevent all the abuses of Merchants and Tradesmen yet it might have some good effects.

Lest the raising of Mill’d Money suppose from 5s. to 6s. 3d. may make reckonings intricate & troublesome, the Law may use the Language of Pounds, Shillings & Pence in New Coin, as well as in old, so that for instance a Mill’d Crown may pass for 5s. New Coyn, and 6s. 3d. old Coyn, and it may be Enacted that in all Bargains & Writings made after of New Coyn, unless where express’d of old. For thus the reckoning by old Coyn will in time were out.

Because quick dispatch in the Mint is the best way to put an end to Clipping & Coyning if one Mint be not sufficient there may be more set up either in the Tower, or in other parts of the Nation fitt or movable to dispatch the Money within any time appointed, Suppose the half-Crowns within a year or less, and the smaller money within as much more time, as may be thought requisite. For I propose the half-Crowns to be first Mill’d not only because they are the Worst money, & most liable to further Corruption, but also because the Mint will make quicker dispatch in Milling them into new half-Crowns, than in Milling smaller Money. To make People send in their money willingly there needs nothing more than a Law, That the Nation shall bear the charge of Milling it within the time limitted, & no longer, and that at the end of the time what remains Unmill’d shall be no longer current by the Stamp but Valuable only as
Bullion. The manner of sending it in may be as in calling in the Harp & Cross Money, or by Collectors & Receivers. The Collectors in every Town to Clip in Pieces all the Money Paid in for rejecting the brass, and to enter in Two Indented Parchmts. the Sum of every man's Money, both by Tale & by Weight, with the Men's names one of wch. Indentures may be Signed & Sealed by the Collectors and kept by the Town, the other by the Inhabitants & kept by the Collectors. When the Money comes to the Mint the Loss by Testing to be made up by the Nation's Money, and every one to receive back again as soon as may be, the full Weight of his money in Mill'd Money, and the residue with the Interest afterwards so soon as the Nation can pay it. The Money of one or 2 Kings to be sent into the Mint at once, and when that comes back, the Money of One or Two more. They that have great Sums may Convey them to the Mint by proper agents of their own if they please.

When the Merchant first raised the Price of Bullion above that of Mill'd Money, tho' it was but 1d. or 2d. in the Ounce (vizt. so much as Bullion might be made lighter by Wear) yet it soon put a stop to Cownage and made a Clamour against ye Jews for Exporting (I think in the year 1689) about two or three Hundred Thousand Pounds of Mill'd Money, and has since caus'd so great a Scarcity of this Money, and Corruption of the rest, but not only the Actual buying & selling but even the Asking or bidding more for Bullion than at the rate of Mill'd Money may deserve to be restrain'd for the future by effectuall Penalties and perhaps by Imprisonment. till the Party offending shall give an Account of himself.

Against raising the Value of Mill'd Money, I know but one reall objection, and that is, that as the raising of Bullion and the Corruption of Our Coyn have mutually promoted one another, and both together have Occasioned the rise of all sorts of Commodities, so the raising the value of Mill'd Money will further promote their rise, wch. is all one as to sink the Estates wch. consist in Annuities, Set Rents & Money. For every Man is to be reckon'd Richer or Poorer not merely as he has more or less Bullion, or Stampt Money, but as the Bullion or Money he has will go a greater or less way in buying other things. The greatest damage will be in Annuities, for Stock & Land will rise tho' more slowly than other things, and rents may be rais'd as Leases
fall, and the King’s Revenues may in time be Augmented by Act of Parlaimt. and the Monied Man is helpt by raising the Value of money, but Annuities must stick, and this is all one, as if they were diminished in the Proportions that all other Estates are rais’d, which Consideration must soon ruin the Credit of Publick Funds, so that the King is not to expect much more Money that way unless a Stop can be put to the Extravagant rise of the Value of Commodities. Whence a Parliament may perhaps think it self concerned in Honour to take some care if they can conveniently, that by raising the value of Mill’d Money, they promote not the rise of Comoditys to the Damage & Discredite of their Funds. This rise is at present Equippollent to a Tax upon all other Estates, besides the Wares of Merchants & tradesmen and so tends to make the Nation weary of the War, and uneasy under the Governmt. It enables also and may in time invite Foreign Nations, with whom our Merchants Trade to lay new Impositions on their exported Commodities, wch. would be all one as to lay Taxes upon this Nation. ’Tis an observation that all Taxes upon Trade return upon Land by reason that the Trader by raising the Prices of his Comodities throws the Tax upon others. But that he should not only by this means be Tax-Free, while all others are Taxed, but have also the Lib’ty of Taxing others without Controll is more Unreasonable and has made a Parlaimt. justly averse from laying New Taxes in time of War upon any thing but Land. And tho’ ’tis hard to Check the Stream of Trade, and may be unsafe to do it too suddenly or too much, yet it may be perhaps Practicable by a Moderate & well limited Commission to reduce Comoditys by degrees back to the rates they were last Winter or at least to put some check to their further rise. For such a Commission need only prescribe by Law to the Several Companys of Tradesmen in the City under pain of Forfeiting their Charters by a Generall Contempt and each Company may Rule it’s members under Pain of their Disfranchisement in case of Contumacy. But this I propound only to be considered if it seem not unreasonable and nothing more reasonable & more practicable occurr. For whilst it concerns the Argumt. about raising the Value of Money I could not Omit it.
Appendix IV

