for bullionism, in short, was empirical rather than theoretical, concluding reluctantly but firmly that the facts were such that the bank restriction and the bank's monetary inflation had played a large role in the existing inflation and depreciation of the pound sterling. Thornton himself only supported the committee's call for resumption of specie payment in protest at the failure of the bank and government to be chastised and to agree to restricting further issuance of money. As for Ricardo, he only became the leading champion of the committee after the policy conclusions of its *Report* supported his call for resumption of payment in specie.[14] Indeed, Malthus, in his defence of the *Report*, hailed the committee for taking his own moderate stance rather than adopting the Ricardian 'error' of holding a solely monetary explanation of the depreciation.[15]

The *Report* was approved in the full bullion committee by a vote of 13 to 6, and was submitted to Parliament on 8 June 1810.[16] While Prime Minister Perceval was one of the six voting nay – along with his paymaster-general and deputy governor of the bank – there was at first no indication of deep hostility on the part of the administration. Indeed, the Tory press commented favourably on the *Report* when it was first issued. In a few months, however, the administration reversed its course. The best evidence suggests that a command decision was made by the government and the Bank of England in late August or early September to launch an all-out assault upon the bullion *Report*. Leading the battle in Parliament for the government was Nicholas Vansittart (1766–1851), many times secretary to the treasury and soon to be chancellor of the exchequer.[17] In the 1809 debate on resumption of specie payment, Vansittart had coined the patriotic if irrelevant and absurd argument that the 'national resources' of the country sufficed for backing the currency so that there was no need for gold. In the bullion *Report* debate, Vansittart pushed a spectrum of anti-bullionist arguments: first, that immediate resumption was, as usual, inexpedient: second, that the restriction had nothing whatsoever to do with the depreciation of the pound; and third, that Bank of England notes were esteemed every bit as highly as gold coin – an assertion so preposterous and so out of tune with the facts as to bring down upon him open ridicule by George Canning, the leader of a Tory faction out of power.

Masterminding and orchestrating the campaign against the bullion *Report* for Perceval and Vansittart were four shadowy aides and advisers. One was John Charles Herries (1778–1855), son of a London merchant and long-time treasury official, at this time private secretary to the chancellor of the exchequer, and a past and future top financial adviser of Tory leaders. He was himself to be a chancellor of the exchequer in later years. A second figure was Henry Beeke, professor of modern history at Oxford, friend of Vansittart, and prominent advisor of Tory politicians. A particularly mysterious but influential colleague was Jasper Atkinson (1761–1844), about whom little is known except that he was for a quarter-century an official adviser to the government and to the bank, and wrote 13 pamphlets from 1802 to the late 1820s in support of governmental and bank policy. It seems that he was a country banker and active in trade with Holland. He of course published a pamphlet in opposition to the bullion *Report.* Atkinson prepared the pamphlet at the instigation of Herries, and was assisted by his old friend and advisor Henry Beeke.

Perhaps even more curious was the leading role of a Genevan refugee, Sir Francis D'Ivernois, friend of Vansittart, who had been a British secret agent in Europe, and had been a confidential advisor to the British government on relations with France. It was D'Ivernois who first waved the bloody shirt against the bullion *Report* by dragging into the debate the palpably false charge that the *Report* had given aid and comfort to the Napoleonic enemy, had stimulated Napoleon to strengthen his embargo measures against Great Britain, and had emboldened the United States to take a nasty turn toward England. This effective if mendacious red herring was taken up in Parliament by Vansittart and by a leader of the Anglo-Irish Establishment, Robert Stewart, Viscount Castlereagh, the marquis of Londonderry (1769–1822).

Indeed, the major parliamentary motif of the critics of the *Report* was that the restriction was vital for pursuing the war effort against France. Prime Minister Perceval charged that adopting the *Report* 'would be tantamount to a declaration that they would no longer continue those foreign exertions which they had hitherto considered indispensable to the security of the country...'. If Parliament should adopt the *Report* and its policies, Perceval thundered, they 'would disgrace themselves forever, by becoming the voluntary instruments of their country's ruin'. Ringing changes on this wartime necessity, stab-in-the-back theme were Viscount Castlereagh; the High Tory foreign secretary and war secretary Robert Banks Jenkinson, the earl of Liverpool (1770–1828); and the treasurer of the navy and former secretary to the treasury, George Rose (1744–1818), who also contributed two pamphlets to the controversy. Rose was the highest of High Tories, a friend of King George III, an opponent of parliamentary reform, an extreme pro-war advocate, a supporter of the Corn Laws, and an adversary of the abolition of slavery.

