

The GrEco Project

Grenville's Economics

Lord William Wyndham Grenville

Correspondence with Thomas Tooke

[1825-1827]

Transcription: Christophe Depoortère

Tooke to Lord Grenville¹

[f103r]

Richmond Terrace
Whitehall
Nov 19 - 1825

My Lord,

I showed to our friend Mr Grenfell a few day ago a paper containing a summary of the points which I am endeavouring to prove by facts and reasoning with a view to publication on the subject of the currency as connected with the great fluctuation of prices which have occurred of late, & I added that it would be a great satisfaction to me to draw the benefit of any suggestion from an authority which I esteem so highly as that of your Lordship upon the scope & object of my plan. M^r Grenfell assured me that in his opinion your Lordship would not consider me as taking an undue liberty in submitting as I now do the paper in question to your Lordship's perusal. The general view exhibited by this outlines of my conclusions received the concurrence of M^r Grenfell [f.103v] who has it in contemplation to call the attention of Parliament in an early part of the session to the importance of having more publicity attending the Bank issues that the directors seem disposed of their own accord to allow

My present plan is to consider the currency & the corn law under two separate heads, as insuring a recurrence at greater or less intervals of violent & ruinous fluctuations.

I have made some progress with my argument under the former head, but have still a good deal to do, & I have not yet made any collection still less any arrangement of materials for discussing the corn law on which therefore I must be very brief. The only time that I can devote to labour of this kind is after 8 o'clock in the evening when I am pretty well exhausted by my multifarious engagements & occupation in the course of the day. [f. 104r]

If I had leisure I might be induced to try, but trying I should almost despair of accomplishing & not having leisure or confidence enough I shall not attempt, to point out a line of demarcation between pol^l Econ^y as a science & pol^l Econ^y in its application to the actual course of human affairs. The idea which I should wish but want the power adequately to convey is that the purely scientific part of pol^l Economy is the tracing of indisputable or admitted facts under the clearest

¹ MS in British Library Add. MS. 69082 ff. 103r-104v.

definitions to ultimate and necessary consequences. The practical application of the science, or of abstract principles, to the business of legislation in commerce & finance is strictly analogous to the application of mathematical science to the business of engineering. The legislator like the engineer must appreciate accurately the nature forces & duration of the disturbing causes which [f. 104 v] are likely to ² affect the application of the science to the materials which he had to work upon. A man cannot be a good engineer who is not a good mathematician but a mere mathematician will not of necessity make a good engineer. To exhibit a view of this kind with all the form of³ illustration of which it is susceptible to would require an accurate & comprehensive knowledge of the subject combined with facility & felicity of expression a union of power & attainment which no one as far as I am acquainted possesses in so eminent a degree as your Lordship.

I have the honour to be with my respectful compl^s to Lady Grenville

My Lord

Your obliged & faithful Ser^t

Tho^s Tooke

The paper which I have referred to is addressed to your Lordship under a separate cover.

The R^t Hon Lord Grenville

Lord Grenville to Tooke⁴

[f. 105r]

(Copy)

Dropmore Novr 24 1825

My dear Sir,

M^r Grenfell did me no more than justice in anticipating that I should be highly gratified and flattered by your communication. Flattered by knowing that you think any opinion which I can form on these subjects at all worth your attention, and gratified by learning that the public is about to profit by a continuation of your valuable and useful labours. Few more important services can be rendered to the country than the establishing truths like these, not by a deduction from remote, and questionable examples, of which we know not all the circumstances,

² “disturb” is deleted.

³ “form of” is inserted.

⁴ MS in British Library Add. MS. 69082 ff. 105r-110r.

but by a reference made [f. 105v] from time to time, to the transactions which are actually passing under our own eyes and which we are enabled so completely to dissect and analyse. This could not be done but by a person uniting as you do, the most accurate knowledge of general principles with the most extensive practical experience.