JOHN LOCKE'S PROPOSAL ABOUT REPAIRING THE COIN ¹

MAY IT PLEASE YOUR LORDS.

In Obedience to your Lords Commands I here return my Answers to those Questions your Lords was Pleas'd to put into my hands when some few days since I brought you my Thought, about Our coyn & Clipp'd Mony wch by my Health & a Pressing Occasion that kept me in the Country longer than I intended I was hindered from Waiting on your Lordship with, so soon as I desired.

Q. Whether Silver Bullion being from the Scarcity thereof risen to 6s. 5d. or 75 pence an Ounce, Our Coyn ought not therefore to be Raised so much.

A. That Bullion was ever Sold in England to the Traders in it for 6s. 5d. an Ounce of Lawfull Mony of England Weight according to the Standard of our Mint, I Deny. When Mony is rais'd by Clipping so far that 6s. 5d. in Tale has not above the Weight of 5s. Lawfull Mony, or an Ounce of Silver 'tis no wonder that a Merchant will not part with his Bullion for a Quantity of Coyn of any Denomination wch has so much less Silver in it. And here I ask again whether Bullion can now be Purchased with Our present running Cash for 6s. 5d. an Ounce? I believe it will be

¹ This is another of the thirteen manuscript proposals in Goldsmiths' Library MS 62 with reference to the Recoinage of 1696. From this manuscript it can be seen that the Lord Justice put six questions to Locke concerning raising the price of silver. Although the views expressed in it are substantially the same as in his Further Considerations, they are more concisely and clearly set out.
found not. If therefore we must Raise our Coyn by the rate of Bullion bought with Clipped Mony, I suppose we must raise it much higher than 1/5. Bring all your Mony to the Weight according to the Standard, and Bullion will come to it's Ordinary Price again. For in the next place I answer,

That it is impossible for Bullion to Rise to 6s. 3d. an Ounce if all Our Mony were weighty. For an Ounce of the same Commodity exactly of the same Goodness, as Standard-Silver is to Standard Silver (For so I must be Understood when I mention Silver and Bullion) only with this Difference that one has a Mark upon it the other not, and a Mark too, wch. makes it rather better than worse Or if it makes it worse the Melting Pot can easily take it off. The Complaint made of Melting down Our Weighty Mony answers this reason evidently, For can any one Say that a Goldsmith will give 1½ Ounce of Coyned Silver for One Ounce of Bullion when by putting it into his Melting Pot he can for less than a Peny charge make it Bullion? For the Intrinsick worth of silver consider'd, as it is Mony, and the Measure of Commerce is nothing but it's Quantity. And thus a Mill'd Shilling wch. has Double the Weight of Silver to a Current Shilling whereof half the Silver is Clipped away, has Double the Intrinsick Value. And to shew that this is so I will Undertake that any Merchant who has Bullion to Sell, shall sell it, for great deal less number of Shillings in Tale to any one who will Contract to Pay him in Mill'd Mony, than if he be Paid in the Current Clipp'd Money.