In late 1810 and early 1811, a host of pamphlets were published attacking the bullion *Report*, and many of them, both signed and anonymous, were products of the behind-the-scenes campaign of the governmental and bank circles. In addition to Atkinson's pamphlet, Herries weighed in with an anonymous tract, *A Review of the Controversy Respecting the High Price of Bullion, and the State of our Currency.* Charles Bosanquet's *Practical Observations*, rebutted by Ricardo, was another product of this campaign. Particularly important in this effort was the publication of a speech by a prominent attorney, Randle Jackson (1757–1837), which purported to be the views of a concerned bank stockholder.[18] In reality, Jackson was apparently hired by the bank to present its case *sub rosa* against the *Report*. Jackson presented the state-of-the-art critiques by the government: the *Report* had greatly injured commercial credit, the committee was dominated by chronic oppositionists to the government, and it is impossible for bank notes ever to be excessive or to have higher prices than par because they were issued only against 'value received' – a *non sequitur* if there ever was one.

Indeed, the main economic arguments of bank spokesman before the bullion committee and in the parliamentary debates, by men such as Governor John Whitmore and Deputy Governor John Pearse, were an extreme, almost absurd, version of the real bills doctrine: namely, that if bank loans were issued on short-term 'bills of real value, representing real transactions', then bank note issue can never be excessive, and never have any inflationary or depreciating effect on the pound. Walter Bagehot was later to call these arguments 'almost classical by their nonsense'.

Perhaps the acme of this nonsense was the pamphlet of the Tory commissioner of audit, Francis Perceval Eliot (c. 1756–1818), who went so far as to maintain that the problem with Huskisson's argument was that he considered the gold guinea to be the standard of value, whereas it is actually the pound sterling. According to Eliot, the pound, precisely because it is fiat money, is the ideal money of account *because* it is by definition 'invariable' in value. On the other hand, Eliot opined, gold or silver, being made of a substantial commodity, must be variable in value.

Meanwhile, a different kind of critic of the *Report* appeared prominently in the pamphlet literature and in Parliament. The eccentric Sir John Sinclair (1754–1835), first and also current president of the board of agriculture, was born to a Scottish noble family and was educated at the universities of Edinburgh and Glasgow, graduating from Trinity College, Oxford in 1775. An MP from 1780 until 1811, Sinclair was a man of great energy and enthusiasm, and a prolific writer in the causes he held dear. In his lifetime, Sinclair published no less than 367 tracts and pamphlets. An advocate of parliamentary reform, Sinclair championed the cause of peace and wrote several pamphlets attacking Pitt's war policy, and calling for peace with England's enemies. He even went so far as to publish a booklet calling for Britain's surrender of Gibraltar to Spain during the American revolutionary war. Sinclair's prime enthusiasm was for agriculture, an art he learned from managing his Scottish estates. Not only was he the first president of the board of agriculture, but he also founded the British Wool Society.

Sinclair was also engrossed in statistical and monetary and fiscal questions. An indefatigable collector of statistics, Sinclair actually introduced the words 'statistics' and 'statistical' into the English language, and during the decade of the 1790s, he collected and published, in 21 volumes, a *Statistical Account of Scotland*. More relevant to our concerns, Sinclair had published, from 1785–90, a three-volume *History of the Public Revenues of the British Empire*. In this work, Sinclair had displayed a determined and all-out zeal for monetary inflation and government spending. As soon as the bullion *Report* was issued, Sinclair wrote to Prime Minister Perceval, asking help for reprinting his work, as part of the task of rebutting the bullion committee. 'You know my sentiments regarding the importance of paper Circulation', he wrote to Perceval, 'which is in fact the basis of our prosperity'. In fact, Sinclair's *Observations on the Report of the Bullion Committee*, published in September 1810, was the very first of many pamphlet attacks on the bullion *Report*.

A storm of pamphlets raged over the bullion *Report*, hoping to influence the parliamentary decision as well as the tides of public opinion. David Ricardo was a host unto himself; in the month of September 1810 alone Ricardo, in the *Morning Chronicle*, defended the conclusions of the *Report*, taking of course the hard-core Ricardian line, attacked the pamphlet of Sir John Sinclair, and also denounced the speech of Randle Jackson, which Ricardo, as a bank stockholder, had heard delivered in person. Malthus wrote two effective articles in the *Edinburgh Review* the following year, taking the Thornton–Horner moderate bullionist position.

Particularly effective defending the *Report* was the Canning–Huskisson faction of Tories, centred in their journal the *Quarterly Review*. As firm Tories, the support of this faction shielded the bullion committee from charges of Whig partisanship. The most widely circulated and one of the most influential pamphlets supporting the *Report* was written by its eminent co-author, William Huskisson. Huskisson's *The Question Concerning the Depreciation of our Currency Stated and Examined* was published in late October 1810 and went into no less than eight editions in rapid succession – the ninth appearing in 1819. The *Quarterly Review* carried on a coordinated campaign on behalf of the *Report*, with contributions by high Tory George Ellis (1753–1815)[19], Huskisson, and even the great George Canning himself. It is not without charm that William Huskisson contributed some passages to Ellis's laudatory review of Huskisson's own pamphlet in the *Quarterly Review*.

