

**Volume I**  
**The Rise of the Gold Standard, 1660-1819**

1810 June 8

**Select Committee on High Price of Gold Bullion:** 'Report, together with minutes of evidence, and accounts, from the Select Committee on High Price of Gold Bullion'. An extremely valuable source of information for British monetary policy and the gold trade on the London market during the Napoleonic era. This document was issued during the so-called Bullionist Controversy over whether or not the government should reinstate convertibility. The Bullionists, including David Ricardo and Henry Thornton, argued for an immediate resumption of cash payments to combat growing inflation. The Anti-Bullionists, argued that the continued issuance of banknotes would suffice. The House of Commons Select Committee recommended the removal of restrictions preventing the resumption of payments in specie on Bank of England promissory notes within two years. The transcription below includes merely the introduction and the conclusions of the report.

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The SELECT COMMITTEE appointed to enquire into the cause of the High Price of Gold Bullion, and to take into consideration the state of the Circulating Medium, and the Exchanges between Great Britain and Foreign Parts;—and to report the same, with their observations thereupon, from time to time, to the House;—Have, pursuant to the Orders of the House, examined the matters to them referred; and have agreed to the following REPORT:

YOUR Committee proceeded, in the first instance, to ascertain what the price of Gold Bullion had been, as well as the rates of the Foreign Exchanges, for some time past; particularly during the last year.

Your Committee have found the price of Gold Bullion, which, by regulations of His Majesty's Mint, is £.3.17.10½. per ounce of standard fineness, was, during the years 1806, 1807, and 1808, as high as £.4. in the market. Towards the end of 1808 it began to advance very rapidly, and continued very high during the whole year 1809; the market price of standard Gold in bars fluctuating from £.4.9. to £.4.12. per oz. The market price at £4.10. is about 15½ per cent. above the Mint price.

Your Committee have found, that during the first three months of the present year, the price of standard Gold in bars remained nearly at the same price as during the last year; viz. from £.4.10. to £.4.12. per oz. In the course of the months of March and April, the price of standard Gold is quoted but once in Wettenhalls tables; viz. on the 6th of April last, at £.4.6. which is rather more than 10 per-cent. above the Mint price. Thw last quotations of the price of Gold, which have been given in those tables, are upon the 18th and 22d of May, when Portugal Gold coin is quoted at £.4.11. per oz.: Portugal Gold coin is about the same fineness as our standard. It is stated in the same tables, that in the month of March last, the price of new Doubloons rose from £.4.7. to £.4.9. per oz. Spanish Gold id from 4½ to 4¾ grains better than standard, making about 4s. per oz. difference in value.

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It appears by the Evidence, that the price of foreign Gold coin is generally higher than that of bar Gold, on account of the former finding a more ready vent in foreign markets. The difference between Spanish and Portugal Gold in coin and Gold in bars, has of late been about 2s. per ounce. Your Committee have also to state, that there is said to be at present a difference of between 3s. and 4s. per ounce between the price of bar Gold which may be sworn off for exportation as being foreign Gold, and the price of such bar Gold as the Dealer will not venture to swear off; while the former was about £.4.10. in the market, the latter is said to have been about £.4.6. On account of these extrinsic differences, occasioned either by the expense of coinage, or by the obstructions of law, the price of standard Gold in bars, such as may be exported, is that which is most material to keep generally in view through the present inquiry.

It appeared to Your Committee, that it might be of use in judging of the cause of this high price of Gold Bullion, to be informed also of the prices of Silver during the same period. The price of standard Silver in His Majesty's Mint is 5s.2d. per ounce; at this standard price, the value of a Spanish Dollar is 4s.4d. or, which comes to the same thing, Spanish Dollars are, at that standard price, worth 4s.11½d. per ounce. It is stated in Wettenhall's tables, that throughout the year 1809, the price of new Dollars fluctuated from 5s.5d. to 5s.7d. per ounce, or from 10 to 13 per cent. above the Mint price of standard Silver. In the course of the last month, new Dollars have been quoted as high as 5s.8d. per ounce, or more than 15 per cent. above the Mint price.

Your Committee have likewise found, that towards the end of the year 1808, the Exchanges with the Continent became very unfavourable to this Country, and continued still more unfavourable through the whole year of 1809, and the three first months of the present year.

Hamburgh, Amsterdam, and Paris, are the principal places with which the Exchanges are established at present. During the last six months of 1809, and the three first months of the present year, the Exchanges on Hamburgh and Amsterdam were depressed as low as from 16 to 20 per cent. below par; and that on Paris still lower. The Exchanges with Portugal have corresponded with the others; but they are complicated by some circumstances which shall be explained separately.