As far as my own means, so much more limited in both these respects, enable me to judge, I have no hesitation in subscribing fully to all the positions contained in the summary of your work. The tendency both of efflux and the influx of money under opposite circumstances, to continue in operation after the cessation of the immediate causes which have produced them is a [f. 106r] fact which has not, as far as I remember been noticed by any other writer on these subjects. But it is so analogous to what we observe in other parts of politics⁵ and ethics that I doubt not the opinion is correct in theory, and may be satisfactorily shewn in other instances, as well as in⁶ the present.

Concurring as I do in all other parts of that paper, I need hardly say that I do so most particularly in the practical conclusion with which it closes. The property of extinguishing that part of our circulation which consists of the £1. Country, Notes is unanswerably shewn by the reasoning contained in your summary. But there is also another very strong inducement to it: grounded on the [f. 106v] protection the Government owes to the ignorance and helplessness of the poorer classes of our community. When coin circulates, the Government by its stamp, and by the laws which prevent its imitation, insure to every member of society that the sovereign or the shilling which are tendered to him do really contain a given portion of exchangeable value, according to the then current prices of goods and money. But the case is wholly different if, instead of this, we suffer the circulation amongst our lowest traders and labourers to be almost exclusively carried on in paper. They can neither know with any certainty the real value of such currency, nor if they mistrust it, have they any adequate power of rejecting it or, of [f. 107r] realizing it in money without infinite loss to themselves both of time and labour. And we thus subject them to a perpetual hazard, not of [in] convenience merely, but of total ruin, against which they have no means to protect themselves. Such has actually been the condition of these classes, for many years successively in district after district of this country. And the injury, great as it has locally been, has in each case been too limited in extent and duration, to produce that general impression

⁵ Grenville first wrote: "politicks"

⁶ "in" is inserted.

which ought to result from the total mass of calamity, thus created. In Ireland, some years ago, this mischief was, I believe, simultaneously extended over a very large part of that country, which has not yet⁷ recovered from its effects. I have stated this more at large, not because I have any [f. 107v] doubt of your being fully aware of it, but because this consideration, tho' not falling perhaps strictly within the scope of your argument, is yet so important to the question, that it ought not, I think, to be wholly passed over in any discussion of the present state of our currency.

I rejoice to see that your views extend also to the application of your principles to the question of the Corn Laws. Whatever can throw fresh light on that subject, or bring conviction home to the minds of those who have not yet received it, must be, particularly in the present moment, of the greatest public advantage.

With respect to the third subject which you mention in your letter, that of the proper distinction between the theoretical and practical science of these matters, it is indeed a topic of wide consideration, and high importance [f. 108r] and I confess it is one which has not been wholly foreign from my thoughts and studies. My own view of it, imperfect as it is, might I think be stated somewhat in this manner: the first great want to be supplied in the political economy of this day seems to me to be that of clear and precise definitions, on the necessity of which you justly lay much stress. By their aid alone can we examine each subject in a truly scientific manner, that is, abstractedly from all circumstances extraneous to its peculiar nature and character, and to the view in which we are considering it. From this examination its general and leading principles will most safely be deduced, and these again must carefully be limited by a reference to all the disturbing causes which are practically found to operate upon them. It is this [f. 108v] part of these studies that the inductive method of enquiry is alone competent to supply: and I should consider a thorough knowledge of it as much a constituent and essential part of the science itself, as the most perfect acquaintance with its general rules. These disturbing causes are indeed very frequently nothing else than a different application, under different circumstances, of the same universal principle which constitutes the rule. The planets gravitate towards each other by the same law of nature by which they gravitate toward the sun. And the rise of water in a fountain is an opposite, but equally necessary effect of the same cause by which it fails in a cascade.

⁷ "yet" is inserted.

The theory of the science being thus established, a new principle arises to govern [f. 109r] its practical application. There the sagacity which in each particular case discovers the existence of the disturbing causes, and the dexterity which measures them, both in present and in past transactions, can be acquired only by him who joins to an accurate knowledge of the principles a familiar observation, and as it were daily handling of the subjects and instruments to which they apply. There while the line of the Mathematician has only ⁸ length⁹ that of the Engineer ¹⁰ is¹¹ a beam or rope having both breadth and weight; and by the effect of both causing friction. And while the gas of the chemist results from the mixture perhaps of two pure and homogeneous substances, the atmosphere which we breath is the produce of an almost infinite variety of mixed materials.

