



Matlab & Python: Applications in Economic History

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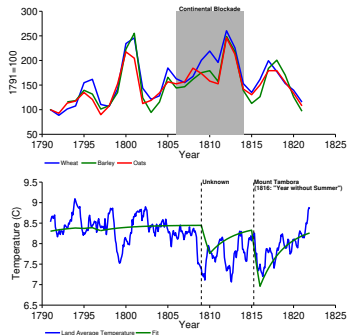
Bullionist Controversy I

- Literature: Viner (1937); Flanders (1989); Arnon (2011, p. 73-95, 126-151)
- French Revolutionary Wars (1792-1802); Napoleonic Wars (1803-1815): France is at war with Britain from 1793 on
- French army is remarkably successful → panic in Britain → bank run → Feb 27, 1797: suspension of gold convertibility (until May 1, 1821; Bank Restriction Period)
- Domestic gold standard replaced by a paper standard; international gold standard replaced by a floating exchange rate
- 1798-1801: increase in agricultural prices, increase in the price of gold bullion



Bullionist Controversy II

Grain Price Indices, England and Wales, 1791-1821



Sources: grain prices: Mitchell and Deane (1971, p. 488); temperature: berkeleyearth.org; fit: simple fit based on CO₂ concentration and volcanic activity



Bullionist Controversy III

Key question

“Is the premium on gold over paper evidence of inflation, and if so is it due to reckless monetary policy on the part of the Bank of England?”

(Blaug, 1962, p. 122)

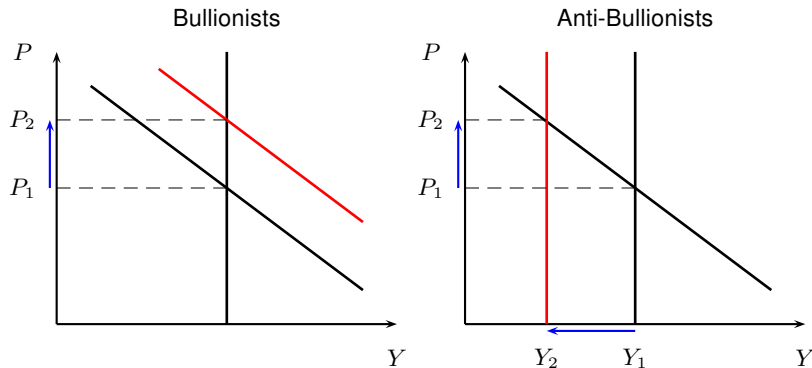
- Bullionists: *“Our circulating medium is almost wholly composed of paper, and it behoves us to guard against the depreciation of the paper currency with at least as much vigilance as against that of the coins.*

This we have neglected to do.” (Ricardo, 1810, p. 23)

- Anti-Bullionists: price increase is not the fault of the BoE, but caused by real factors (war, harvest failures)

Bullionist Controversy IV

Reduction of the Controversy to the AS-AD-Framework





References I

- Arnon, A. (2011), *Monetary Theory and Policy from Hume and Smith to Wickseil*. Cambridge, New York: Cambridge University Press.
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- Mitchell, B. R. and Deane, P. (1971), *Abstract of British Historical Statistics*. Cambridge: Cambridge University Press.
- Ricardo, D. (1810), *The High Price of Bullion, A Proof of the Depreciation of Bank Notes*. London: John Murray.
- Viner, J. (1937), *Studies in the Theory of International Trade*. London: George Allen & Unwin.