Those who say Bullion is Risen, I desire to tell me what they mean by Risen. Any commodity, I think, is properly said to be Risen when the same Quantity will Exchange for a greater Quantity of another thing, but more particularly of that thing which is the Measure of Commerce in that Country. And thus Corn is said to be Risen amongst the English in Virginia, when a Bushel of it will Sell or Exchange for more Pounds of Tobacco; amongst the Indians, when it will Sell for more Yards of Wampompeak; and amongst the English here, when it will Exchange for a greater Quantity of Silver, than it would before. Rising and Falling of Commodities, is always between several Comodities of distinct Worths. But no Body can say that Tobacco (of the same Goodness) is risen of it self, One Pound of the same Goodness will never Exchange for a Pound & a Quarter of the same Goodness. And so it is in Silver, an ounce of Silver will always be of Equal
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value to an Ounce of Silver, nor can it ever rise or fall in respect of it self, an Ounce of Standard Silver can never be worth 1½ Ounces of Standard Silver, nor an Ounce of Uncoynd Silver Exchange for 1½ of Coyn’d Silver the Stamp cannot so much debase it’s value. Indeed the Stamp hindering it’s free Exportation may make the Goldsmith (who profits by the return of Mony) give 1/60 or perhaps 1/30 that is, 5s. 3d. or 4d. the Ounce of Coyn’d Silver for Uncoynd’d when there is need of Sending Silver beyond Seas as there always is when the Balance of Trade will not Supply Our Wants, and Pay our Debts there. But much beyond this the Goldsmith will never give for Bullion, since he can make it out of Coyned mony at a Cheaper Rate. ’Tis said Bullion is risen to 6s. 5d. the ounce, i.e. that an Ounce of Uncoynd Silver will Exchange for 1½ of Coyn’d Silver (I speak of the Crown as an Ounce to Avoid Useless Fractions in this case). If any one can believe this, I will put this Short Case to him. He has of Bullion or Standard Uncoynd Silver 2 round Plates each of the exact Size and Weight of a Crown Piece, he has besides of the same Bullion a round Plate of the Weight and Size of a Three-Pence. The 2 great plates being of Equal Value, and that the 2 less joyn’d to either of them make it more worth than the other by it’s self, they being all 3 together 1/3 Heavier, or having 1/3 more Silver in them. Let us Suppose then, one of the greater & the 2 less plates to have received the next Moment by Miracle, or by the Mill, it matters not how the Mark or Stamp of Our Crown, our Shilling & our Three-Pence, can any body say that now they have got the Stamp of our Mint upon them they are so fallen in Value, or the other Unstamped Piece so Risen that that Unstamped Piece wch. a Moment before was worth only one of the other Pieces, is now worth them all 3, wch. is to say, That an Ounce of Uncoynd Silver is worth an Ounce & 1/3 of Coyn’d. This is what Men would persuade Us, when they say that Bullion is rais’d to 6s. 5d. (of Lawful Mony) the Ounce, wch. I say is utterly impossible. Let us consider this a little farther in another Instance, The present Mill’d Crown Piece say they, will not Exchange for an Ounce of Bullion without the Addition of a Shilling & a Three Pence of Weighty Coyn added to it. Coyn but that Crown Piece into 6s. 5d. and will it then buy an Ounce of Bullion? If they say no they give up their reason and measure of Raising the Mony. Do that wch. is allow’d to be Equivalent to Coyning of a
present Mill'd Crown Piece into 6s. 5d. vizt. call it 7½ Pence, and
then also it must by that Rule, or Raising, buy an Ounce of
Bullion. If this be so the self same Mill'd Crown Piece will &
will not Exchange for an Ounce of Bullion. Call it 60 Pence and
it will not: the very next Moment call it 75 Pence and it will I am
afraid no body will think Change of Denomination has such a
Power.

The reason given for this Rising of a Bullion is, because of it's
Scarcity. This reason rightly Considered, proves the quite con-
trary to what it is brought for. Bullion in Europe is not Scarcer
than it was wont to be. But Silver-Mony in England is Scarcer
than it was wont to be, This is allowed: And I think I have heard
it used as an Argument to Satisfy those who will by such a Less-
sening of Our Coyn lose ⅓ of their Rents, Debts, & yearly
Income, That the Scarcity of Mony will raise it's value to make
them amends, so that it will change for, or Purchase ⅓ more of
all Comodities, If this be so that it's Scarcity will make it Purchase
⅓ more of other Comodities, why will it not do so of Bullion
too? It will perhaps be answered Bullion is scarcer in England
than Coyn'd mony. 1st, I answer, Will Coyning the Mony we have
in England into less Pieces under the same Denomination of
Pence make Bullion more Plenty in England? 'Tis demonstra-
tion it will not. For what must bring it hither? If the Comodi-
ties we send beyond Sea will not Pay for the Consumption we
make of Foreign Comodities, we must send Our Silver to pay for
the Overplus. And whilst the Necessity of Our Affairs in the
whole of Our Exportation & Importation demands some of our
Mony every year to bal lance Our Account with Foreigners 'tis
as Impossible, Silver should come into England to stay here, as
'tis impossible for a Man to grow Rich & Poor at the same time.
When the Owner of Lundy Island lives so that his Exportation
of Comoditys to Market is greater than his Importation of
Comoditys from thence, he brings the Overplus home in Mony,
which is his, Stays by him, & he grows Richer. But on the other
side, when his Exportation of Comoditys is less than his Importa-
tion, his Mony must go to Pay the Debt contracted for the Over-
plus, & he grows Poorer. Nor is it of any Advantage to the
Increase of his Silver that he brings in Bullion from Spain, for
Corn or Cloth, that he Carry'd thither above the Value he takes of
their Wine and Oyl, if his Importation of Comoditys from other
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places rises to more than his Exportation to them, and his Gain of Spanish Mony to boot.