These notions, are, if I mistake not, [f. 109v] particularly applicable to political economy, as a science not of experiment but experience. Its facts are collected not from speculative trials made for the acquisition of science, and artificially divested of extraneous circumstances, but from practical endeavours for the advancement of human happiness, influenced both in their tendency and their result by the opinions and character; the condition and the fortunes of the people for whose benefit they were intended.

If this general view of the subject be correct; it would require much illustration, such as it would be no light task to collect and to arrange, before it could be made satisfactory or even intelligible to persons not previously habituated to such enquiries. [f. 110r] All sciences, exactly in proportion to their abstraction stand more in need of being taught by obvious and opposite examples. The union of your knowledge of the whole subject with your skill in applying it to practical results is the great requisite for familiarizing its true principles to the minds of those who are to decide and to act upon them. I will not despair, tho' your letter discourages the hope, that they may still on this point, as on others, receive from you that elucidation.

Excuse my having dwelt so long upon points so familiar to you. It has been owing solely to my deep sense of their importance.

⁸ "breadth" is deleted.

⁹ "length" is inserted.

¹⁰ "h" is deleted.

¹¹ "is" is inserted.

Tooke to Lord Grenville¹²

[f. 111r]

Richmond Terrace
Whitehall
Nov 24 - 1825

My Lord,

I feel grateful in the highest degree by the very kind & flattering manner in which your Lordship has the goodness to acknowledge the receipt of my communication of Saturday last. Nothing certainly can be better calculated to stimulate me in the prosecution of a work which my want of early habit of composition for the press renders rather a painful effort, than the assurance in which I now receive of the approbation of your Lordship of the plan & objects which I have in view. I will endeavour to follow out your Lordships very [f. 111v] important suggestions but when I consider the force & appropriateness of expressions to which these are conveyed & compare them with what would have occurred to myself I feel more than ever a distressing consciousness of my inability to do full justice to the task.

The gloom & apprehension which prevail in the city exceed anything that I have witnessed for many year, & according to all appearances the process of awaking from the delusion into which the public had been lulled or rather I should say gulled in the last two years is likely to be attended by much more suffering than has yet been experienced.

I have the honor to be My Lord

Your Lordship's very Faithful & obliged Ser^t

Th^s Tooke

The R^t Hon^{ble} Lord Grenville

[Tooke's plan]¹³¹⁴

[f. 113r]

The conclusions which are deducible from the proceeding facts & reasonings may be thus summed up:

That such part of the great fluctuations of prices observable in the period under consideration, as cannot be distinctly traced to casual scarcity or permanent monopoly, may be clearly proved to have arisen

¹² MS in British Library Add. MS. 69082 ff. 111r-111v.

¹³ MS in British Library Add. MS. 69082 ff. 113-115v.

¹⁴ An allograph writing reads "From M^r Tooke Nov^r 1825".

from alterations in the amount of the circulating medium of this country; for it is demonstrable from reasoning that there having been no corresponding alteration in the quantities of commodities, the great difference observable in general prices could not have occurred without an alternation of enlargement & contraction of the amount of the currency and while this conclusion is deductible from general reasoning, it is fully confirmed by the fact that an increase & diminution of the circulating did take place with such coincidence in point of time as to be clearly in the relation of cause & effect¹⁵.

That the great increase which took place in the issue of Bank of England notes between October 1823 & April 1825, was¹⁶ uncalled for by any chasm in the rest of the circulation or by any circumstances constituting a demand according to any test admitted by the recorded opinions [f. 113v] of the Bank Directors; that on the country the extended issue, being coincided with a spirit of speculation, a general rise of prices & a great fall in the rate of interest, was clearly unauthorized & unjustifiable; & that the subsequent stagnation, fall of prices & rise in the rate of interest have been the inevitable consequence, the necessary reaction (by eventually being brought to the test of the value of gold in other countries) from an excessive circulation of paper.