All in all, about 90 pamphlets were published in a short period on both sides of the great Bullion controversy. The climax came in May 1811, when Parliament finally got around to debating the *Report*. After four days of debate, all Francis Horner's resolutions incorporating the essence of the *Report* went down to a ringing defeat. The most important resolutions were his first and his last. The first outlined the responsibility of the bank's over-issue for the price inflation and the depreciation of the pound; this resolution was defeated by a vote of 151–75. Horner's final resolution, providing for resumption of the gold standard in two years, lost by a far wider margin, 180–45. Nicholas Vansittart then rubbed it in for the government, getting Parliament to pass resolutions defending the government's and the bank's view of the controversy. Most characteristic was Vansittart's third resolution, restating the 'classic nonsense' in a declaration almost as fatuous as King Canute's command to the tides or a state legislature's redefinition of *pi*. Parliament declared that 'the promissory notes of the said Company [the Bank of England] have hitherto been, and are at this time held in public estimation to be equivalent to the legal coin of the realm and generally accepted as such in all pecuniary transactions...'.

Even though the inflation and the depreciation proceeded apace, the monetary controversy died out for the duration of the Napoleonic wars. In despair, and perhaps to reveal the absurdity of Vansittart's case, the great Peter Lord King now decided to take direct, personal action in protest against the depreciating paper pound. While the pound was not officially legal tender, it was treated as such by government and public alike. To dramatize the true situation, Lord King, in 1811, proclaimed that henceforth he would only accept rent from his tenants either in gold coin, or in bank notes at their market discount – in short, he would insist on the gold equivalent in pounds. King's heroic action forced the government to impose legal tender for payment of rent, at the official par of 21 shillings to the gold guinea. And the following year, Parliament completed the coup by extending legal tender coercion to all payments of every type.

6.3 Deflation and the return to gold

Needless to say, the selfsame Establishment politicians who had used war as their supreme excuse for continuing the restriction, failed to jump with alacrity to go back to the gold standard when the war finally ended in 1815. And yet, conditions were certainly ripe. In a pattern that would set the tone for over a century, the inflationary credit boom of wartime was quickly succeeded by a postwar deflation of money, credit and prices. The wartime inflation was succeeded by a postwar deflationary recession. There is no evidence whatever that the Bank of England deliberately contracted the money supply to pave the way for a return to gold at the prewar par. It was simply the beginning of the classic pattern of fractional-reserve banking powered by a central bank: the creation of boom and bust. Total Bank of England credit fell from £44.9 million on 31 August 1815 to £34.4 million a year later, a drop of 24 per cent. Bank deposits fell by about 15 per cent in the same period, while bank notes fell by 11 per cent.

The bank contraction exerted a powerful leverage effect on the country banks; many country banks failed from 1814 to 1816 and country bank note circulation fell from £22.7 million in 1814 to £19.0 million in 1815 and then to £15.1 million in 1816. In short, country bank notes outstanding fell by 33.5 per cent over the two-year period, and by 20.5 per cent from 1815 to 1816. We may now arrive at a rough estimate of the total contraction of the money supply from August 1815 to August 1816. Total money supply (bank notes + bank deposits + country bank notes) amounted to approximately £60.7 million in 1815; it fell to £50.4 million the following year, a drop of 17 per cent in one year.

The monetary contraction, combined with general public expectations of a return to gold, drove the market gold premium over the official par down nearly to the par price. The monetary inflation had driven the market gold price up to £5.10 at the end of 1813, which was 145 per cent of the old official pre-restriction par of £3 17s. 10½d. After Napoleon's retirement to Elba, the gold price fell to £4 5s. 0d., a premium of only 8 per cent; then, on Napoleon's return to France, the gold price of the pound shot up nearly to its 1813 peak. After Waterloo, once again, the gold price fell sharply and steadily, reaching £3 18s. 6d. in October 1816, a premium of less than 1 per cent. Similarly the market price of silver fell from a peak premium of 38 per cent in 1813 to a premium of only a little over 2 per cent in the first postwar year of 1816. And the price of foreign exchange at Hamburg fell from a premium of 44 per cent in 1813 down to par in 1816. Price deflation accompanied the monetary contraction, British prices falling from a peak of 198 in 1814 (1790 being equal to 100), to 135 in 1816.

Conditions were now perfect to return to gold, and immediate resumption could have been achieved with no further transition problems. But the British Establishment dithered, its only constructive step in 1816 being Parliament's dropping of the formal bimetallic standard, which had only resulted in a *de facto* gold standard in the eighteenth century, and the adoption of a formal gold standard. Silver, from then on, would only be subsidiary coin. But apart from stating that when Britain *did* go back to a specie standard it would be going back to gold, nothing else was done.

