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**GRENVILLE'S WAR AND POST-WAR VIEWS ON MONEY  
IN EARLY 19<sup>th</sup>-CENTURY BRITAIN**

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**1. INTRODUCTION**

The main monetary issue in Britain during the early 19th-century war with France was about prolonging the suspension of the convertibility of the Bank of England note, which had been enacted in 1797 (Restriction Act). Amidst a difficult return to a peacetime economy it would also be the main issue in the post-war period, since it would take six years after Waterloo before the pre-war monetary situation was restored (see Deleplace 2023b).

During more than two decades, Lord Grenville's views on the monetary system did not change. They were mostly centred on two aspects. First, the suspension of cash payments of its notes by the Bank of England was a calamity: justified at the outset as a temporary measure of necessity, it should not be prolonged year after year, even in time of war. Second, the substitution of country banks' notes for coins which had taken place all over England outside the London area was a threat to economic and social stability. These unflagging views did not prevent Grenville from advocating gradualism in what was to be implemented in order to return to a sound monetary system – that is, one endowed with a metallic standard thanks to the convertibility of the Bank of England note into coin and to the pre-eminence of specie in the country circulation. This mixture of monetary orthodoxy and gradualism led Grenville in 1819 to support Ricardo's novel plan for convertibility into bullion, provided it was understood as a temporary scheme aiming at facilitating the resumption of convertibility into coin. It also led him in the 1820s to resist the pressures in favour of the return to a double standard (gold and silver).

Grenville's views on money are scattered in two types of documents: speeches in Parliament and private correspondence. Although he was recognised as an authority on monetary matters, Grenville did not write any pamphlet on this subject, contrary to many of his contemporaries during the Bullionist Controversy. It may thus be useful to organise these views around his main topics of interest on money. My first source of information will be composed of speeches before the House of Lords, in the early period of suspension (Grenville 1803, 1804a, 1804b) and during the post-war debates on resumption (Grenville 1818, 1819). Surprisingly, Grenville seems not to have publicly taken part in the 1810-1811 debates around the *Bullion Report*, although in his later speeches he would praise it a lot. My second source

of information will be composed of three letters written by Grenville in the 1820s, one sent to Thomas Tooke (Grenville 1825) and two to William Huskisson (Grenville 1826a, 1826b).

The paper is organised as follows. Section 2 deals with the suspension of the convertibility of Bank of England notes, and Section 3 with its resumption. Section 4 deals with the circulation of country banks' notes and Section 5 with the problem of the double standard of money. Section 6 concludes. Since the documents used are not easily accessible, I will give large extracts of them.

## **2. ON THE SUSPENSION OF CONVERTIBILITY**

### **2.1. Grenville's views on suspension during the war**

In a speech of 13 December 1803, Grenville expressed an approach to money based on a principle illustrated by an image commonly received since David Hume,<sup>1</sup> *viz.* of a flow which always finds its own level, provided no obstacle prevents it from doing so:

The fundamental principle of all governments on this subject ought to be, that credit and circulation, if undisturbed by legislative interference, will invariably find their own level. Whenever any temporary purpose (as must sometimes happen) induces a departure from this principle, the misfortune is, that the first deviation too commonly leads to the necessity of a second, and so necessarily, until it becomes almost impossible to tread back the same steps, or to revert to the only wise system of policy on the subject. (Grenville 1803: 1824)

Such a "misfortune" had occurred since the 1797 Restriction Act: the Bank of England notes being no longer convertible into coin, they could not "find their own level" and their quantity – as well as that of "private paper", that is, country banks' notes – had been increased beyond limit:

During the continuance of this measure [the Restriction], our paper circulation, both Bank and private paper, had infinitely increased, no man was ignorant of. He was afraid it might be shewn, that this was a necessary consequence of the measure itself. The power of converting paper into cash at the will of the holder, was the only safe limitation that ever could exist upon the issue of paper, and, if left to its free operation, it was a limitation that might safely be relied on. All other limitations were arbitrary, depending on the uncertain speculations of individuals upon points which no speculations ever can decide with accuracy. (*ibid.*: 1825)

During a debate in 1804 on the Restriction Act that had also applied to the Bank of Ireland, Grenville observed that the coin had disappeared almost completely. Notes had replaced them but had also multiplied, generating an excess:

In one account which he had seen, of a receiver-general of the land tax, in 100l. he had received only 11 in cash. He believed this case not to be singular. And the excess of paper, as he had argued on a former occasion, he believed to be owing chiefly to the operation of the bank restriction act. Since 1797, when that act passed, the issues of the Bank of England had doubled, and those of the Bank of Ireland had grown to five times as much as they were at that period. (Grenville 1804a: 702)

Indeed Grenville had been favourable to the suspension at the outset but he now recognised the evil produced since, and it was not inconsistency on his part to ask for the recall of this measure:

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<sup>1</sup> "All water, wherever it communicates, remains always at a level." (Hume 1752: 312)

It had been urged, that he was not consistent, in opposing this bill, since he was one of those with whom the measure originated. He owned the share he had in that. But he had contemplated it as a measure of necessity only, excused only by the peculiar circumstances which called for it. Because he had given it his approbation, first for a short period, then for the remainder of the last war, it did not follow that he was bound to prolong it during the peace, and afterwards again to the conclusion of the present war. And is it to be argued, that because he had recommended a temporary measure from necessity, he was to support it ever after? He would submit to no such argument. And, if he had seen that this measure had produced great evil, and that the evil was increasing, he would say, that he was the mere bound to recommend the House now to recall it, for having been one to introduce it nor would he shrink from his duty, from the dread of being deemed inconsistent. (*ibid*)

To justify his present position, Grenville called for the authority of Adam Smith, who had distinguished between two types of circulation, one between dealers, the other between dealers and consumers. Only the first could use paper money; if used in the second to procure the necessaries of life, the survival of the people might be put at risk in the case of an invasion annihilating the value of the paper:

The threat of ruin that menaced from the present situation of the country [England], as to its circulation, was great. The recurring to the old system was the only road of safety. The ablest writer on subjects of this nature, who had reduced the chaos of maxims to a philosophical order and luminous principles, Dr. A. Smith, had said, there were two sorts of paper, distinct in their character from each other; the former, by which the great dealers carried on their traffic; and the latter, by which the consumer bought of the small dealer. When the latter paper, he adds, comes to be prevalent, the nation is in great danger; and if, in such a case, it be invaded, it is impossible to contemplate the consequences without horror. The case put by this great man seemed to be nearly completing. In Ireland, the depreciation of the circulation is already very great; here [in England] there are symptoms of depreciation of the circulation. There is nothing to be seen between the consumer and dealer but paper. What Dr. Smith deprecated has arrived in part, and the rest is hastening on.—Need he inform their lordships why the able writer spoke with such terror of an invasion, with such previous circumstances? It is because the only medium by which the great bulk of the nation, the labouring people, can procure bread, in such a case, is a paper circulation, which is annihilated instantaneously by an invasion. (*ibid*: 703)

In his 1803 speech Grenville had been thus favourable to an investigation by Parliamentary committees which should contemplate two measures: the reintroduction of coin to dispense with small Bank of England notes, and the gradual return to cash payments of its large notes:

Two objects it [the investigation] would naturally have in view. The first to reintroduce into the circulation of the country such a quantity of coin as might at least suffice for the ordinary dealings of life; that coin which was now vanished by the excessive issues of paper of all descriptions, no longer checked by the natural limitation, that of being immediately convertible into cash. The next object naturally would be, to provide, as far as possible, for the stability and credit, even during the existence of actual invasion, of such paper as would still continue to circulate. These objects would both of them, as he apprehended, best be obtained, by recurring, not suddenly nor abruptly, but by well-considered gradations, and with every possible attendant precaution that the wisdom of man could devise, to that first principle by which alone paper issues can be limited, and on which it alone can securely rest, namely, the power of their immediate conversion into cash. (Grenville 1803: 1829)

In his 1804 speech on Ireland, Grenville called again for an investigation concerning England (and not only Ireland), and again he put forward the two measures he had already advocated: the resumption of convertibility for the Bank of England notes of £5 and upwards, and the substitution of coin for its £1 and £2 notes. In both cases he advised gradualism:

After expatiating upon these topics considerably in detail, his lordship [Grenville] expressed his satisfaction at the appointment of an inquiry into the subject in Ireland, and his earnest wish was that an investigation should be set on foot on the part of both Houses, as the subject affected Great Britain as well as Ireland. It was by no means, as he had before observed, too late, and one great object for consideration, in endeavouring to remedy the evils of an excessive paper circulation, should be, a gradual taking off the restriction upon the bank: that corporation should be enabled, but gradually, to resume their cash payments: not, however, without due and full notice being given. The withdrawing of the small notes from circulation, would necessarily induce the introduction of cash to the like amount, to fill up the chasm; this, of course, should not be hastily done.— Suppose, he observed, that within 3 months the one pound notes were to be called in, and, in another subsequent interval, the notes of two pound, the most salutary effects would be produced in reference to what he had suggested. (Grenville 1804a: 704)

In another speech four months later, Grenville added one condition to the welcomed substitution of coin for small notes: it should be done with full-bodied coin and not according to a proposed bill authorising the circulation of *debased* silver dollars. Such an expedient would partake of the injustice generally associated with any form of debasement of metallic money, as demonstrated for long by political economy:

To all those who had the smallest acquaintance with the science of political economy, there was no truth more evident than this, that the practice which was sometimes recurred to by governments, of issuing debased coin, or in other words, of coin bearing a higher denomination than it was intrinsically worth, was one most injurious and unproductive in the experiment; unproductive, because it produced no advantages to the govt. ; and injurious, because it was invariably detrimental to the interests of the country where it was issued. The measure which the bill before their lordships went to authorize, he must consider as partaking of all those mischiefs and inconveniencies. What was the professed object of it? It was neither more nor less, than this, to authorize the bank to make that pass current for 5s. which in reality was only worth 4s. 6d. or perhaps less. What would be the consequence to the person who received this debased coin? Why, it would operate to his disadvantage in a ratio of 10 per cent. if he were under the necessity of receiving four of those dollars or tokens, as they were called, which were only worth 18s. in payment of a pound sterling. His lordship considered the measure which the present bill went to sanction as one arising out of that most impolitic and unjustifiable step, the restriction upon the Bank of England from making payments in specie. Their lordships had a strong proof before them, that it was no less true in politics than in morals, that one act of injustice invariably led to the commission of another. Had the restriction upon the Bank never taken place, most probably their lordships would not have been called upon to give their sanction to the measure before them; which, in his opinion, was pregnant with impolicy, injustice, and fraud. (Grenville 1804b: 923-924)

There was, however, a flaw in Grenville's arguments: he did not say how to trigger inflows of gold to implement the two measures, at a time when the exchange was still against the pound.

## **2.2. Grenville's post-war views on suspension: The 1818 debate on the Bank Restriction Continuance Bill**

The successive renewals of the 1797 Restriction Act had subjected the end of the suspension to the signature of a definitive peace treaty. Accordingly, after the conclusion of the Peace of Paris in 1816, this question came before Parliament. The Prime Minister, the Earl of Liverpool, then proposed a bill according to which the restriction would still continue during two years, so as to enable the Bank of England to prepare for the resumption of cash payments. Two years later, in May 1818, time had come to legislate on the end of the restriction. However, the same Earl of Liverpool again proposed a Bank Restriction

Continuance Bill extending the suspension for one more year. Introducing the debate in the House of Lords on 26 May, he acknowledged that this new delay did not arise from want of preparation by the Bank; neither was it justified by anything connected to the domestic circulation or the ordinary state of the foreign balance. The reason was exogenous and exceptional. The terms of the peace had obliged France to pay war contributions to the Allied powers and to discharge the claims of foreign private individuals. In 1817 the French government had asked to pay off these claims in three years rather than five as previously arranged. This meant raising £30 million in a limited period. According to the Earl of Liverpool, this French financial operation affected all countries in Europe, and the likely outflows of funds from Britain were expected to put a strain on the exchange rate of the pound and to generate an export of gold at a time when it was needed to resume cash payments.