That such excessive issue of paper, although in the recent instance of its occurrence it forms a ground of charge against the Bank Directors from the peculiar circumstances under which the extended issue was made, is in some degree attributable to the system of the currency in this currency.

That prior to 1797 when the paper was convertible & the gold coin perfect, the quantity of the circulating medium & the value of it relatively to the currencies of other countries was liable to great variation accompanied with great fluctuations in the amount of bullion in the coffers of the Bank, in general prices, & in the rate of interest, & marked by alternations between a general spirit of speculation & a state of stagnation & [f. 114r] discredit.

That the circumstances which marked the state of the circulation between 1782 & 1797 (while in conjunction with the more recent instances of what has occurred since the resumption of Cash payments, they tend to illustrate & confirm the arguments by which I have

¹⁵ Grenville noted in the margin: "should not this demonstration, in strict accuracy also include some proof that or presumption that the *demand* was not [?] or suddenly varied".

¹⁶ "was" is inserted.

endeavored to prove in a former work that the effects of the Bank restriction were limited to the difference between paper & gold) prove that when an excess of paper has once taken place, the tendency to an efflux of the metals may be of much longer duration than has commonly been imagined to be possible in a convertible state of the currency, & that the consequent drain on the coffers of the Bank, to such a degree as to place them in danger of a compleat exhaustion & a consequent suspension of payment, cannot always be immediately stopped by a contraction of an amount of paper equal to the original enlargement. And that on the other hand when under the opposite circumstances the tide of the metals has set into this country an issue of Bank notes extended beyond the amount which had previously been excessive has been found insufficient to prevent the influx of the metals to such a [f. 114v] degree as to overflow the coffers of the Bank, the amount of its treasure having been found under such circumstances actually to exceed the amount of its notes in circulation.

That the principal, if not the only, medium through which the Bank of England or indeed any Bank of circulation can extend its issue of paper money beyond what it may give out in the mere payment for purchases of bullion is that of loans to the state or to individuals, & that it can only diminish its issues of notes, excepting such as may be cancelled against coin or bullion delivered from its coffers,¹⁷ by withdrawing or diminishing such loans; that consequently in extending or diminishing its issues beyond those limits it has a¹⁸ powerful influence on the rate of interest, as on the other hand its means of extending or contracting its circulation within limited intervals is very naturally affected by the rate of interest.

That the range of extension & contraction of the amount of the circulating medium requisite to keep it on an average at a level in value with the metallic currencies of other countries is wider according as the proportion of paper & credit compared with the amount of coin in circulation or of [f. 115r] treasure in the Bank which serves as the basis of the currency is larger.

That consequently the larger the proportion of paper the greater will be the liability to violent fluctuations in the rate of interest as well as in the prices of commodities.

That any attempt at regulating the issues of paper by reference to a uniform & low amount of treasure in the Bank upon the principle of a

¹⁷ “is” is deleted.

¹⁸ “a” is inserted.

circulation consisting of paper only convertible into bullion is calculated greatly to increase the frequency & violence of the variations in prices & in the rate of interest.

That all great fluctuations of the nature described, independent of the ¹⁹ moral evil & the political & financial difficulties which they entail are attended with a positive & great national waste & loss by the misdirection of capital and industry which they occasion.

That the waste & loss of national capital, beside the other evils to which a currency saturated as has been proposed with paper thus exposes the country are calculated if considered only in a pecuniary point of view greatly to outweigh the utmost possible saving that has ever been computed ~~was~~ likely to arise out of an extended substitution of paper for coin; & that consequently a currency consisting exclusively of paper convertible [f. 115v] only into Bullion would be likely to be more expensive as well as less secure than one consisting of a large proportion of coins.

That independent of the other disadvantages to which a currency having a large proportion of paper money however issued, is exposed, there is always more or less of disturbance of the value of the currency attending every issue of paper as an addition to the circulating medium by loan or discount: the demand for capital by way of loan or discount being no criterion of the want of so much addition to the circulating medium, of which when so unnecessarily augmented the subsequent inevitable contraction is a further evil.