The problem was a pervasive desire in the Establishment to resume cheap credit and inflation, as well as an even more widespread phobia about deflation that marred the analysis and policy conclusions of even the most influential champions of a return to gold payments. The bulk of anti-bullionists displayed their hypocrisy and intellectual bankruptcy by reversing their supposed analytical stance. In short, those who stoutly denied, all during the era of inflation, that over-issue of bank notes had any impact on domestic prices or foreign exchange rates, now reversed their course and blamed the fall in prices, as well as the postwar depression, squarely on the contraction of the money supply and the eventual resumption of specie payments. What they wanted, therefore, was easy money and inflation, and they were willing to use any arguments at hand, however inconsistent, to achieve their goal. What they seemed unwilling to realize is that any inflationary boom, especially that of a lengthy and major war, will collapse at war's end into depression and deflation. Much of the deflation was the result of the postwar depression and bankruptcies, for the initial postwar deflation occurred years before the actual return to gold or even the passage of the Resumption Act. The postwar depression was the market's way of readjusting the economy to the enormous distortions of production and investment brought about by the skewed demands of wartime and the inflationary credit boom. In short, the postwar depression was the painful but necessary process of liquidating the distortions of the wartime inflation and of returning to a healthy peacetime economy efficiently serving the consumers.

Another cause of the deflation was industrial and economic progress. The end of the war liberated England to launch one of the greatest periods of economic growth in its history. The Industrial Revolution could at last develop freely and raise the standard of living of the mass of Englishmen – something it could not do when the industrial engine had been diverted to the unproductive waste of war. As a result of the great increase of production, prices kept falling in Britain throughout the 1820s – long past the time when this welcome drop in the cost of living, this 'deflation', could plausibly be blamed on the return to gold in 1821.

The anti-deflation hysteria and the desire to keep inflating delayed the return to gold for five years after 1816. When it became clear that there would be no immediate resumption, the pound began to depreciate again, the price of silver bullion rising from 2 per cent above par in 1816 to 12 per cent premium on 1818. Similarly, the foreign exchange rate at Hamburg rose from par to 5 per cent above. And domestic prices rose from 135 in 1816 to 150 two years later. The weakening of the pound by disappointed expectations of immediate resumption was also greatly compounded by an expansion of bank advances and note issues.

When the restriction came up for one of its periodic renewals in the Spring of 1816, Chancellor of the Exchequer Vansittart pleaded for two more years of renewal so that business could acquire more needed cheap credit. Vansittart was easily able to defeat Francis Horner's resolution for resumption of specie payment in two years. Agriculturists, as usual, had overexpanded and went heavily into debt during the wartime inflation, and then complained heavily when the bubble burst and turned to the government to inflate or expand spending on their behalf. The *Quarterly Review*, reflecting Tory devotion to the interests of aristocratic large landlords, shifted gears from favouring the bullion *Report* to bitterly denouncing deflation.

The most extreme of the inflationists now emerged in the form of two banker brothers from Birmingham, Thomas (1783–1856) and Matthias Attwood (1779–1851), who also served as the spokesmen for the iron and brass industry of the city. Birmingham, as the centre of armaments manufacture, had been a major beneficiary of the war boom. Thomas Robert Malthus, as we have seen, for a few years urged the government to increase deficits to cure the alleged ills of underconsumption, but abandoned this line of thought as soon as the postwar agricultural and economic depression was over. But the prolific Attwoods were to make inflation and permanent incovertible fiat paper money a lifelong crusade. Nothing, for example, could be more starkly opposed to Say's crucial law of markets than the unabashed assertion of Thomas Attwood, in an 1817 open letter to Vansittart, that 'It is the chief purpose of this letter to show that the issue of money will create markets, and that it is upon the abundance or scarcity of money that the extent of all markets principally depends...'.

Along with fiat money and monetary inflation, the Attwoods and their counterparts in the northern industrial city of Liverpool were able to persuade the government to embark on a large-scale programme of deficits, relief and public works to try to generate another inflationary boom. James Mill warned Ricardo in the Autumn of 1816 that 'some villainous schemes of finance' were afoot, and sure enough, the government proposed a deficit bond issue to finance public works, and also loaned out three-quarters of a million pounds during 1817. The temporary resurgence of inflation and prosperity in 1818 was the result, according to the fiery, erratic hard-money radical journalist William Cobbett, of the prodding by Matthias Attwood upon Vansittart, who 'caused bales of paper money to be poured out...', via Bank of England loans to the government.

Indeed, it was undoubtedly the weakening of the pound in 1817–18 that tipped the scales and led to Parliament's passing the act of resuming payments in gold in May, 1819. Resumption in gold coin was supposed to begin four years hence, but actually gold coin payments were launched on the banner day of 8 May 1821. Even though the resultant gold coin standard served as the cornerstone of Britain's economic growth and prosperity for nearly a century, the fierce opposition, confusion, and vacillating of the government made arriving at the proper result seem almost a miracle. The bank opposed resumption down to the very passage of the law in 1819, and it was the government's temporarily cooling relations with the bank that allowed room for the resumption law. Yet, even though a determined effort was launched by men such as Alexander Baring (1774–1848), the Attwoods and the Birmingham manufacturing interests, and the landed aristocrats to overturn resumption, the gold standard held and was even resumed earlier than scheduled, in 1821.[20] Thus the earl of Carnarvon, in mid-1821, denouncing the resumption act for lowering agricultural prices, and calling for monetary expansion and greater government expenditures, openly raised the standard of the landed aristocracy as against the cosmopolitan money men and financiers:

> He called upon the House to consider the consequences...of destroying by its means the aristocracy of the country – the gentlemen and the yeomanry of England, on whose existence our institutions alone could rest. The monied interest had been formed by the calls of our finances; they could be removed: they were inhabitants of this or of any other country; but the stability of our institutions, and the safety of the throne itself, depended on our agricultural population...