During the debate on the same day, Lord Grenville was the first to react to this bill proposal and he opposed it very offensively. This speech gave him the opportunity to reject inconvertibility in general terms, to criticise retrospectively the successive renewals of the 1797 Restriction Act, even in the circumstances of the war, and to discard the argument put forward to prolong it after the end of the war.

Grenville first availed himself of a general agreement in favour of a metallic currency. To substitute inconvertible paper for it was endowing its issuer – the Bank of England – with the power of controlling the property of every man:

All men were agreed, whether practical or scientific, that a metallic currency was the only proper basis of circulation. With this principle admitted, they were now called upon to substitute paper in its place, knowing that paper must continually vary, not according to any process of nature, but at the will or caprice of one body, and according to their views of profit. They were required to give to that body, not the state, but within the state, a power of this alarming magnitude, and to place at their absolute control the property of every man in the kingdom. (Grenville 1818: 928-9)

This “control” was implemented by the privilege given to the Bank of England to pay its creditors in a depreciated currency, since its note had a lower value than the coin:

It was not fitting to go on with what was called restriction and restraint, if that restraint was in truth no other than a boon and indulgence granted to the Bank of England, by which they were enabled to pay their creditors in a depreciated currency, in notes depreciated five per cent (or thereabouts he believed) below the value of the sums of money represented. (*ibid*: 926)

This depreciation of the note was in fact a kind of tax levelled by the Bank, who could increase its rate at will since depreciation increased with the quantity of notes issued, which suffered no legal limitation:

It was but a short time ago that the burthened subjects of the kingdom were relieved from the income tax; that was a national impost, and while it was necessary it was paid cheerfully; but would the country submit in future to pay five per cent, not as an income tax, but in a different form: not to the state, but to the Bank? Such was, in truth, the effect of measures like that before the House: it gave to the Bank the power, as it were, of putting a pump into the estate of every man, and pumping out just as much of it as was thought convenient. Now it was at the rate of 5 per cent, but if the issues of the Bank were augmented, in a short time it might be 10 per cent, or even more: the profits of the Bank, and the losses of the people, were equally unlimited by any provision the legislature had yet adopted. This was a state of things not to be endured. Though he was willing and happy to live under the dominion of the king and of the parliament, he could not consent by this noxious law to be placed under the control of the Bank of England. (*ibid*: 935)

This privilege of the Bank had no counterpart in the satisfaction of a public interest, because the object of this “mercantile concern” was only to increase its profit to the benefit of its proprietors:

The objects of a bank company were grossly misunderstood, when it was said that they were to consider the interests of the public. They were no other than the directors of a mercantile concern, and it was to parliament to see *ne quid detrimenti capiat respublica*. That was the duty of parliament alone, and it were much to be wished that parliament had performed as well that duty towards the public, as the Directors of the Bank had discharged their proper offices towards the proprietors, for whom they were interested. (*ibid*: 929)

According to Grenville, the suspension of convertibility had not been justified by the circumstances of the war with France, even at its beginning:

Even at the commencement of the last war, it thought it a matter of great impolicy to acquire, not a facility to supply the wants of the country, but to burthen it with a dreadful difficulty, to which its resources could not be equal but by the greatest sacrifices. [...] There never had been a more fatal measure than the commencing and continuing of the suspension of cash payments. (*ibid*: 925)

The continuation of the suspension through its successive renewals had been a disaster which had impaired the capacity of Britain to wage the war:

He was well convinced that one of the greatest difficulties with which this kingdom had to encounter in its late contest with France, was occasioned by the measure of Bank restriction, which had produced that disastrous state of the circulation so frequently admitted and lamented. (*ibid*: 934)

This disaster was entirely the Bank’s fault, because it was the over-issue of its notes which had led to an over-issue of country banks’ paper:

He was confident that the principal, the *sine qua non*, cause of all our late calamities, arose from the extensive issue of bank paper, and the ruin consequent upon the depreciation of that issue. [...] The principal cause of all this, he repeated, was the suspension of cash payments, the consequent over-issue of bank paper, and the depreciation consequent on that over-issue. When the circulation of this country was in a healthy state, it consisted of three elements, specie, the paper of the Bank of England, and the paper of private banks. It was an inevitable consequence that the over-issue of Bank paper should cause an over-issue of country paper; and it was in evidence before the committee that made enquiries on this subject, that whenever the Bank paper increased as one, the country paper increased as three. (*ibid*: 930)

Now that a new prolongation of the suspension was asked by the government, Grenville felt betrayed because two years before he had given his assent to allow the Bank of England having more time to prepare for the return to convertibility:

He [Grenville] expressed the greatest disappointment [because] he was one who had given entire credit on the grounds on which it had before been proposed to continue the Bank restriction for two years longer. (*ibid*: 925)

Not only the Bank had not used this time to prepare for resumption, but it had just done the opposite. Rather than aiming at the reduction of the difference in value between gold and its note, it had acted in such a way that this difference had increased, through purchases of gold on the continent that had raised its value and increased issues of notes that had lowered their value:

It was indeed greatly to be regretted, now their lordships were again called on to renew this pernicious system, that they were not allowed to examine what measures the Bank had taken to ensure the resumption of payments;

because, if he were to trust on mere report, the Bank intended, instead of preparing for payment, to throw such difficulties in the way of government as to deter it from proposing any such measure. Now if the Bank wished to create any such difficulties, they could not do it better than by creating a difference between gold and paper, making gold dearer and paper cheaper; nor could they adopt more effectual means for this latter purpose than by drawing from the limited circulation of the continent from 25 to 30 per cent of that circulation. If you draw from any market a commodity to the amount of one-fourth of its quantity, that commodity must become immediately dearer, and this was what had actually happened. Again – persons who were really desirous of resuming payment, would take care that their paper should increase in value: and how would they do that? By contracting their circulation. The Bank knew very well that by an excessive issue they had depreciated the value of their paper; they knew, therefore, that by limiting the issue they might again, in some measure, restore its value. Instead of this, they had actually increased their issues two millions sterling. (*ibid*: 932-3)