That the part of the currency which is liable in the greatest degree to all the objections that have been stated is that of the £1 country bank notes, & that consequently the first step towards an improvement in our monetary system will be the suppression of that part of the circulation & the substitution of coin in its place.

¹⁹ “great” is deleted.

Tooke to Lord Grenville²⁰

[f. 116r]

Wimbledon
Oct^r 29 1827

My Lord

Our friend M^r Grenfell has communicated to me the wish expressed by your Lordship to have my opinion on the subject of the foreign exchanges. I fear that in making this application you greatly over rated the value of any information which it may be in my power to give but such as it is I have great pleasure in furnishing you with it. The Paris Exch^e which is the most important & regulates the rest rose in the spring of 1826 to 25.72£ at sight & continued at an elevated range till the autumn fall spring. During the interval ²¹ from the first rise of the exchange at the close of 1825 till the autumn of the last year, the rate of it was such as to afford a profit on the importation of gold in which accordingly flowed largely into the coffers of the Bank. The precise amount which came in is not known out of the precincts of the Bank, but from the state of the exch^e, ²² from the transactions of the bullion merchants & from what casually transpired from the directors is no doubt that the influx of gold in that interval was very great & that the accumulation of it ²³ in the Bank coffers²⁴ became again [f. 116v] of inconvenient magnitude as it has before been in 1822 & 3. Various measures ²⁵ are supposed to have been agitated in the Bank parlor with a view to get rid of the redundant gold & at any rate to prevent its further influx. A reduction of the rate of discount was frequently proposed, but for a long time resisted as there were great prejudices against it, on the part of the older directors. At length however the reduction of the rate from 5 to 4 pc. was adopted. ²⁶ But as the market rate of interest in the metropolis had for some time been below 4pc. this reduction of the rate by the Bank would have been, as it was before nugatory with the view to any increased issue of its paper thru the medium of discounts to London merchants. It is probable therefore that the determining motive in favour of that measure was to ensure the branches of the Bank of Eng^d to enter

²⁰ MS in British Library Add. MS. 69082 ff. 116-120r.

²¹ “a” is deleted.

²² “estimate” is deleted.

²³ “by the Bank” is deleted.

²⁴ “in the Bank coffers” is inserted.

²⁵ “w” is deleted.

²⁶ “As to” is deleted.

more effectually into competition with the local bankers in districts where the market rate of interest was somewhat higher than in London. The tendency of this competition would naturally be in the first instance to add to the amount of the circulation & it is probable that the aggregate of Bank of Eng^d & of country Bank paper has experienced an increase which [f. 117r] may among other causes serve to account for the decline of the exchange which has since taken place. The utmost depression of the exchanges has not yet however been below par the lowest quotation on Paris having been 25. 22 $\frac{1}{2}$ while the actual par is 25. 15¹ at sight & the only effect of the depression thus far has been to prevent the further influx of gold without yet occasioning any drain. There have indeed been a few shipments of it to Hamburg Amst^m & Peters^b but to an extent collectively very insignificant indeed so small as to be hardly worth mentioning & then is not by the quotation on those places any sufficient inducement to export gold²⁷ to them on a large seal so that hitherto as far as is indicated by the actual exchanges & by the absence of any decided efflux of gold the circulation cannot be pronounced to be in excess. It may be a question however whether there may not be other indications which may justify the apprehension that the²⁸ circulation²⁹ if not already³⁰ overfull is³¹ on the point of becoming so & that the measure requisite to counteract such excess may entail a renewal of commercial & financial difficulty.

An alarm of this kind may very generally felt at the time when the attention of the [f. 117v] public was first drawn to the³² fall of the exchange. Of that alarm & of my opinion upon it I cannot give a better account³³ that by referring to the extracts included of a letter which was addressed to me about two months ago by a mercantile friend at N'castle and of my answer. Since the date of that correspondence the state of things as connected to the circulation has presented some curious & rather anomalous appearances.

The spirit of speculation which had manifested & which when I

¹ Exclusive of the consideration of the small premium or agio which gold bears at Paris & which makes the real par a trifle higher.

²⁷ "till" is deleted.

²⁸ "[?]" is deleted.

²⁹ "circulation" is inserted.