The Mony he brings from Spain is not his. Nor tho' he set his Mark upon it, with a Stamp, or Fabricate it in any way, can it stay with him. It would be an Idle thing to Fashion, or Stamp or take any Pains about it, for he must part with it, and with it must go part of his own formerly Stamp'd or however fashion'd Silver, to Pay his Debts contracted in other places. As it is with the one Family possessing Lundy, just so it is with the whole Nation of Englishmen possessing England. Nothing can furnish us with Silver, that shall Stay here, but a less Consumption of foreign Comodities, than what our Comodities Pay for. We talk of buying Bullion. I ask with what shall we buy it? with Comodities? Those 'tis Allow'd will not pay for all the Foreign Comodities we consume. How then can there an Overplus remain to pay for Bullion? And if we will buy Bullion for Mony, this is but giving Coyn'd Silver for Uncoyn'd, i.e. Manufactured for Unmanufactured Silver, and this only to have the Uncoyn'd exported, and some of the Coyn'd with it. For whilst we are under the Decay of an Expence of Foreign Comoditys, more than our own Exportations will pay for, all the Bullion the Goldsmiths &c buy, is only to Transport and a part of Our own Mony besides, must go with it, I say, that the Goldsmiths buy, for it is to be observ'd, that in such a State of a Losing Trade, whatever Bullion the Goldsmith & Mony-Changers may buy, England purchases not any of it, nor is Owner of a Grain of it. The Mony-Changers may truly be said to buy and get by it, but we the body of English Men the Kingdom of England, purchases it not, or by such buying gets a Grain of it. It is an advantage, that those skilful Men make now greater than ever by the Disorder is at present in Our Coyn, and 'tis the King & Kingdom that at their Loss pay for it.

Q. Whether whenever the Extrinsick value of Silver in the Coin is less than the Price of Silver in Bullion the Coin will be melted down?

This question out of the Language of the Mint, I think, means thus, Whether whatever Bullion by the Ounce Costs a greater Number of Pence in Tale than an Ounce of Bullion can be Coyn'd into at the Mint, the Coyn will be Melted down. I answer this is so, if Bullion should rise to 15d. or half 15d. above 5s. 2d. the Ounce as is now Suppos'd, vist. That an Ounce of Bullion cannot
be bought for less than an Ounce & ¼ of the like Silver Coyn’d, But, that as I have Shew’d, is impossible to be, and would not appear impossible to be, if we had none, but Weighty Mill’d Mony current. The case of Melting down Our Coyn, is this, Whenever the Over balance of Foreign Trade increases the need here of Bills of Exchange the Exchanges presently rises, and the returns of Mony raise them in Proportion to the want of Mony Englishmen have in any parts beyond Seas. They who thus furnish them with Bills not being able to satisfy their Correspondents, on whom those Bills are drawn with the Product of Our Comodities sent thither, must send Silver from hence to Reimburse them the Mony they have drawn out of their hands. Whilst Bullion may be had for a Small Price more than the Weight of Our Current Cash, these Exchangers generally Choose rather to buy our Bullion than run the Risque of Melting down Our Coyn, which is Criminal by the Law, And thus the Matter for the most part went, whilst Mill’d & Clip’d Mony Pass’d promiscuously in Payments. For so long a Clip’d Half-Crown was as good as a Mill’d One, since one pass’d, and could be had as freely as the other; But as soon as there began a Distinction between Clip’d & Unclip’d Mony, and Weighty Mony could no longer be had for the Light, Bullion as was Natural rose, and would fall again to Morrow to the price it was at before if there were none but Weighty Mony to pay for it, Nay our Weighty Mill’d Mony would now Sell for as Dear a Rate as Bullion were there not a late Law prohibiting it. In short whenever the whole of Our Foreign Trade, & Consumption exceeds Our Exportation of Comodities Our Mony must go to Pay Debts so Contracted whether Melted or not Melted down. If the Law makes the Exportation of Our Coyn Penal it will be Melted down; if it leaves the Exportation of Our Coyn free, as in Holland, it will be Carry’d out in Specie; one way or other go it must as we see in Spain, but whether Melted down, or Unmelted it matters little: Our Coyn & Treasure will be both ways Diminished, and can be restored only by an Over-balance of Our whole Exportation to Our whole Importation: Laws made against Exportation of Mony or Bullion will be all in vain. Restraint or Liberty in that Matter makes no Country Rich or Poor as we See in Holland, which had Plenty of Mony under the free Liberty of it’s Exportation, and Spain in great Want of Mony under the Severest Penalties against Carrying of it out. But the Coyning,
or not Coyning Our Mony on the same foot it was before, or in
bigger or less Pieces, and under whatsoever denomination you
please contributes nothing to or against it's Melting down or
Exportation so your Mony be all kept each Species in it's full
Weight of Silver according to the Standard: For if some be heav-
ier & some Lighter allow'd to be Current, so under the same
Denomination the heavier will be Melted down, where the
Temptation of Profit is considerable, which in Well-Regulated
Coyn kept to the Standard cannot be, But this Melting down
carys not away one Grain of Our Treasure out of England, the
Coming & going of that depends wholly upon the ballance of
Our Trade.