Consequently, the Directors of the Bank had been either incompetent or unfaithful to their duty:

Parliament must come to one of two conclusions on this review of their [the Bank's] conduct, either that they had granted a discretion by the act to persons who were unfit to exercise it, or that those persons knew the increase of issue must depreciate what it was their duty to advance. (*ibid*: 933)

As for Liverpool's argument about the alleged disturbing effect of French heavy borrowing, Grenville discarded it because it was to be met by British exports of goods rather than of gold:

He [Grenville] denied that the late loan in France of fifteen millions had produced the effect attributed to it by the noble earl [of Liverpool]: neither the raising of that sum, nor indeed of any sum in the present year, could have had the effect of altering the exchanges, or of raising the price of gold, at least to the extent asserted; for it was notorious and obvious to the most superficial, that where payments were to be made by one country to another, they were made in that commodity which it best suited the interest of the country paying to send. This point required no argument, since experience proved that the payments from this country had been made in cloth or other manufactures, or in the produce of her colonies. The proportion paid in gold was exceedingly small, and could have no effect on the coin required for circulation. (*ibid*: 934)

However, Grenville did not say why gold would *not* be the cheapest exportable commodity, although the exchange was much against the pound at the time.

### **3. ON THE RESUMPTION OF CONVERTIBILITY**

#### **3.1. Grenville and the Lords' Committee on Resumption**

Against Grenville's wish, the Restriction Act was prolonged one year, as requested by government. The date for resumption was now fixed as 5 July 1819. It was thus only in early 1819 that the debates on the monetary system resumed, with two secret committees, one in the House of Commons and one in the House of Lords, being appointed "to consider the State of the Bank of England, with reference to the Expediency of the Resumption of Cash Payments at the period fixed by law, and into such other matters as are connected therewith." On 26 May 1819, the House of Commons adopted the nine resolutions embodied in the report of its committee.

During the debates, the main issue had been the alternative between deflation and devaluation. Advocates of deflation wished to re-establish the monetary system as it was



before 1797, the only difference being the substitution of a *de jure* for a *de facto* gold standard. The option of devaluation was symmetrical with that of deflation: by acknowledging that the twenty-two-year period of inconvertibility had produced consequences which could not easily be dispensed of, it made the resumption of convertibility easier. As always with the alternative between deflation and devaluation, the outcome depended on the balance of power between creditors and debtors. This conflict of interest was, however, softened by the fact that, although this was not the result of a deliberate policy of the Bank of England, the post-war stagnation in trade and the consequent general fall of prices had reduced the demand for Bank of England notes hence their quantity in circulation. The amount of further deflation needed to resume convertibility at pre-war parity was consequently smaller and made acceptable: since February 1819 the market price of bullion had been a little above £4 per standard ounce (for a legal price of coined gold of £3. 17s. 10½d.), that is, the note was depreciated only by around 4 per cent in gold.

This was the position held by Ricardo,<sup>2</sup> who was all the more inclined to neglect the deflationary consequences of resumption at pre-war parity since he himself advocated a plan that would allow dispensing with an increase in the gold reserves of the Bank of England, hence with the upward pressure on the relative value of gold. This Ingot Plan had been developed in his 1816 pamphlet *Proposals for an Economical and Secure Currency* and substituted convertibility of the Bank of England note into bullion for convertibility into coin. This plan had been outlined by Ricardo in 1811 but not considered at the time; now the enquiries of both Committees soon became centred on it, albeit as a temporary device to facilitate the resumption of cash payments and not as a permanent system of currency (see Sraffa 1952). Although it was subject to much opposition and misunderstanding, the House of Commons adopted a resolution compelling the Bank of England to deliver standard bullion for its notes. To alleviate the consequences of deflation, a calendar was set to implement a gradual return to convertibility at decreasing rates (another idea of Ricardo): it started on 1<sup>st</sup> February 1820 to end up on 1<sup>st</sup> May 1821 at the pre-1797 rate of £3.17s.10½d. per ounce of standard gold.

Grenville was one of the thirteen members of the Lords' Secret Committee, under the chairmanship of Earl of Harrowby (Sraffa 1952: 351). His leading role may be inferred from Ricardo's opinion on him. Mallet's diary, in the entry for 13 February 1819, mentions that in a dinner on that day with various persons including Ricardo, the conversation turned on "the Secret Committees of both Houses respecting the Restriction Act". It added: "He [Ricardo] had been closeted in the morning with Lord Grenville and Mr Grenfell [a member of the Commons' Secret Committee]; discussing various parts of that important subject." (*ibid*: 352) It also added: "Lord Liverpool and Lord Grenville take the lead in the examinations of the House of Lords." (*ibid*: 353-4) Reporting what was likely the opinion of Ricardo, Mallet observed: "Mr Grenfell is able and well acquainted with the subject; but not of the caliber of Lord Grenville." (*ibid*: 354) Before he was examined on 24 March, Ricardo had written to

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<sup>2</sup> On 8 February 1821 he would declare in the House of Commons: "The question, then [in 1819], before the House was, whether it was advisable to return to the old standard, or to take the existing market rate, which was then about 4 per cent above that standard, as the measure of value in future. [...] If, instead of being at 4*l.* 1*s.* bullion had been much higher, he should not have proposed a recurrence to the mint standard. [...] He was not anxious to restore the old standard; but the market price of bullion being then only 4*l.* 1*s.*, he did not think it necessary to deviate from the ancient standard." (Ricardo 1951-1973, vol. V: 73)