³⁰ "already" is inserted.

³¹ "as" is deleted and "is" is inserted.

³² "[?]" is deleted.

³³ "I cannot give a better account" is inserted.

wrote had ³⁴ already subsided has been followed by as compleat and ³⁵ continued an absence of speculation of many indeed of most articles of any importance silk being the principal exception³⁶ are lower than they were in the heighth of the panic. This depression is not occasioned by forced sales for the purpose of raising money, the facility of credit being such at present as ready to admit of obtaining loans or discounts at a moderate rate on anything like good security. There is simply a disinclination on the part of persons having money or credit at command to make speculative purchases; which the holders of goods not anticipating any immediate rise of prices are anxious to diminish their stock & are willing for this purpose to submit to some sacrifice trusting to the chance of³⁷ re embarking ³⁸ on still lower term. [f. 118r] It would lead me too far if I mean to attempt to explain the causes of this general disinclination to speculate in or to hold goods largely. It is enough for my present purpose to observe the fact of a general prevalence of caution tending to undertrading as contrasted with former instance of sanguine anticipation leading to overtrading. But this state of comparative stagnation of demand which I have here described is usually considered to be symptomatic of a contracted & insufficient amount of currency, & I have actually heard persons who ³⁹ attach importance⁴⁰ to the system of one pound notes ascribe the present stagnation to the preparations which they suppose the Country bankers to be making with a view to the suppression of that description of their ⁴¹ notes⁴². On the other hand the competition of the branches of the Bank of Engl^d with the Country bankers in pushing their paper thro the medium of increased accommodation and a reduced rate of interest, & a similar competition which I see noticed in the newspapers between the London bill brokers & the seats bankers, as far as relates to the rate of disco an indication of actual fullness & tend while in progress further to fill the circulation. The state of the exchanges is likewise indication of fullness of the circulation, and as the exchange transactions of last week evinced a tendency [f. 118v] to a further depression there is reason to apprehend,

³⁴ “[?]” is deleted.

³⁵ “[?]” is deleted.

³⁶ “silk being the principal exception” is inserted.

³⁷ “chance of” is inserted.

³⁸ “[?]” is deleted.

³⁹ “[?]” is deleted.

⁴⁰ “attach importance” is inserted.

⁴¹ “propos” is deleted.

⁴² “Notes” is inserted.

if not confidently to infer that the actual⁴³ amount of the currency can hardly be maintained & much less admit of an immediate increase. If a further depression however slight⁴⁴ should take place in the course of the ensuing month it is highly probable that as the attention of the Bank directors has by the experience of the events of the last 3 years been very properly turned to this point they will⁴⁵ take measures to counteract the tendency to a further fall. But any measure which they take to that effect must be connected with a contraction of the circulation & it is hardly conceivable, judging from the sensitiveness which has hitherto been shewn by the money market when any operations of the Bank are in question that such measures can be taken without creating more or less alarm. In the present instance however I do not apprehend that there will be occasion for any great effort on the part of the Bank or that⁴⁶ violent revulsion of commercial credit is likely to attend the measures⁴⁷ if it⁴⁸ be found necessary (which in my opinion it will not) to adopt any for checking the further fall of the exchange.

Of the comparatively low rate & the apparent tendency [f. 119r] to a further fall of the exchanges the *remote* cause must of⁴⁹ course be referred to the state of the circulation.

The *immediate* pressure on the exchanges (which however is to no great extent) may be ascribed to the magnitude of the importations which are on a much larger scale than last year & for which considerable payments are still to be made. The importations of corn principally of oats have been⁵⁰ larger, but these have nearly ceased & have for the most part already been paid for. Of other produce however a good deal is still on the way & yet to be paid for as wool, cotton, flax tallow so the import of which are more extensive than they were last year. The extraordinary abundance of these & other kinds of⁵¹ produce while it accounts for the unprecedentedly low prices of some of them is calculated by the [?] cheapness of the raw-materials of nearly all our principal manufactures to increase the exports. But the increase of exports is prospective or at any rate must be posterior to the large

⁴³ “actual” is inserted.