Your Committee find, that in the course of the month of March last, that is, from the 2d of March to the 3d April, the Exchanges with the three places above mentioned received a gradual improvement. The Exchange with Hamburgh rose gradually from 29.4 to 31.; that with Amsterdam from 31.8. to 33.5.; that with Paris from 19.16. to 21.11. Since the 3d of April last to the present time, they have remained nearly stationary at those rates, the Exchange with Hamburgh, as stated in the tables printed for the use of merchants, appearing as much against this Country as £.9. per cent. below par; that with Amsterdam appearing to be more than £.7. per cent. below par; and that with Paris more than £.14. per cent. below par.

So extraordinary a rise in the market price of Gold in this Country, coupled with so remarkable a depression of our Exchanges with the Continent, very early, in the judgement of Your Committee, pointed to something in the state of our own domestic currency as the cause of both appearances. But before they adopted that conclusion, which seemed agreeable to all former reasonings and experience, they thought it proper to enquire more particularly into the circumstances connected with each of these two facts; and to hear, from persons of commercial practice and detail, what explanations they had to offer of so unusual a state of things.

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With this in view, Your Committee called before them several Merchants of extensive dealings and intelligence, and desired to have their opinions, with respect to the cause of the high price of Gold and the low rates of exchanges.

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Upon a review of all the facts and reasonings which have been submitted to the consideration of Your Committee in the course of their Enquiry, they have formed an Opinion, which they submit to the House: — That there is at present an excess of paper in circulation in this Country, of which the most unequivocal symptom is the very high price of Bullion, and next to that, the low state of the Continental Exchanges; that this excess is to be ascribed to the want of a sufficient check and control in the issues of paper from the Bank of England; and originally, to the suspension of cash payments, which removed the natural and true control. For upon a general view of the subject, Your Committee are of opinion, that no safe, certain, and constantly adequate provision against an excess of paper currency, either occasional or permanent, can be found, except in the convertibility of all such paper into specie. Your Committee cannot, therefore, but see reason to regret, that the suspension of cash payments, which, in the most favourable light in which it can be viewed, was only a temporary measure, has been continued so long; and particularly, that by the manner in which the present continuing Act is framed, the character should have been given to it of a permanent war measure.

Your Committee conceive that it would be superfluous to point out, in detail, the disadvantages which must result to the Country, from any such general excess of currency as lowers its relative value. The effect of such an augmentation of prices upon all money transactions for time; the unavoidable injury suffered by annuitants, and by creditors of every description, both private and public; the unintended advantages gained Government and all other debtors; are consequences too obvious to require proof, and too repugnant to justice to be left without remedy. By far the most important portion of this effect appears to Your Committee to be that which is communicated to the wages of common country labour, the rate of which, it is well known, adapts itself more slowly to the changes which happen in the value of money, than the price of any other species of labour or commodity. And it is enough for Your Committee to allude to some classes of the public servants, whose pay, if once raised in consequence of a depreciation of money, cannot so conveniently be reduced again to its former rate, even after money shall have recovered its value. The future progress of these inconveniences and evils, if not checked, must at no great distance of time, work a practical conviction upon the minds of all those who may still doubt their existence; but even if the progressive increase were less probable than it appears to Your Committee, they cannot help expressing an opinion, that the integrity and honour of Parliament are concerned, not to authorize, longer than is required by imperious necessity, the continuance on this great commercial Country of a system in circulation, in which the natural check or control is absent which maintains the value of money, and, by the permanency of that common standard of value, secures the substantial justice and faith of monied contracts obligations between man and man.

Your Committee moreover beg leave to advert to the temptation to resort to a depreciation even of the value of the Gold coin by an alteration of the standard, to which Parliament itself might be subjected by a great and long continued excess of paper. This has been the resource of many Governments under such circumstances, and it is the obvious and most easy remedy to the evil in question. But it is unnecessary to dwell on the breach of public faith and dereliction of a primary duty of Government, which would

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manifestly be implied in preferring the reduction of the coin down to the standard of the paper, to the restoration of the paper to the legal standard of the coin.

Your Committee therefore, having very anxiously and deliberately considered this subject, report it to the House as their Opinion, That the system of the circulating medium of this Country ought to be brought back, with as much speed as is compatible with a wise and necessary caution, to the original principle of Cash payments at the option of the holder of Bank paper.

Your Committee have understood that remedies, or palliatives, of a different nature, have been projected; such as, a compulsory limitation of the amount of Bank advances and discounts, during the continuance of the suspension; or, a compulsory limitation during the same period, of the rate of Bank profits and dividends, by carrying the surplus of profits above that rate to the public account. But, in the judgement of Your Committee, such indirect schemes, for palliating the possible evils resulting from the suspension of cash payments, would prove wholly inadequate for that purpose, because the necessary proportion could never be adjusted, and if once fixed, might aggravate very much the inconveniences of a temporary pressure; and even if their efficacy could be made to appear, they would be objectionable as a most hurtful and improper interference with the rights of commercial property.

According to the best judgement Your Committee has been enabled to form, no sufficient remedy for the present, or security for the future, can be pointed out, except the Repeal of the Law which suspends the Cash Payments of the Bank of England.