And yet the gold coin standard held. It held even though two of the most influential champions of resumption were weak reeds when it came to resisting the anti-deflation hysteria. At the end of the war, Ricardo, in his *Proposals for an Economical and Secure Currency* (1816), reverted to his 1811 gold bullion proposal, in which resumption would take place not in coin but in large ingots or gold bars, thereby limiting the gold standard to a few wealthy traders. Gold would not then be the true standard currency of the realm, and would be but a flimsy check against the propensity of government and the banking system to inflate money and credit.

After the publication of his *Principles of Political Economy* in 1817, David Ricardo was the most celebrated economist in England, and his views on currency as well as other economic problems carried great weight. At the urging of his mentor James Mill, Ricardo then entered Parliament in 1819 to battle for his economic views until his death in 1823. He particularly lent his great prestige to urging resumption of gold payments, and somehow his bullion plan lost out rapidly to the more consistent and thoroughgoing gold coin standard.

The most important single politician responsible for the return to gold was the remarkable Tory statesman Robert Peel the Younger (1788–1859), who gave his name ('Peel's Act') to the resumption law. Peel was later, as prime minister, to be responsible, during the mid-1840s, for the repeal of the notorious Corn Laws, as well as the attempt to establish the currency principle into law in Peel's Act of 1844. Peel's accomplishments were particularly remarkable for being bred to the political purple by his distinguished High Tory father. Peel was the eldest son of Sir Robert Peel the Elder, a leading Lancashire cotton manufacturer, whose own father had established the first calico-cotton factory in Lancashire. Sir Robert was a dyed-in-the-wool Tory statist, a fervent supporter of William Pitt, who had written a pamphlet in 1780 praising the *National Debt Productive of National Prosperity*. As an MP the elder Peel had ardently backed the war against France, had put through the first Factory Act, and had opposed the bullion *Report* in 1811.

When young Robert was born, Sir Robert dedicated his first-born son to the world of politics. The brilliant youth went to Harrow, where he was a friend and classmate of Lord Byron, and entered Christ Church College in Oxford, in 1805. In 1808, Peel graduated with high honours, and his doting father promptly purchased him a seat in Parliament the following year. The precocious 21-year-old MP soon became under secretary for war and the colonies, whose ministry conducted the war against France, and in 1812 he became for six years the chief secretary for Ireland. There he followed his father's High Tory principles by fiercely repressing the Irish and taking the lead in opposing the emancipation of Catholics in Great Britain. In 1811, young Peel joined his father in bitter opposition to the bullion *Report*.

In 1819, when the House of Commons named a committee to study the resumption of specie payments, young Robert Peel was chosen chairman over far more experienced members such as Huskisson, Canning, and the ardent bullionist and member of the bullion committee, the Whig George Tierney. Yet Robert Peel orchestrated the report favourable to resumption, and it was Peel who shepherded the resumption law through Parliament. Peel thereby displayed the beginning of his memorable life-long series of shifts away from High Tory statism and towards classical liberalism. Towards, in short, hard money, free trade, and emancipation of the Roman Catholics of Britain. George Canning was in awe at Peel's achievement in attaining the gold coin standard, calling this feat 'the greatest wonder he had witnessed in the political world'. It was particularly piquant that, in effecting this notable change of heart, the younger Peel had to break with his father, who not only opposed resumption, but also signed the petition of several hundred 'Merchants, Bankers, Traders and others' of the City of London, warning of great distress should the committee's recommendation ever become law.

A crucial question, then, is how Robert Peel came to change his mind. Professor Rashid has performed the service of unearthing as the likely instrument of Peel's conversion his former tutor at Oriel College, Oxford, the Rev. Edward Copleston (1776–1849).[21] Copleston was the son of a rector in Devonshire, and was descended from an ancient landed Devon family. Graduating from Corpus Christi College, Oxford in 1795, Copleston became a fellow at Oriel College, getting his MA from there in 1797, and becoming a tutor at Oriel, and professor of poetry at Oxford. Copleston later became dean at Oriel, and by 1814 had risen to provost of Oriel College. He was highly influential at Oxford, and one of the main persons responsible for the raising of academic standards and the subsequent rise of Oxford to its once high estate. Although a staunch Tory and an influential clerical counsellor to the Tory leadership, Copleston was a moderate liberal in the Anglican church and an advocate of Catholic emancipation.