⁴⁴ “of the exchange” is deleted.

⁴⁵ “[?]” is deleted.

⁴⁶ Any is deleted.

⁴⁷ “which may” is deleted.

⁴⁸ “if it” is inserted.

⁴⁹ “[?]” is deleted.

⁵⁰ “[?]” is deleted.

⁵¹ “[mer]” is deleted.

imports, & when it does take place it is not certain to redress very quickly the balance which may have been temporarily disturbed by the excess of imports, inasmuch as a great part of the exports may be for account of the manufacturers or of the shipping merchants on this side. After all ⁵² tho there is apparently an excess of imports now coming forward & in the course of being paid for, this cause whenever accompanied by the necessity of other large foreign payments such as loans & subsidies cannot have an effect of any considerable degree or duration in disturbing the value of the currency *supposing this not to be from already in excess*. But as there is no⁵³ ground of suspicion from a reference to prices or to the general scale of mercantile engagements that the currency [f. 119v] has recently been or yet is in excess, the presumption is that the pressure on the exchange in the present instance is likely to be of but little continuance ⁵⁴ or importance & that consequently little if any contraction of the circulation will be found necessary. And as ⁵⁵ will the exception of the trifling & momentary occurrence of a speculative advance before alluded to them have been no ⁵⁶ speculations in goods nor in the funds⁵⁷ as high prices & no extensive engagements in new⁵⁸ foreign loans or mining or other⁵⁹ schemes, there does not appear to be any danger near at hand of any general failure of commercial credit. On the contrary if I were to hazard a conjecture on the probable course of things in connection with this subject for the next 12 months I should say that as a high range of prices and a general disposition to overtrading atho attended by the appearance of prosperity prepare the way inevitably for failure & discredit; so that caution & general disinclination to extensive speculative transactions ⁶⁰ or in other words the sobriety & prudence which at present characterises the mercantile community are likely to be followed by a period of steady improvement.

I have the honor to be My Lord
Your Lord^p Obd^t Ser^t

Tho^s Tooke

⁵² “[?]” is deleted.

⁵³ “no” is inserted.

⁵⁴ “[?]” is deleted.

⁵⁵ “there” is deleted.

⁵⁶ “[?]” is deleted.

⁵⁷ “nor in the funds” is inserted.

⁵⁸ “new” is inserted.

⁵⁹ “or other” is inserted.

⁶⁰ “which” is deleted.

Broad street 30 Oct^f

PS: As I could not finish my letter in time for yesterday's post I brought it to town with me today & have there the advantage /this being foreign post day/ of giving the latest quotation of the exchanges. They have all experienced a decline upon the lowest of the former quotations. Paris has been done today as low as 25.20 at sight this with the *agio* is as nearly as possible the actual *par* so that as the expenses of transmission barely exceed 78 pc. the most trifling further fall will make gold the best remittance. [f. 120r] It occurs to me to add with reference to the question of the influence of an efflux of gold on the value of the currency that supposing the quantity in the copper of the Bank to have been beyond the due proportion to its paper; an export *if limited to the⁶¹ extent of that excess* need not entail any contraction of the circulation. But I am not aware of any test by which the *due* proportion can be determined.

Lord Grenville to Tooke⁶²

[f. 122r]

Extract of a letter dated Newcastle 22 Aug 1827 addressed to T.T.

"I should hardly have ventured to encroach upon your valuable time, were I not really alarmed by the tone wch the public prints are taking with respect to the turn in the foreign exchanges.

In the present state of the public mind I cannot but consider the tone of the Times Newspaper in particular⁶³ extremely ill advised to say no worse of it. Its strangely coupling the "Flight of gold" & consequent "calling in of paper" with an "extreme *rise* in the prices of grains" looks like malice or gross ignorance or both. The Globe I see has promptly exposed *this* absurdity but I cannot help thinking that the mode in which this matter is treated, may at this moment cause much unfounded alarm. The consequences of wch may nevertheless be very serious.