In effecting so important a change, Your Committee are of opinion that some difficulties must be encountered, and that there are some contingent dangers to the Bank, against which it ought most carefully and strongly to be guarded. But all those may be effectually provided for, and by entrusting to the discretion of the Bank itself the charge of conducting and completing the operation, and by allowing to the Bank so ample a period of time for conducting it, as will be more than sufficient to effect its completion. To the discretion, experience, and integrity of the Directors of the Bank, Your Committee believe that Parliament may safely entrust the charge of effecting that which Parliament may in its wisdom determine upon as necessary to be effected; and that the Directors of that great institution, far from making themselves a party with those who have a temporary interest in spreading alarm, will take a much longer view of the permanent interests of the Bank, as indissolubly blended with those of the Public. The particular mode of gradually effecting the resumption of cash payments ought therefore, in the opinion of Your Committee, to be left in great measure to the discretion of the Bank, and Parliament ought to do little more than to fix, definitively, the time at which cash payments are to become as before compulsory. The period allowed ought to be ample, in order that the Bank Directors may feel their way, and that, having a constant watch upon the varying circumstances that ought to guide them, and availing themselves only of favourable circumstances, they may tread back their steps slowly, and may preserve both the course of their own affairs as a Company, and that of public and commercial credit, not only safe but unembarrassed.

With this view, Your Committee would suggest, that the restriction on Cash payments cannot safely be removed at an earlier period than two years from the present time; but Your Committee are of opinion, that early provision ought to be made by Parliament for terminating, by the end of that period, the operation of the several Statutes which have imposed and continued that restriction.

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In suggesting this period of two years, Your Committee have not overlooked the circumstances, that, as the law stands at present, the Bank would be compelled to pay in cash at the end of six months after the ratification of a definitive Treaty of Peace; so that if Peace were to be concluded within that period, the recommendation of Your Committee might seem to have the effect of postponing, instead of accelerating the resumption of cash payments. But Your Committee are of opinion, that if Peace were immediately to be ratified, in the present state of our circulation it would be most hazardous to compel the Bank to pay cash in six months, and would be found wholly impracticable. Indeed, restoration of Peace, by opening new fields of commercial enterprise, would multiply instead of abridging the demands upon the Bank for discount, and would render it peculiarly distressing to the commercial world of the Bank were suddenly and materially to restrict their issues. Your Committee are therefore of opinion that even if Peace should intervene, two years should be given to the Bank for resuming its payments; but that even if the War should be prolonged, Cash payments should be resumed by the end of that period.

Your Committee have not been indifferent to the consideration of the possible occurrence of political circumstances, which may be thought hereafter to furnish an argument in favour of some prolongation of the proposed period of resuming cash payments, or even in favour of a new law for their temporary restriction after the Bank shall have opened. They are, however, far from anticipating a necessity, even in any case, of returning to the present system. But if occasion for a new measure of restriction could be supposed at any time to arise, it can in no degree be grounded, as Your Committee think, on any state of the Foreign Exchanges, (which they trust that they have abundantly shewn the Bank itself to have the general power of controlling,) but on a political state of things producing, or likely very soon to produce, an alarm at home, leading to so indefinite a demand for cash for domestic uses as it must be impossible for any Banking establishment to provide against. A return to the ordinary system of Banking is, on the very ground of the late extravagant fall of the Exchanges and high price of Gold, peculiarly requisite. That alone can effectually restore general confidence in the value of the circulating medium of the kingdom; and the serious expectation of this event must enforce of preparatory reduction in the quantity of paper, and all other measures which accord with the true principles of Banking. The anticipation of the time when the Bank will be constrained to open, may also be expected to contribute to the improvement of the Exchanges; whereas a postponement of this era, so indefinite as that of six months after the termination of the War, and especially in the event of an Exchange continuing to fall, (which more and more would generally be perceived to arise from an excess of paper, and a consequent depreciation of it) may lead, under an unfavourable state of public affairs, to such a failure of confidence (and especially among foreigners) in the determination of Parliament to enforce a return to the professed standard of the measure of payments, as may serve to precipitate the further fall of the Exchanges, and lead to consequences at once the most discreditable and disastrous.

Although the details of the best mode of returning to cash payments ought to be left to the discretion of the Bank of England, as already stated, certain provisions would be necessary, under the authority of Parliament, for the convenience of the Bank itself, and for the security of the other Banking establishments in this Country and in Ireland.

Your Committee conceive it may be convenient for the Bank to be permitted to issue Notes under the value of £.5. for some little time after it had resumed payments in specie.

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It will be convenient also for the Chartered Banks of Ireland and Scotland, and all the Country Banks, that they should not be compelled to pay in specie until some time after the resumption of payments in Cash by the Bank of England; but that they should continue for a short period upon their present footing, of being liable to pay their own notes on demand in Bank of England paper.

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**Source:** Great Britain, Parliamentary Papers, House of Commons, 1810, 349, vol. 3, pp. 1-252, esp. 1-2, 30-33. See also Canaan, ed., 1969.