Q. Whether continuing old or new Coyns on the present Foot
only furnishes a Species to Melt down, at an Extravagant Profit
and Encourages a Violent Exportation of Our Silver for the sake
of the gain only till none be Left?

For example, let us Suppose all Our Light Mony new Coyn'd
upon the foot that is propos'd, and all Our Mill'd Crowns going
for 75 pence, and the rest of the old Mill'd Mony proportionately
I desire it to be Shew'd how this would hinder the Exportation
of one Ounce of Silver, whilst Our Affairs are in the present
Posture. Again on the other side supposing all our money were
now Mill'd Coyn upon the present foot, and our Ballance of
Trades changing Our Exportation were a Million more than Our
Importation, and like to continue so yearly, whereof one half was
to Holland, and the other to Flanders, there being an Equal
Ballance between England & all other parts of the World we
Trade to: I ask what possible gain could any English man make by
Melting down, & carrying out our mony to Holland & Flanders
when a Million was to come from thence hither, and Englishmen
had more there already than they knew how to use there, and
could not get home without Paying above the Par there for Bills
of Exchange? If that were the case of Our Trade the Exchange
would presently fall here, and rise there beyond the Par of their
Mony to ours, i.e. an English Merchant must give in Holland
more Silver for the Bills he bought there, than he should receive
upon those Bills here if the 2 Sums were Weigh'd one against the
other, and what then could any English man get by Exporting
Our Mony, or Silver thither? In short Exportation of our Mony
depends wholly upon Our Consumption of foreign Commodities,
and the Ballance of Trade depending thereon. If Our Trade has
the Overbalance, we shall bring home Mony. If Foreign Trade
has the Overballance of us, we must Export Money.

Q. Whether Raising Our Money 1/3 will bring Bullion to the
Mint.

This Raising of Mony is in effect nothing but giving a Denom-
ination of more Pence to the same Quantity of Silver vizt. That
the same Quantity of Silver shall hereafter be Called 75 Pence,
wch. is now call’d but 60 Pence for that is all that is done, as is
manifest when a Crown-Piece wch. now goes but for 60 Pence
shall be made to go for 75 Pence. For ’tis plain it contains nothing
of Silver, or Worth in it more than it did before. Let us Suppose
here again as before that all our Silver Coyn now in England were
Six pences, Shillings, Half-Crowns & Crowns all full Weight,
according to the present Standard and that it should be ordered
that, for the future, the Crown-Piece instead of going for 60 Pence
should go for 75 pence, and so proportionably of all the other
pieces. I ask then how such a Change of Denomination shall bring
Bullion to the Mint to be Coyn’d? and from Whence? I Suppose
this Change of Names, or Ascribing to it more Imaginary parts
of any Denomination, has no Charms in it to bring Bullion to the
Mint to be Coyn’d, for whether you call the Piece Coyn’d 12d. or
15d. 6od. or 75d. a Crown or a Ducatoon it will buy no more
Silk, Salt or Bread than it would before, that therefore cannot
Tempt People to bring it to the Mint. Next I ask from whence
shall it bring it? Foreign Bullion cannot (be) brought hither to
Stay here, whilst the Ballance of Our Trade requires all the
Bullion (we bring in) to be Exported again, and more Silver out
of our former Stock with it to answer our Exigencies beyond
Seas, and whilst it is so, the Goldsmiths and Returners of Mony
will give for it more than the Mint-Rate for reason above-
mentioned, and so none of that will come to the Mint.

Q. Whether an Half-penny an Ounce profitt to be paid at the
Mint joyn’d to Raising the Coyn will not Prevail on Merchants,
Vintners & Retailers of Liquers, & others, to bring in their
Plate to the Mint to be Coyn’d?