The Globe in an article on the same subject a day or two ago, tried to make a redundancy in the currency by asserting a redundancy of private Bills of exchange, now as far as my little experience goes, I can assert that *this portion* of the circulation was never in a greater state of languor & diminution. This I know to be true of certain districts & believe to be true of the whole country. If therefore there is (wch[?]) permit me to doubt) any over issues of paper at present, it can hardly be

⁶¹ "that" is deleted.

⁶² MS in British Library Add. MS. 69082 ff. 122r-122v.

⁶³ "[?]" is deleted.

in this shape. Surely however the Exchanges *may be* affected by causes unconnected [f. 122v] with the currency & [?] so without any occasion for apprehension or panic.

What I wish to ascertain from your kindness, is first, whether you think there is any ground for alarm; secondly whether you apprehend that alarm (well grounded or not) is *likely to take place*, & if it does, the probable consequences”.

Tooke to Lord Grenville⁶⁴

[f. 122r]

Extract of T. Tooke's answer to the above dated London 27 Aug 1827

By the favor of your letter of 22 inst you expressed to have my opinion upon the state of the money market as connected with the alarm wch has been sounded by the news papers, in consequence of the exchanges & the tendency to an exportation of gold. The article in the Times to wch you allude, was certainly a most egregious specimen of arrogance & ignorance of dogmatism & blunder. The blunder indeed was so palpable, that nearly every one of the other newspapers detected & exposed it. & the editor himself on the following day admitted it & endeavoured to explain it by saying what however by the context *could not* be true that he had meant to express, that in the case supposed of a flight of gold & a contraction of paper, the price of gold & not of corn & commodities, would rise.

You ask me whether I think there *is* any ground for alarm. There *were* I think grounds for alarm a few weeks ago but the alarm having arisen almost immediately after the occurrence of the first indication of impending mischief [f. 123r] operated in itself as a correction & prevented the further progress of the threatened disorder. The ground for alarm to wch I allude, was in the manifestation of a strong spirit of speculation applied to commodities as well as to the funds. [Mincing?] hands took the lead in the speculation for a general rise of prices & every article of colonial produce became the subject of an anticipated demand. One broker issued to have bought sugar in a single week to such an extent, that though the price has not quite needed to the level from wch it had advanced, there would be a loss of £8.000 at bash on⁶⁵ his purchases⁶⁶ if they were now realized. The corn market would have

⁶⁴ MS in British Library Add. MS. 69082 ff. 122v-123v.

⁶⁵ “that adventure” is deleted.

⁶⁶ “his purchases” is inserted.

participated in the speculative spirit if ⁶⁷ it had not been from the dread of the effect of the bounded wheat & of the overwhelming importation of oats. Silk & foreign wool were becoming objects of exaggerated demand & then were strong symptoms of an approaching fever something like that wch raged in 1824/5. Fortunately the attention of the public was drawn to a consideration of what must be the end of such a disposition. The decline of the exchanges was very trifling & the afflux of gold hardly worth mentioning; but they were sufficiently symptomatic of incipient disorder & the mercantile community had become by recent & dear bought experience, sensitively alive to the importance of these indications. Indeed the importance attached to them in this instance may have been exaggerated, as in the former instance it was unknown or underrated. The present however is one in wch the fault, if ⁶⁸ it be one, is on the right side & as far as I can judge from appearances it has had the effect of restoring [f. 123v] those branches of trade wch had been disturbed by a speculation to a sound state.

Your second question is, whether I apprehended that alarm (whether well grounded or not) is likely to take place & if it does, the probable consequences?

The object of alarm in a commercial sense, as here applied, can refer only to a scale of prices & a revolution of credit, operating reciprocally as cause & effect. The grounds there for alarm consist as I have observed before, in a speculative rise of prices or in a maintenance of [?] beyond what the supply & the rate of consumption warrant, when such rise ⁶⁹ or maintenance is connected with a more than ordinary use of credit. I have already given it as my opinion that the tendency to that effect appears for the present to be repressed. Whether it is likely soon to occur depends upon circumstances wch it is impossible to foresee”.

⁶⁷ “the weather” is deleted.

⁶⁸ “be” is deleted.

⁶⁹ [of ?] is deleted.