Trower on 28 February (that is, after the dinner referred to by Mallet on 13 February): “I have had many conversations with several of the Committees of both Houses – with Lord Grenville, Marquis of Lansdown, Lord King, Mr. Huskisson, Mr. F. Lewis, Mr. Grenfell and others. All have a very perfect knowledge of the subject, and all agree that the progress of the public in comprehending the question has been very great.” (Ricardo 1951-1973, vol. VIII: 19) In his diary Mallet indicates how the Committees reached their decision on 6 (Commons’) and 7 (Lords’) May: “All the first men were agreed [...] but Lord Liverpool, Lords Grenville, Wellington and Lansdowne [of Lords’], Peel and Canning [of Commons’] being agreed, no paper administration could be formed, and the reluctant multitude were obliged to yield.” (Sraffa 1952: 365)

### **3.2. Grenville on Ricardo’s Ingot Plan**

On 21 May 1819, two weeks after the Lords’ Committee on Resumption had reached a decision, and five days before the House of Commons would adopt Peel’s bill, Grenville delivered a speech before the House of Lords. Some of his views echoed those expressed one year before, but others were new because they related to the plan recommended for the resumption of convertibility.

He started by repeating that the suspension had been a calamity, which could not even be justified by the circumstances of the war:

Having considered this restriction as one of the greatest calamities under which this suffering country had laboured; having frequently had occasion to lament and deplore the part which he had himself taken, on its original proposition, in prolonging it for the term of the then existing war; having avowed his error in so doing, as became an honest man, at the commencement of the last war; and having prophesied but too truly all the distress and misery which would befall the nation in consequence of it, he could not help expressing his joy and satisfaction, that the country was at last arrived at that period, in which it could look forward with certainty to the repeal of this injudicious and unfortunate measure. (Grenville 1819: 645)

Against those who maintained that the Bank of England had rendered a great service to the country by providing the means to win the war, he contended that the balance of advantages was in fact unfavourable:

He was disposed to go very far on this point; he would say, that under any circumstances, a restriction on cash payments, or in other words, a forced, and consequently an excessive paper circulation, must be attended with greater evil than good; he would refer to its natural effects, commercial distress, increase of prices, increase of taxes; and he would say, that these circumstances must so cramp and contract all the natural energies of the country, as even in time of war to obstruct the necessary efforts, and thus produce a mischief far overbalancing the advantage accruing from the facility of loans. (*ibid*: 646)

Contrary to this evil system, a sure one was to be based on a metallic standard, in time of peace as of war:

He sincerely believed, that not only no voice would be raised for the maintenance of such a system in commerce, but not even in war. In commerce, as in war, there could be but one sure basis of management, and that was a currency regulated by a standard of metallic value; not that metal was necessary as metal, but because it had the indispensable quality of value: for without value it was impossible to represent value it was as absurd as it would be to attempt to measure weight by that which had no weight, or to measure length by that which had no extent. (*ibid*: 648-9)

In the absence of such a standard, the value of each property would depend on the interests of a particular body – the Bank of England – and cease to be guaranteed by public law under the supervision of parliament:

These were his [Grenville's] grounds for asking, whether we ought to go on with a system of variable value, or adopt some plan in order to arrive at the end of a system, which while it continued no one could say he did not hold his property, not indeed at the mercy of a despotic government, but, at the mercy of a body of individuals who, constituted for other purposes, took upon themselves forsooth the guardianship of the interests of the country! He wanted no such guardianship. He wanted a currency established on public faith—on public laws; and for this he should look to the wisdom of parliament. If there were no other objection to the paper system, he would object to it on account of the self-assumption in this body of men of the right of calling themselves guardians of interests, which they would pretend parliament was unable to maintain. The question now was, would parliament perform its own duty; or leave interests so important at the absolute disposal of men, who, however respectable individually, yet as a body not only were not invested with the trust they assumed, but held a trust in its nature totally incompatible with it? (*ibid*: 649-50)

Consequently, the link between the Bank of England and the government should be broken, and this required the repayment of the advances which had been made by the Bank. This was a necessary step – to be implemented gradually – towards the resumption of cash payments of its notes by the Bank:

But it was time that this connexion between the government of the country and the Bank of England should be dissolved. [...] If their lordships meant to have what they once possessed, an accredited Bank in this country, they must have one established upon the only principle upon which it could exist—a total independence of the government. It was, therefore, upon that ground, much more than from any private wish of his, that he now earnestly pressed the repayment of the advances, as absolutely necessary before the Bank could resume cash payments. (*ibid*: 652-3)

As in his speech the year before, Grenville stated that the decision should be taken now to revert to a metallic standard, rather than to trust the Bank of England to prepare to a future resumption of cash payments – something it could have done in 1817 but did not do. Adopting gold bullion as standard of the currency was not “a novel experiment” but in fact a return to “the ancient system”, as had been shown by the *Bullion Report*:

In the bullion report [...] their lordships would find this subject clearly treated and defined. They would find that the object of that report was, to restore the currency to its real and legal standard—gold bullion. He dwelt upon these two words, because one of the objections taken to the plan was, that it was a departure from the ancient system of the country; because it had been termed a fanciful scheme; and had been considered as a departure from true and received principles. He repeated, on the authority of those who had most scientifically considered the subject, on the authority of that admirable report, that gold bullion was the true legal and ancient standard of the value of the currency in this country. It was therefore, to that only that they must refer their currency. (*ibid*: 653-4)

Although Ricardo's name was not mentioned, Grenville alluded to him in a transparent way, as the scientific authority that guaranteed the relevance and the expediency of the plan against those who doubted it:

The present plan was recommended by men who, to profound and intimate acquaintance with the theory of the subject, united the most extensive practical experience. Above all, it came recommended by a name which of all others in Europe would be most likely to recommend any question of political economy. Men, indeed, without science, experience, or information in the details of this, extensive matter, and only such, considered and treated this plan as whimsical and impracticable. But let it be remembered who those were who supported it, men of unexceptionable character for knowledge, practice, and sagacity. (*ibid*: 654)