I answer 1st. That has nothing to do with the altering, or as it is
call’d Raising our Coyn, for if it be the Premium of an Half Penny
a Ounce, that Encourages People to bring in their Plate to the
Mint ’Tis plain ’tis not the raising the Denomination brings it in,
nor needs be made Use of for that Purpose, for the same Premium may be given, whether you Recoyn your Mony upon the old, or a New foot. In the next place if the Premium propos’d be greater than the Fashion of their Plate costs, ’tis like it will encourage People to bring it in, for they will then get by it. But that I fear an Half-Penny per Ounce will not do, or if it does and be Profit enough to make Vintners &c Melt down their Fashion’d Plate it will be much more Profit to the Goldsmiths to Tent them to Melt down the New Mony as fast as it is Coyn’d, and bring it back again Unfashion’d to the Mint to have it Coyn’d with Profit, so that this Half Penny an Ounce will either not be profit enough or if it does it will be prejudicial by making the Mint work not only Gratis but by a Charge laid on the Crown making the Mint give more Silver out when it has been at the Pains to Fashion and Stamp it than it receiv’d in. Whereas I think in all other Mints but ours, the Owners of the Bullion Pay something for it’s Coyning.

The true & only good reason that brings Bullion to the Mint to be Coyn’d is the same that brings it to England to stay here vizt. – the Gain we make by an Overballance of Trade, when the Merchants carry more Commoditys abroad than they bring home, they bring home the Overplus in Foreign Mony or Bullion and if this be the Case in the whole Balance of our Trade taken altogethers, the Bullion when brought hither must Stay here, the whole of our Importation taken together not demanding it beyond Sea. They then to whose Share this Bullion falls not having any use of it whilst it is in Bullion choose to Carry it to the Mint to have it Coyn’d there, whereby it is of more use to them for all the business of Silver in Trade or Purchase, the Mint having ascertaín’d the Weight and Fineness of it, so that on any Occasion every one is ready to take it at it’s known Value without any Scruple, a convenience that is wanting in Bullion. But when our Trade runs on the other side, and our Exported Comoditys will not pay for those Foreign ones which we consume, our Treasure must go, and then it is in vain to bestow our Labour on it first, and make it pass thro’ our Mint the less pains & Charge it Costs us the better.

’Tis proposed, that the 12d should be rais’d to 15d, and the Crown to 7½d and so proportionably of the rest, but yet that the Pound Sterling should not be rais’d. If there be any advantage in
raising, why should not that be rais’d too? And as the Crown-Piece is raised from 60d. to 75d. why should not the Pound be rais’d in the same proportion from 240d. to 300 Pence, without this be done too there will be a General Fall of Lands & Rents 1/3, for the country Man that Reckons by Pounds, will not easily be brought to Bargain the next year for £100, who this year gave but £80, for his Farm whatever you shall talk to him of raised Mony. For whatever may be said of Raised Money, he that receives £100 of rais’d Mony for Rent instead of £100 lawfull Mony of the present Standard will lose 20 per cent of the Real Value of his Estate, as every one will find when he goes to Buy Salt or Wine &c with it, and as those find who go to Market now with the raised Clip’s Mony.

Q. Whether raising the Value will make our Coyrn more Commensurate to the General Need thereof, and Prevent the Mischief of Bartering & Permutation?

The Necessity of Trucking one Commodity for another is one of the many Mischiefs arising from the want of coynd’s Silver, But that raising the Denomination, as is Propos’d, will make our Coyrn more Commensurate to the General Need thereof, and thereby Prevent the Mischief of Bartering is what I much Doubt. For I humbly conceive, that this Imaginary Stretching it by a new Denomination will no more make our Coyrn commensurate to the need there is of it, than if the Cloth which was provided for Cloathing the Army falling short, by measuring it by a Yard 1/3 shorter than the Standard, or Changing the Standard of the Yard, and so getting the full Denomination of the Yards necessary according to our present Measure. For this is all, I think, will be done, by the Raising our Coyrn, as is proposed. All it amounts to, is no more but this, vizt. — that each Piece should be Measured or Denominated by a Penny 1/3 less than the Standard, The reason of Bartering is the want of Coynd’s Silver, & not of Denomination, for where there is not Coynd’s Silver in proportion to the Value of the Comodities that daily Change Owners in Trade, there is a necessity of Bartering, i.e. Changing Comodities for Comodities, without the Intervention of Mony. For example, Let us Suppose in Bermudas an Hundred pounds in Mony but that there is every day there a Transferring of Comoditys from one Owner to another to the value of Double as much. When the Mony is all got into hands that have already bought all that they have need
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of for that day whoever has need of any thing else that day must Barter for it, i.e. give the Commodity he can best spare for the Commodity he wants v.g. Sugar for Bread & c. Now 'tis evident here that Changing the Denomination of the coyn they already have in Bermudas, or Coyning it over again under new Denominations will not contribute in the least towards the removing this Necessity of Bartering. For the whole Silver they have in Coyn being but 4 hundred Ounces, and the Exchange of the Value of Comodities made in a Distance of time, wherein this Mony is paid not above once, being to the Value of 800 Ounces of Silver, 'tis plain, That one half of the Comodities that shift hands, must of Necessity be Exchanged by Barter, those who want them having not Mony to Pay for them. Nor can any Alteration of the Coyn or Denomination of these 400 Ounces of Silver, help this because the Value of Silver in respect of other Commodities will not thereby be at all increas'd, and the Value of the Changed Comodities being (as in the Case) Double to the 400 Ounces of Coyn'd Silver, to be laid out in them nothing can Supply this want but a double quantity, i.e. 800 ounces of Coyn’d Silver how denominated it matters not, so there be a fit Proportion of Small Pieces to Supply Small Payments.