As early as 1811, Copleston had become a determined opponent of inflation and depreciation, especially criticizing its destructive effect on creditors and holders of fixed incomes. In 1819, he decided to intervene in the new bullionist struggle by publishing two pamphlets directed to his former pupil. The first *Letter to the Rt. Hon. Robert Peel...On the Pernicious Effects of a Variable Standard of Value* was published on 19 January 1819, and it was quickly recommended on the floor of the House of Commons by the fiery Whig and proponent of immediate resumption, George Tierney. The pamphlet was also praised in an editorial in the *Times*. The first edition of the *Letter* was sold out immediately, and within a month, three editions had been printed. In March, Copleston published a *Second Letter...* elaborating on the arguments of the first, particularly on the ill effects that inflation and a depreciating pound had on the poor. The large printing of the *Second Letter* was quickly sold out, and a second edition was issued in May.

Evidence of Copleston's influence on Peel comes from the latter's correspondence with his favourite tutor at Oxford, his close friend, the Rev. Charles Lloyd. Lloyd, who was indeed a rival Anglo-Catholic force to Copleston at Oxford, wrote to Peel recommending Copleston's *Letter* at the same time that Peel was recommending it to him. Peel notes that the pamphlet 'has made a great impression' in Parliament, including among its admirers Canning and Huskisson. In fact, it seems likely from Peel's remarks that Copleston's clear-cut restatement of bullionist principle was the first pamphlet he had ever read on the subject.

Matthias Attwood, indeed, went so far as to claim that Peel and Huskisson were followers of Copleston's ideas. If Copleston was crucially influential, then his violent attack in the pamphlet on what Peel referred to as the 'imbecility' of Nicholas Vansittart might have played a large role in reducing Vansittart's influence and getting government policy on resumption changed.

Yet, in the post-resumption debate, even Copleston floundered, claiming in the *Quarterly Review* in 1821 that, while he had upheld the principle of specie payments, he had been opposed to immediate resumption. Complaining about the agricultural distress, he blamed the immediate resumption on the influence of Ricardo, ignoring the latter's own phobia about deflation. Thus the two most influential writers pushing Parliament into resumption, Ricardo and Edward Copelston, each was uncertain about the gold coin standard in the face of deflation. Robert Peel's achievement appears, then, all the more miraculous.

Of particular interest is Copleston's brilliance and possible originality in his challenge to Ricardo by reviving, perhaps unwittingly, the 'complete bullionist' or 'pre-Austrian' monetary tradition of Cantillon and Lord King. Copleston, in the first place, attacked Ricardo's mechanistic assertion that exchange rates *measure* the degree of depreciation, this doctrine resting on the equally mechanistic view that 'a variation in price caused by an altered value of money is common *at once* to all commodities'. (Emphasis Ricardo's.) Copleston countered that it was precisely because prices do *not* adjust smoothly, instantly, and uniformly to inflation that the inflation process is so painful and destructive:

> The fact undoubtedly is, that the altered value of money does not affect all prices at the same time: but that wide intervals occur, during which one class is compelled to buy dear while they sell cheap, and others have no prospect whatever of indemnity, or of regaining the relative position they once occupied.

In short, Copleston pointed out the profound truth that in a transition period to a new monetary equilibrium there are always gains by those whose selling prices rise faster than their buying prices, and losses by those whose costs rise faster than selling prices, and who are late in receiving the new money. But, even further, Copleston points out that some of these changes in relative income and wealth will be permanent. In short, changes in the money supply are never neutral to the economy, and their effects are never confined to the 'level' of prices.

Taking issue with David Hume's famous assertion that an increase of the quantity of money in a country generates prosperity, Copleston pointed to the impoverishment of the Spanish and English peasantry from the monetary and price inflation of the sixteenth century. He noted shrewdly, in a lesson that could well be heeded today, that while 'pure theory inculcates the neutral and necessary tendency towards an equitable adjustment', it also 'leaves the intermediate difficulties and delays out of the question, as frictions in a mechanical problem...'.

On the other hand, Copleston was perceptive enough to point out that the path toward equilibrium is faster in monetary than in real matters. In monetary affairs, he noted,

> the level is found *almost immediately*. Other commodities require some time to produce them – and the fortunate holder of large quantities may make great profits before an adequate competition can grow up: but in these [money] the time and labour required for the production count for nothing. The commodity is always afloat, waiting only the impulse of profit to determine its direction to the best market.

6.4 Questioning fractional-reserve banking: Britain and the US

Great Britain had now experienced the pain and deprivation of what would become a classic 'business cycle', i.e. the expansion of money, the rise in prices, the euphoric boom, all fuelled by the monetary inflation of a fractional-reserve banking system, succeeded by a monetary contraction, with attendant depression, fall in prices, bankruptcies, unemployment and dislocations. And behind this boom and bust, guiding, organizing, centralizing, and directing the monetary expansion and contraction, was the powerful central bank created and privileged by the central government. In short, it was forcefully impressed upon the public that fractional-reserve banks, especially when organized under a central bank, can and do create and then destroy money, distorting and impoverishing the public and the economy in their wake. It is no wonder that severe critics of fractional-reserve banking quickly arose, indicting the banks' actions and the system itself, and noting their responsibility for the boom–bust cycle.