However, Grenville observed that the ultimate target was the return to cash payments of the Bank of England note, that is, its convertibility into coin rather than into bullion as stipulated by the plan. Nevertheless, this was a step in the right direction since it re-established a metallic standard that had been abandoned during more than twenty years:

He saw no objection to it whatever, and with him its greatest recommendation was this—that although it did inevitably prolong, much longer, indeed, than he wished, the period at which the mischief he so much deprecated should terminate, yet, at its very outset, it recognized and recommended the sacred standard of metallic value, which unfortunately had been almost lost sight of, which for the last 20 years we had nearly given up altogether, and which could alone restore its native vigour to our finance. Their lordships would thus have the satisfaction of knowing, that the very first step which they made was on the right principle, and in the right way. [...] He most heartily declared he gave it [the plan] his entire, unlimited, and unqualified approbation. (*ibid*: 654-5)

Grenville would be satisfied with the adoption of Peel's bill by the House of Commons five days later, since it contained a provision for a return to convertibility *into coin* on 1<sup>st</sup> May 1823. Also an amendment had been introduced according to which, starting on 1<sup>st</sup> May 1822, the Bank of England would have the choice to pay its notes in coin or bullion. Knowing the hostility of the Bank to convertibility into bullion, this implied to shorten the Ingot Plan experiment by one year. When the date of the return to pre-war parity (1<sup>st</sup> May 1821) came, a new bill decided to anticipate this possibility of choice. Consequently, after twenty-four years, the parenthesis opened on 26 February 1797 by the suspension of cash payments of Bank of England notes was simply closed, and the monetary system existing before this long crisis was restored, the only change being the substitution since 1816 of a legal gold standard for the previous double standard.

## **4. THE CIRCULATION OF COUNTRY BANKS' NOTES**

### **4.1. Strengthening the security of this circulation**

In his 1803 speech, Grenville contended that in ordinary circumstances the security of the paper circulation – whether Bank of England or country banks notes – was guaranteed by the natural working of supply and demand:

In times of perfect security and public confidence, even this [the extended use of paper in ordinary circulation] might happen to a considerable extent without much inconvenience; and so long as the natural operations of demand and supply were allowed to control it, though some excess might occasionally take place, yet experience shewed, that any such evil would speedily correct itself. The tide might ebb and flow, but no permanent interruption would arise from it to the stream of national prosperity. (Grenville 1803: 1826)

However, in case of “a sudden alarm” such as the fear of an invasion, this security was put at risk. This case was not fanciful: it was such a panic which in February 1797 had triggered a run on some country banks. The whole structure of the English banking system, in which the country banks held reserves at London banks that themselves held reserves at the Bank of England, had been shaken by this alarm, leading to the legal suspension of the convertibility of the Bank of England note. Six years later, this suspension was still in force. According to Grenville, it was an illusion to believe that the public guarantee conferred to the Bank of England note sufficiently guarded against this kind of risk, because nothing had been done to secure the country banks' paper, the quantity of which had greatly increased to make

up the disappearance of the coin. The quotation above went on, stressing the contrast with ordinary circumstances:

The case is widely different now. We are called upon to provide against the danger of a sudden alarm, such as must arise in a country so long unused to the tread of a hostile foot should even for the shortest interval become the theatre of war. But we are discharging this duty in a most inadequate and insufficient manner. We are providing for the smaller evil, but seem wholly indifferent to the greater. We are guarding against the consequences of any sudden run upon the Bank in a moment of alarm; but we take no consideration of the effect of a similar alarm on that mass of private paper, which constitutes so much larger a proportion of the circulating medium of the country. The stability of the Bank has been guaranteed to its creditors by repeated parliamentary examinations; and when we restrain it by law from fulfilling its engagements with them, we have given a fresh pledge of public faith that they shall suffer no loss by that provision. But what will be the case of private paper? (*ibid*)

The bill which prolonged the suspension of cash payments of its notes by the Bank of England aimed at reinforcing the security of an establishment which by its importance was less exposed to this kind of risk than the country banks, whatever their intrinsic strength:

Yet, by the present bill, while we confess the nature of the danger, the slightest glance at the proportion which private paper bears to that of the Bank will shew how far we are from providing for its extent. Those who at all understand the subject, know that the Bank paper possesses a stability not to be shaken but by such a total subversion of the country as no Englishman wishes to survive. Yet we think ourselves obliged to protect even this corporation, resting on such immutable pillars of security, against the danger of sudden pressure from temporary alarm. Shall we then wholly overlook the private paper, so much greater in extent, and so much less secure in its stability? The ultimate security of the paper issued by the country banks now established in every corner of this island might be as perfect as that of the Bank itself. The facility which they give in ordinary times to the commercial transactions of the country is unquestionable. But no man can look without the most serious apprehension at the temporary effect which the first moment of actual invasion might produce on those local establishments; at the extent to which such an evil might spread; or at the consequences which it might produce, in a country whose circulation is almost entirely composed of paper. (*ibid*: 1828)

In his 1804 speech on the Irish Bank Restriction Bill, Grenville gave an example of the mischief an invasion could produce on the labouring people that could only rely on country banks' paper to procure their subsistence:

Suppose the enemy landed, and in possession of a town on the sea coast, which has a bank, the centre of a district; that is, whose notes are the only circulation for 20 or 30 miles round. The notes would (for the moment at least) be annihilated, and the entire labouring class would be reduced, not merely to beggary, but to want. The honor of such a scene is too great to be pictured. (Grenville 1804a: 703)

To avoid the consequences of such a local run Grenville suggested that Parliament should support a system of mutual guarantee voluntarily implemented by the country banks, which might be complemented by public intervention:

With respect to the [private, i.e. country banks'] paper, if resting on a solid foundation of ultimate solvency, it might be provided for by some mutual guarantee, so far removed from the scene of immediate alarm, as to place the security of the holder far beyond the reach of any danger merely local. [...] They [country banks] had *all* an immediate interest in upholding the credit of *all*; and he did not despair, that, by examination and discussion, a system might be framed, in which the paper of individuals or private houses might, if resting on a sure and due foundation, be supported to a limited extent, by some extensive and reciprocal guarantee against the effects of sudden alarm; and to such a voluntary association, formed under the direction of Parliament, and countenanced

by its authority, there might or might not be added, as should on the whole be judged expedient, some additional security from the intervention of the public. (Grenville 1803: 1830; Grenville's emphasis)

#### **4.2. Eliminating the small country banks' notes**

As mentioned above (in Section 2.1.), Grenville had already suggested in 1804 that a gradual return to cash payments of Bank of England notes should start with the small ones, of £1 and £2. The reason was that they had substituted for coins to fill the circulation between small dealers and the labouring consumers. More than twenty years later, he exposed the same view in private correspondence, this time about small country banks' notes.

