

'On the argument against Paper Credit taken from the course of the Coynage'.

Author: Isaac Newton

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Observations on M^r P^s Reply.

1. On the Argument against Paper Credit taken from the course of the Coynage.

To shew that the Coynage has decreased since the rise & growth of paper credit M^r P. (sec. 2, 3, 4, 6, 7) justifies his assertions that there were coyned in silver communibus annis about 400000^{li} per annum from 1640 to 1660, 200000^{li} from 1660 to 1680 & less then 80000^{li} per annum from 1680 to 1695. These assertions I disputed not except that I affirmed the 400000^{li} per annum to be not in silver alone but in gold & silver together. But I represented that from this decrease of the silver coynage nothing could be argued against paper credit, & that for these two reasons.

First because M^r. P. considers not the whole coynage of both gold & silver together which make our wealth but that of silver alone. For the coynage of silver from 1640 to 1660 was greater then that of gold & now it is much less & this alteration of the proportion arises not from paper credit but from the growing exportation of silver to the Indies while our gold stays at home, our Merchants finding that silver is a better commodity in the Indies then gold.

Secondly because the decrease of the coynage from 1640 to 1695 was not uniform, as it should seem by M^r P^s representation, but had several periods of increasing & decreasing according to the vicissitudes of peace & warr abroad, all which ought to be distinguished & considered severally before any thing can be concluded from the course of the coynage. For if the coynage in the reign of King Cha. & King James II increased with paper credit when according to his reckoning it should have decreased, if at other times the decrease of the coynage arose from other causes then paper credit, then we must ascribe the increase to paper credit & the decrease not to paper credit but to those other causes, & so the argument from the course of the coynage against paper credit will vanish. Now the course of the coynage answered to the vicissitudes of peace & war abroad after this manner.

The silver coynage in the latter half of Queen Elizabeth's reign (after she had recoyned the base money of her Predecessor{s}) & in the first five years of King James I was one year with another <612v> about 70 or 80 thousand pounds per annum. Then upon a cessation of arms between the Spaniards & Dutch it fell suddenly to less then 40 thousand pounds per annum. Afterwards upon renewing the war & making a peace between England & Spain 1629 it grew greater then ever & continued so till the end of the warr 1648, the silver Coynage being about 440000^{li} per annum & that of both gold & silver 600000^{li} per annum or above. Then

upon the conclusion of peace between Spain & Holland it fell again & became but the 8th or 10th part of what it was before & continued so for the next 18 years this coynage of both gold & silver together being scarce 70000^{li} per annum till the enacting of the coynage Duty 166 $\frac{6}{7}$ by which & the flourishing of trade in the peacefull reigns of Cha: II & James II & the quick dispatch of business by paper credit notwithstanding our disadvantageous trade with France it encreased till it became about 680000^{li} per annum. And then by the late war with France & the consequent decay of paper credit & trade it decreased again exceedingly. This agreement between the encrease & decrease of the coynage & the state of the nation in respect of peace & war abroad shews that the Coynage has principally depended on that state. And if paper credit hath had any effect upon the coynage it hath promoted it because both increased together till 1690 & afterwards both decreased together by the late French warr.

And therefore M^r P. in his first paper set the argument in a wrong light when he represented that the coynage had decreased ever since the rise & growth of paper credit. For he there considers the Coynage of gold & silver together before 1660 & the coynage of silver alone afterwards & lessens the latter in the reign of King Cha. II & King Jam. II by taking a medium between that which preceeded the late French warr & that which was in the warr; whereas if he had considered the whole coynage of both gold & silver till the present time, & distinguished between times of peace & warr, he would have found the argument from the Coynage <613r> because the life of their trade.

But M^r P. makes an Objection which lies against all the circulating credit in England, that it inclines to luxury & luxury occasions the exportation of our money. For this Objection lies not only against credit upon Parliamentary funds but against credit upon land or any thing else but money in a Bank, be the deposit never so safe & the security never so good. But if this be a good objection, we must reject wine because it occasions drunkenness, & all the best things because by corruption they become the worst. Rather let us suppress drunkenness, & keep our wine.

If all our Paper credit considered as a sort of riches were turned into gold, the gold would incline to luxury as the credit did before, & the luxury would export our silver. Must we therefore throw away the gold for fear we should want market money: Why should we not rather endeavour to grow richer by keeping our gold & only suppressing luxury?

But tho paper credit be a sort of riches we must not use it immoderately. Like vertue it has its extremes. Too much may hurt us as well as too little. So much is best for us as suffices to lower interest, make dispatch in business, set the people on work & inspire life & vigour into all the busy part of the nation too strongly to luxury. For it enriches us only amongst our selves & not in respect of forreign nations. But What proportion in respect of gold & silver is best for us is a determination which may vary with circumstances of time & must be left to experience & the wisdom of the legislative power.

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