Professor Frank W. Fetter notes the 'groundswell of criticism of all banks', but he describes the 'invective' against banks as 'exploiters' of the common people with an air of bemusement at the public's irrationality. But surely this 'populist' invective was well justified: the banks were indeed privileged by the government, enabled to inflate, and thus to set in motion a two-fold great injury upon the public: an inflationary boom dislocating production and investment and wiping out the savings of the thrifty, followed by a painful contractionary bust necessary to correcting the distortions of the boom. All of this could properly be laid to the door of the privileged, central bank-run, fractional-reserve banking system. Looked at in that light, the radical denunciations of banks 'without benefit of economic analysis' look more like a deeper level of analysis than Fetter realizes. Fetter describes these opponents of banking as follows:

> The idea appeared increasingly that banks deprived the public of its natural metallic money and had created paper money as an instrument of oppression...Men who were far apart on most points were in agreement that somebody was making too much money from the paper money system: the restrained criticism of Ricardo, under James Mill's urgings, of the Bank's profits; the strictures of obscure pamphleteers that bankers 'appear to be infinitely more mischievous than the coiners of base money [i.e. counterfeiters of coin]', and that both the Bank of England and the country banks had made 'unfair gains from the restriction measure'; the wholesale invective of Cobbett against bankers as a class; and the denunciations in Jonathan Wooler's *Black Dwarf*, in Leigh Hunt's *Examiner*, and in *Sherwin's Political Register*, where without benefit of economic analysis these radical journals reiterated that the paper money system was one of the oppressors of the people. In 1819, when Parliament was considering resumption, *Sherwin's Political Register* offered this advice: 'Let our tyrants turn their infamous paper into coin of the same weight and fineness, as that of which the people have been deprived...'.[22]

Fetter indicts the radical hard-money journalist William Cobbett[23] for alleged inconsistency in bitterly denouncing the restriction and the bank's inflation, and then attacking the bank for deflating after the war and causing further distress. Yet there is no real inconsistency in attacking the central bank and the fractional-reserve banks for first inflating and then contracting, for that is precisely what they had done, and the entire distress of the boom-bust cycle can thus be laid at their doors.

Knowingly or not, these radical critics of fractional-reserve banking were simply revising and applying the great tradition of hostility to fractional-reserve banking and devotion to 100 per cent reserve in eighteenth century Britain (e.g. Hume, Harris, Vanderlint), a tradition that had been unfortunately derailed by Adam Smith's apologetics for bank paper. In France, the

100 per cent reserve anti-bank tradition had already been revived, as we have seen, by J.B. Say and Destutt de Tracy.

In the United States, meanwhile, similar conditions were bringing about similar results. The United States, too, had entered the Napoleonic Wars in 1812, and subsequently experienced wartime boom, inconvertible bank notes, and comparable grievous inflation. The difference was that the United States had managed to get rid of its central bank (the First Bank of the United States) in 1811, so it achieved inflationary results by the federal government's permitting the private banks to suspend specie payments in August 1814, allowing them to continue in operation and expand credit without having to redeem their notes or deposits. This intolerable situation was allowed to continue for two years after the end of the war, until February 1817, at which point the Madison administration made an inflationary compact with the nation's banks. The compact provided that the US would re-establish a privileged Second Bank of the United States, which would then proceed to inflate credit by at least an agreed-upon amount, in return for the banks graciously consenting to resume meeting their contractual obligations to pay their debts in specie. An inflationary boom, fuelled by an expanding Second Bank ensued, to be followed by the catastrophic panic of 1819, in which the Second Bank was forced to contract suddenly in order to save itself.

The panic of 1819 confirmed Thomas Jefferson's hostility to fractional-reserve banking, and we have seen how he and his friend and old opponent John Adams both declared their enthusiasm for Destutt de Tracy's ultra hard-money treatise on economics. Jefferson was moved by the panic to draw up a remedial 'Plan for Reducing the Circulating Medium', which he asked his friend William Cabell Rives to introduce into the Virginia legislature without disclosing his authorship. The goal of the plan was bluntly stated as 'the eternal suppression of bank paper'. The method was to reduce the circulating medium to the level of specie proportionately over a five-year period, until paper money was withdrawn completely and totally redeemed in specie. After that, the money in circulation would consist solely of specie.

John Adams agreed wholeheartedly. In a letter to his old opponent, the great libertarian Jeffersonian anti-bank and anti-tariff theoretician John Taylor of Caroline, Adams blamed the banks for the 1819–20 depression. He attacked any issue of paper money beyond specie in the bank as 'theft', a position he had elaborated years earlier: 'Every dollar of a bank bill that is issued beyond the quantity of gold and silver in the vaults represents nothing, and is therefore a cheat upon somebody.'[24]

Jefferson's close friend and son-in-law, Governor Thomas Randolph of Virginia, summed up in his inaugural address of December 1820 the predominant Virginia attitude towards banks. Randolph pointed out that specie, in universal demand, had a relatively stable value, whereas banks caused great fluctuations in the supply and value of paper money, with attendant distress. Randolph endorsed not only the collection of all taxes in specie (which later, on the federal level, became the 'Independent Treasury' plan) but also envisioned a currency backed 100 per cent in specie.