In a letter addressed to him on 19 November 1825, in which Thomas Tooke summed up the conclusions of a pamphlet he would publish two months later, the latter expressed his opposition to a circulation exclusively composed of notes convertible into bullion, as suggested by Ricardo (see Deleplace 2023a). Tooke ended his letter as follows:

The part of the currency which is liable in the greatest degree to all the objections that have been stated is that of the £1 country bank notes, & consequently the first step towards an improvement in our monetary system will be the suppression of that part of the circulation & the substitution of coin in its place. (Tooke 1825: f 115v)

In his answer dated 24 November, Grenville agreed with the general argument put forward by Tooke, but he wished to add another argument which was particularly pressing in the light of a devastating aspect of the recent financial crisis: the bankruptcies of under-capitalized country banks, which had ruined many people. Mentioning "Ireland some years ago" this argument echoed the one he had used in his 1804 speech on the Irish Bank Restriction Bill. However, it did no longer refer to the exceptional circumstance of an invasion but stressed the danger of ruin to which "our lowest traders and labourers" were exposed because they were obliged to use a circulating medium of an uncertain value. Contrary to the coin, whose value was guaranteed by a government stamp, the value of private paper could not be known for sure, and this mischief was all the more hurtful to the lower classes of the population since they did not have the option of realizing this paper in money:

The property of extinguishing that part of our circulation which consists of the £1 Country Notes is unanswerably shewn by the reasoning contained in your summary. But there is also another very strong inducement to it: grounded on the protection the Government owes to the ignorance and helplessness of the poorer classes of our community. When coin circulates, the Government by its stamp, and by the laws which prevent its imitation, insure to every member of society that the sovereign or the shilling which are tendered to him do really contain a given portion of exchangeable value, according to the then current prices of goods and money. But the case is wholly different if, instead of this, we suffer the circulation amongst our lowest traders and labourers to be almost exclusively carried on in paper. They can neither know with any certainty the real value of such currency, nor if they mistrust it, have they any adequate power of rejecting it or, of realizing it in money without infinite loss to themselves both of time and labour. And we thus subject them to a perpetual hazard, not of inconvenience merely, but of total ruin, against which they have no means to protect themselves. Such has actually been the condition of these classes, for many years successively in district after district of this country. And the injury, great as it has locally been, has in each case been too limited in extent and duration, to produce that general impression which ought to result from the total mass of calamity, thus created. In Ireland, some years ago, this mischief was, I believe, simultaneously extended over a very large part of that country, which has not yet recovered from its effects. I have stated this more at large, not because I have any doubt of your being fully aware of it, but because this consideration, tho' not falling perhaps strictly within the scope of your argument, is yet so important to the question, that it ought not, I think, to be wholly passed over in any discussion of the present state of our currency. (Grenville 1825: ff 106r-107v)

In Tooke's 1826 pamphlet, the "second evil" which called for immediate remedy was the state of the country circulation. Some security ought forthwith to be provided against the recurrence of failures of the country banks, such as those which took place in 1810, 1815, 1816, and lately, in 1825. (Tooke 1826: 125)

In particular,

there is one part of this circulation which ought not, upon any footing, or with any modification, to be any longer tolerated. I mean the notes under 5*l*. These are, in every point of view, a most objectionable means of exchange." (*ibid*: 126)

Among these objections there was Grenville's moral one, although he was not cited:

But leaving out of the question the consideration of fluctuations in the value of the currency, some protection for the lower classes against the severe losses to which they have so often been exposed, as the holders of small notes, when the banks issuing them have failed, is imperatively called for. (*ibid*: 127)

And this "protection" could only be afforded by the elimination of the small country notes in which "the lower classes of society [were] receiving their stipulated wages, or other payments" (*ibid*) and their replacement by coins guaranteed by the state. Tooke denounced with harsh words this danger borne by small country notes:

Every adventurer who chooses to follow the trade of a banker, is allowed to issue a spurious paper-money, which having neither intrinsic value nor any adequate security for eventual convertibility, is in too many instances, neither more nor less than a fraud: a fraud of which the most numerous, and most helpless classes, and those who can least bear the loss, are most commonly the victims. (*ibid*: 128)

## **5. AMBIGUITIES ON THE DOUBLE STANDARD**

Grenville was mentioned approvingly on the double standard in a letter sent by Ricardo to Pascoe Grenfell on 19 January 1823. After having exposed his objections to a project of reintroducing the double standard (gold and silver) in place of the gold standard adopted since 1816 (see Deleplace, Depoortère, and Rieucan 2013), Ricardo concluded:

How much stronger is this objection against the projected change, which is neither more nor less as Lord Grenville has justly stated it, but to do indirectly what Parliament, tho so much urged, has refused to do directly. (quoted in Deleplace, Depoortère and Rieucan, 2013: 5)

Ricardo was then quoting a letter by Grenville to Grenfell which the latter had communicated to him. This letter first referred to the evidence of the financier Alexander Baring – one of the two alleged proponents of the change, the other being William Huskisson – before the 1819 Lords' Committee on Resumption:

With all Baring's abilities and knowledge, he made not the least impression on my mind, when he stated to us at the House of Lord's committee the great convenience and advantage of a mixed standard, fluctuating with the variable relations between silver and gold. (Grenville 1823)

According to Grenville, the cost of production of gold was less subject to rapid changes than that of silver. Thus, gold approached nearest to that quality of "perfect *fixedness*" (Grenville's emphasis) which would be required by a standard. Grenville also

argued that “a standard composed of two metals, either of which may be resorted to at the option of the payer, is necessarily one of perpetual *mutability*”. Moreover, what was actually intended by Baring and Huskisson was not only to reintroduce silver as standard, but “to do indirectly, and to a small extent, what parliament tho’ so much urged, has refused to do directly, and to a large extent – viz to lower the standard.” (*ibid*) By imposing the return to the pre-1797 price of £3 17s 10½d per ounce of standard gold, the Parliament had refused to devaluate the sterling. According to Grenville, the project of reintroducing the double standard was only a disguised way of having the currency fall in value.

