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The Rise of the Gold Standard, 1660-1819

1690 December 6

'Observations on the Bill against the Exportation of Gold and Silver, and melting down the coin of the realm', delivered at the Bar of the House of Lords by a group of prominent London merchants, led by James Houblon, MP, who authored the paper, and including, among others, his son Sir John Houblon, who later became the first Governor of the Bank of England. Despite a counter-petition lodged by the working goldsmiths, the merchants' petition against the bill was evidently successful in blocking its passage, at least in the short term, as nothing more was heard of the bill after the 11th of December. The brief paper is interesting because its concluding remarks about the recent recoinage in Portugal foreshadow the as yet forthcoming Great Recoinage in England.

The Bill designs to raise the standard of silver from 3*l.* 2*s.* to 3*l.* 5*s.* per lb. weight, whereby the 5*s.* piece thereby intended to be coined will be about threepence less in silver than the former 5*s.* piece. The raising of the 5*s.* or other species of silver coin will not prevent the exportation of silver or the melting down of the new coined species of money, though it has less of silver in it by 5 per cent. For, as the Mint before yielded about 5*s.* 2*d.* per oz., with this alteration it will yield 5*s.* 5*d.* per oz., and if silver be in demand, it will rise above what the Mint will give, as it has done for these two years last past, standard silver having been sold for, and being now worth, 5*s.* 4*d.* per oz., so that there could be no coining any silver but at a 3 per cent. loss. It is evident that as soon as this law shall be made, standard silver will rise to 5*s.* 7*d.* per oz., which will be twopence per oz. more than the Mint will give. By consequence, little or none of the new intended species will be coined; and, if so, there would be twopence per oz. profit to melt it down again into bullion for the alteration of the exchange will soon cause this advantage on the bullion. Now the true reason why silver is risen in price in England is from the interruption of our trade and commerce during the wars, for in time of peace it has been manifest that the trade and commerce of England have furnished us not only with necessaries and superfluities from all parts of the world, but also an overplus, which has been brought home in gold and silver, to the great enriching of this kingdom. And now it happens, by the interruption of the general trade, that from Flanders, Holland, Hamburg, and the East Country, where we have more frequent convoys, we import greater quantities of merchandise and naval stores than formerly, and by reason of the wars in Germany, Flanders, &c. they take off less of our manufactory and other goods than heretofore; for which reason, and for that also there has been an occasion to pay public moneys by exchange or otherwise in those parts, we become so much indebted to them that what our exports cannot answer in goods must be answered in bullion, and that has been the reason why ill men, for a gain of 3 to 4 p.c., have melted down our present 5*s.* and 2*s.* 6*d.* pieces and plate, and sent it abroad; And the same cause continuing, it is probable they may continue the same practice, notwithstanding any severe law to the contrary. In Spain about three years since, they altered their coin, and have coined new

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pieces of eight, of 20 p.c. less in value, and in Portugal, since the year 1650, at three several times they have altered their Crusado or Crown from 4s. 4d. value to 2s. 5d., yet so great a diminution (which was done to keep their money within those Kingdoms) has not in the least prevented it from going out, but is still exported from both the said Kingdoms, notwithstanding their severe laws of death and confiscation of estate upon that account. The ill consequence of the alteration of the value of the coin will be as follows:— (1.) A present stop in payment of all the former milled money and of all the weighty old money, so that none but clipt money will pass in payment, which will not only interrupt trade and commerce, but obstruct the loans to their Majesties and alter the prices of exchange. (2.) It will be a manifest loss to all who have money owing them upon bonds or other debts, for if it be supposed there is in this Kingdom six millions of silver coin, and that one half thereof be weighty, then upon that three millions there will be 150,000*l.* gain to them that shall melt it down. (3.) It will be a loss on all debts, rents, annuities, pensions, &c. of 5 p.c., which will amount to an incredible sum. (4.) It will be a loss of 5 p.c. on all their Majesties' Revenue, Custom, Excise, &c. (5.) All foreign commodities will rise in value as the money is fallen, for call a piece of money by what name or denomination you will, yet it is the intrinsic value of the species of money that is the measure and rule of all commerce throughout the world, and 4s. 9d. will be but 4s. 9d., though you call it 5s. (6.) As the silver is raised 5 p.c., so guineas will rise in proportion, and these alterations will put a profit into the hands of all the goldsmiths, refiners, and melters of silver and others, who have a quantity of gold and weighty coin by them, but will be a manifest prejudice to the King, and all the rest of his subjects, who have rents or money owing to them.— And if it shall be objected that clipt now passes as well as weighty money, it is to be noted that the said clipt money is not above one half of the current money; and the clipt money is only current upon public faith, because it is now received in all public payments, but all contracts, bargains, and sales are made upon the intrinsic value of the weighty money, especially with foreigners, of which when there shall come to be a want, there will be a full stop of all trade of buying and selling, as it lately happened in Portugal, where the King was forced to call in all the money, it being all clipt, and promised to bear the loss himself, till afterwards, finding the loss too great, he coined the new money 20 p.c. less in weight, and so delivered it out to his subjects, the owners of the said clipt money, whereby the loss fell upon them.

Source: Manuscripts of the House of Lords, 1690-1691, no. 353, pp. 205-207. See also ibid., no. 330, pp. 179-183.