But the most important impact of the panic of 1819 on American thought was not simply to reconfirm the hard-money advocates of the older generation. It was to generate and stimulate a new, mighty ultra-hard-money movement, which would later become the Jacksonian movement of the 1830s and 1840s. The goal of the great Jacksonian movement was a monetary system consisting wholly of gold or of 100 per cent gold-backed notes or deposits. Its first goal, achieved after great struggle in the 1830s, was to eliminate the Second Bank of the United States; its second, largely achieved a decade later, was to separate the federal government totally from the banking system by confining its receipts and monetary transactions solely to specie (the 'Independent Treasury'). Its final goal, only partially achieved, was to outlaw fractional-reserve banking altogether, a goal that might well have succeeded if the Democratic Party had not been fatally sundered by the slavery issue.[25]

A remarkably large number of future Jacksonian leaders learned their anti-bank hard-money views from experiencing the panic of 1819. General Andrew Jackson (1767–1845) himself, a wealthy Nashville, Tennessee cotton planter, adopted his lifelong anti-bank views as a result of the panic: indeed, he quickly became the fervent leader of the opposition to inconvertible state paper in Tennessee, as well as to laws for relief of debtors. Top Jacksonian Senator Thomas Hart Benton (1782–1858) of Missouri, affectionately termed 'Old Bullion' for his devotion to gold and hard money, and who was slated to be Martin van Buren's Jacksonian successor in the presidency, was converted from his previous inflationist views by the panic of 1819.[26] And young future Jacksonian and eventual president, James K. Polk (1795–1849), a wealthy cotton planter, began his political career in the Tennessee legislature in 1820 by advocating a speedy return to specie payments.

Historians have had great difficulty interpreting the essential nature of the Jacksonian movement, or for that matter, the economic views of Thomas Jefferson and the Jeffersonians. Jefferson, for example, has been generally perceived as a devoted 'agrarian', opposed to commerce and manufacturing, and Jeffersonian John Taylor of Caroline has been labelled in the same way. In reality, it is hard to see how any 'agrarian' can be opposed to a commerce essential to exporting farm products as well as importing manufactured and other goods to the farmers. It is true that Jefferson, Taylor and others were devoted farmers and personally disliked cities. But they were not opposed to either commerce or industry. What they were opposed to was governmental subsidy and artificial force-feeding of industrial or urban growth. The Jeffersonians favoured *laissez-faire*, private property rights, and the free market, and were therefore opposed to governmental subsidies, protective tariffs, and cheap, inflationary bank credit.

The Jacksonians, too, had strict *laissez-faire* views, except that there were naturally proportionately more who lived in cities or worked in industry. Jacksonians have been variously and even chaotically interpreted by historians as being (a) wild-eyed agrarian hillbillies opposed to commerce and capitalism (historians at the turn of the twentieth century); (b) pre-New Dealers interested in forging a worker-farmer uprising against National Republican-Whig capitalism (Arthur Schlesinger, Jr): and (c) spokesmen for rising entrepreneurs and private, state-chartered banks, trying to throw off central bank shackles upon state bank inflation (Bray Hammond). The wild inconsistencies of these interpretations stem from most historians conflating the free market and state capitalism. The Jeffersonians and Jacksonians were not anti-capitalist but ardently in favour, but to them, in contrast to their enemies the federalists and Whigs, genuine capitalism occurs only when commerce and manufacturing are free, free of both subsidies and constricting controls. Whereas federalists and Whigs were mercantilists who favoured state capitalism, cheap credit, protective tariff, a national debt, and Big Government, the Jeffersonians and Jacksonians were free market or *laissez-faire* capitalists who wanted capitalism and economic growth to develop only under freedom and free markets, i.e. under a system of free trade, free enterprise, ultra-minimal government, and ultra-hard money.

Neither was Jefferson or Jacksonian leadership in any way ignorant or hillbilly. Jefferson himself, as well as most of the other leaders, was thoroughly familiar with the literature of the bullionist controversy, as well as the economic classics. And most of the younger generation of bright economic thinkers and writers were in the Jacksonian camp.

Thus Amos Kendall, influential editor of the *Frankfort (Ky) Argus*, and later to be one of the leading brain-trusters in President Jackson's kitchen cabinet, and his main adviser in the bank war, became a bitter opponent of the banking system as a result of the panic of 1819. The very thought of banks he now found 'disgusting'. The best method of rendering them harmless, he concluded, was simply to prohibit them by constitutional amendment. If this were not feasible, then the banks should be required to post security with the courts enabling them to redeem all their paper.

One of America's first economists, Condy Raguet (1784–1842), found his economic outlook totally transformed by the Panic of 1819. A Philadelphia merchant and attorney of French descent, Raguet had published, in 1815, an inflationist and protectionist tract, an *Inquiry into the Causes of the Present State of the Circulating Medium.* But, in the midst of the panic, Raguet, as state senator from Philadelphia, headed a committee in 1820–21 that looked closely into the causes of and possible remedies for the unprecedented eco-