Suppose the Comodities passing every day in England in Markets & Fairs between Strangers & such as Trust not one another, were to the Value of a Million of Ounces of Silver & there were but Half a Million of Ounces of coyn’d Silver in the hands of those who wanted those Comoditis, 'tis Demonstration they must Truck for them, or go without them. If then the Coyn'd Silver of England be not sufficient to answer the Value of Comoditis moving in Trade amongst us, Credit or Barter must do it: where the Credit & Mony fail, Barter alone must do it, wch. being introduced by want of Coyn’d Silver, nothing but a greater Plenty of Coyn’d Silver can remove it. The increase of Denomination does, or can do nothing in the case. For 'tis Silver by it's Quantity, and not Denomination that is the measure of Commerce and 'tis the Weight of Silver in it, and not the name of the Piece that Men Estimate commodities by. If this be not so, when necessity of Our Affairs abroad, or ill Husbandry at Home, has carry’d away Half Our Treasure, and a Moiety of Our Mony is gone out of England 'tis but to Issue a Proclamation, that a Penny shall go for 2d. Six Pence for 1 sh. Half a Crown for a Crown &c and
immediately without any more ado we are as Rich as before. And when Half that Remainder is gone, 'tis but doing the same thing agen, & raising the Denomination, and we are where we were and so on, where by supposing the Denomination rais'd 15/16 every Man will be as Rich with an Ounce of Silver in his Purse, as he was before when he had 16 Ounces there, and in as great Plenty of Mony able to carry on his Trade without Bartering: His Silver by this short way of altering the denomination, being changed into the Value of Gold. For when Silver will buy 16 times as much Wine, Oyl & Bread &c. today, as it would yesterday, all other things remaining the same but the Denomination it hath the real Worth of Gold. This, I guess, every body Sees cannot be so if it be true, that raising the Denomination 1/3 can Supply the Want, or one jot raise the Value of Silver, in respect of other Comoditys, i.e., make a less Quantity of it to day buy a greater Quantity or Corn & Cloth and all other Comoditys, than it would yesterday, and thereby remove the Necessity of Bartering; For if raising the Denomination can thus raise the Value of Coyn in Exchange for other Comoditys 1/3, by the same reason it can raise it to 2/3, and afterwards 3/5, and again if need be by 4/5, and as much farther as you please: So that by this admirable Contrivance, we shall be as Rich and as well able to Support the Charge of the Government, and carry on Our Trade without Bartering, or any other Inconvenience for want of Mony with 6000 or 600 Ounces of Coyn'd Silver in England as if we had Six or Sixty Millions of Ounces. If this be not so, I desire any one to Shew me why the same way of raising the Denomination can raise the Value of Mony in respect of other Comoditys 1/3 cannot when you please raise it another 1/3 and so on? I beg to be told where it must Stop, and why at such a Degree, without being able to go farther. And I ask, If this that is call'd raising does really raise it's Value, why it should not at this time be rais'd One Half.

Raising Denomination, and Raising the Value of Mony so that an Equal Quantity of it shall purchase a greater Quantity of Lead or Iron, or any other Commodity are so different that nothing can be more so. But the Confounding of these in Discourses concerning mony is one great Cause I suspect that this Matter is so often Talk'd of, with so little Information of the Hearers. A Penny is an Arbitrary Denomination no more belong-
ing to 8 than to 80 or to one single Grain of Silver, and so it is not Necessary that there should be 60 such Pennys no more nor less in an Ounce of Silver, i.e. 12 in a Piece called a Shilling, and 60 in a Piece call'd a Crown, such like Divisions being only Extrinsiccall Denominations, are every where perfectly Arbitrary. For here in England there might as well have been 12 Shillings in a Penny as 12 Pence in a Shilling, i.e., the Denomination of the less Piece might have been a Shilling and of the bigger a Penny. Again the Shilling might have been Coynd ten times as big as the Penny, and the Crown 10 times as big as the Shilling, whereby the Shilling would have had but 10 Pence in it, and the Crown a hundred. But this however order'd alters not one jot the value of the Ounce of Silver in respect of other things, any more than it does it's Weight. This raising being but giving of Names at pleasure to Alignot parts of any piece vizt. – That now the 60th part of an Ounce of Silver shall be call'd a Penny, and to morrow that the 75th part of an Ounce of Silver shall be call'd a penny may be done with what Increase you please, and thus it may be order'd that a Shilling shall go for 24 pence, an half Crown for 60 such pence as the pence were before this change of Denomination was made that no power on Earth can do. Nor can any Power (but that which can make the Penalty & Scarcity of Comoditys) raise the value of Mony thus double, in respect of other Comoditys, and make that the same Piece, or Quantity of Silver under a double denomination shall purchase double the Quantity of Pepper, Oyl or Lead an instant after such a Change of Denomination to what it would do an instant before. If this could be, Silver (as every one sees) might be raised to the value of Gold, and we might make ourselves as rich as we pleas'd; but 'tis but going to Market with an Ounce of Silver of 120 Pence to be convinced that it will purchase no more than an Ounce of Silver of 60 pence, and the Ringing of the Piece will as soon purchase no more Comodity as it's Change of Denomination, and the Multiply'd Name of pence when it is called Six Score instead of Sixty.
Appendix V

EXCHEQUER BILLS

(A) A Document relating to the Establishment of Paper Credit in 1696–7.¹

Everybody being now convinced of the mischief that the public service, and all commerce suffers for want of paper credit, and of the necessity there is of re-establishing it in some manner or other 'tis probable there will be a great concurrence among most people to advance the currency of Exchequer Bills (which are free from the envy and pride which has destroyed all private credit) by all means that are not prejudicial to their own private Interest.

The receiving them in all payments is the best means of giving them a currency, and see acceptance will be no prejudice to him Who can pass with them at the par, when he has occasion.

The occasions of parting with them are either to pay debts, carry on trade, or answer the King’s duties if therefore by a general covenant and agreement among all or the chief Merchants and traders they were mutually received and pay’d, and if his Majesty’s officers accepted them in the publick Receipts, every man might dispose of them without Losse, and consequently receive them without prejudice. The King’s officers are already commanded to accept them wherever they are tendered.

¹. Goldsmiths' Library MS 65. This paper and other papers of MS 65 came from Sir Thomas Phillips’s Library. It was bought at Sotheby’s in June 1893. It was stated by the auctioneers to be in the autograph of the Earl of Halifax. It is suggested to have been written in the early months of 1697.
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And tis not to be apprehended that there will not be a consent among Merchants in so usefull a work, so beneficial to trade in general, and their own private Interest, if a way could be found to make the agreement general and publick whereby they might know one anothers mind and mutually joy in the undertaking, and so be secure of having those Bills accepted in one hand, which they receive on the other. In order therefore to give those who are willing to assist the Government in this Emergency an opportunity to expresse those intentions tis humbly offer’d.

That the form of an instrument be prepared and engrossed whereby the subscribers shall promise and engage that they will freely accept Exchequr. Bills in all payments due to them, this would in a manner be an association to stand by one another in accepting them.

But because the engaging to accept them indefinitely may be too hard a condition there should be a Proviso that no man should be obliged to take them beyond a certain sum, wch. sum should be expressed in his subscription.

The subscribers should likewise promise and engage that within days after the time of their subscription they will lend into the Exchequer 1/10 of their subscription or credit of the Tallys and Orders in course. By this means £250,000 may be advanced, which will be a sufficient capital to answer all demands at the Exchequer, if the subscribers circulate them as is proposed.

On the other hand the Lords of the Treasury should covenant to allow the subscribers Interest at the rate of p.a. for 9/10 of their respective subscriptions.

The subscriptions ought to begin with the Lords Justices, and Council, and by them be recommended to the Lord Mayor, and Court of Aldermen and carried on in the several wards and companys, but in taking the subscriptions care must be had that no man subscribe above his reputed wealth and trade.

Particular regard should be had of the Jews and Goldsmiths, that they may either come in and assist or show their unwillingness to help the Government.

If the subscriptions amount to the whole or the greatest part of £2,564,000 the consent of all people which at first made Gold and Silver the medium of Commerce may make these Bills supply their place while the silver is recoyning.
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(B) A List of Names of the Trustees for Interest on 2nd Contract £69,962.¹


¹. Goldsmiths' Library MS 65. This second contract had the privy seal dated October 1697. The interest rate was 10 per cent.
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