Though he “had not heard that any such thing was seriously in the contemplation of Government”, Grenville considered this project as a real threat:

On the one hand Country Gentlemen, and Country Peers, both in Scotland and in England, should be very apt to catch at any thing which in their present difficulties is held out to them as offering the chance of relief – or on the other hand that Government should be most anxious to conciliate by any practical concession, (even if it be in part a departure from the true principles of political economy,) so large a body of upright and well intentioned men, and real well wishers to our establishments, at a moment when they are assailed on every side. (*ibid*)

The project did not lead to any parliamentary move in 1823. Three years later, the same Alexander Baring and William Huskisson – the latter Member of Parliament and from 1823 to 1827 President of the Board of Trade<sup>3</sup> – attempted to get the support of the Duke of Wellington to restore a double-standard system at the old gold parity and at the French ratio of 15½-1. However, “the outcome of this discussion was nil, and [...] neither Baring nor any other Government spokesman made any moves in Parliament on behalf of silver.” (Fetter, 1965: 126)

Huskisson’s memorandum (reproduced in Wellington 1867-1880, 3: 98-104) had been communicated by its author to Grenville who answered in two letters of 17 and 18 February 1826, the second correcting “an error” committed in the first.<sup>4</sup> In the first letter, Grenville started by expressing his “cordial approbation, and delight in those measures, in which you have borne so honourable and useful a part” (Grenville 1826a: f 125r) but felt it necessary to recall why he had previously defended the gold standard against “Baring’s plan of a mixed circulation of gold and silver.” (*ibid*: f 125v) His arguments were the same as in 1823 (see above). According to Grenville, Huskisson’s plan was free from his former critique of the double standard, under an important qualification: that the relative price of gold to silver remained as it currently was in the international market:

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<sup>3</sup> Huskisson’s quality of President of the Board of Trade was mentioned by Thomas Tooke in the postscript to the second edition of his 1826 pamphlet: “Among the suggestions which in the late discussions have been thrown out for the improvement of the system of our currency, one which has excited a considerable degree of attention is that of introducing silver as a standard concurrently with gold. The President of the Board of Trade has expressed himself not altogether adverse to such a measure, and has intimated that he has in contemplation the introduction of a plan founded on that suggestion. On any plan emanating from or countenanced by the President of the Board of Trade, I am always predisposed to entertain the most favourable impression. And it is very possible that the details of his plan, when made known, may go far towards the objections which strike me as applying to the proposal of a double standard upon any footing that has hitherto been made public.” (Tooke, 1826:146) Huskisson had also been in 1810 one of the three co-authors of the *Bullion Report*. He would die in 1830 during the inauguration of the first passenger railway line between Liverpool and Manchester: he was fatally hurt by the steam engine *Rocket*, Robert Stephenson’s famous winner of the 1829 Rainhill Trials.

<sup>4</sup> These two letters have been discovered in July 2022 by Christophe Depoortère in Grenville’s Dropmore Papers at the British Library. I thank him warmly for having communicated them to me.



To all such plans [like Baring's] any one who was, like myself, a decided advocate for restoring our currency to its former value, could not but be a decided opponent. But from any such objection your proposal is wholly free; at least it is so in present, and will continue so as long as the relative prices of gold and silver in the market of Europe shall remain such as they now are. (*ibid*: f 126r)

Since the variability of this relative price had been Grenville's main objection to the double standard, such a qualification was indeed important: a gold-silver ratio enacted by a plan would become inadequate if the market conditions changed, and this suggested that any such ratio should only be fixed for a limited period of time:

What means could then best be provided for such changes as these altered circumstances might require? The leading features of your plan must of course be established permanently, if at all. A great part of its success would depend on its permanence. But might not this particular proportion of gold and silver be established only for a limited period. My notion would be, to declare in the act itself, that this proportion is now adopted only as being consonant to the actual market prices. Its continuance might be limited therefore to (ten) years, at the expiration of which and of every subsequent period of (five) years, the actual market par in Europe of the two metals in exchange with each other, for the average of the preceding period, might be determined by a jury of Merchants and Goldsmiths in the Exchequer Chamber, under the direction of the Lord President, Chancellor of the Exchequer, the master of the Mint, and others of the King's privy council. [...] And their verdict of this fact might be taken as the proportion at which silver shall thenceforward be received in deposit, for the next ensuing period of (five) years, and so on from time to time. (*ibid*: ff 126v-127r)

Decided by a jury, the decision about the gold-silver ratio would not be subjected to conflict of interests, as would be the case if it were made by Parliament. As for the length of the period of fixity, it could be longer:

The duration of the periods to be chosen for this purpose is a mere question of detail. I have proposed them very short, because the mode of trial which I suggest is one so very little troublesome, and the time for which any error or even fraud could operate would thus be made so very limited. But if there should be any apprehension of inconvenience from too frequent fluctuation on this subject, I see little danger in somewhat extending the periods. (*ibid*: ff 127v-128r)

A change in the ratio decided by the jury would only apply to the contracts of the next period, the preceding ratio continuing to apply to old contracts:

Of course it is meant that any change which such trial may produce, shall be prospective only, and shall leave unaltered all receipts previously issued from the Mint. (*ibid*: f 128r)

The rest of the letter was devoted to a discussion about how to fund the public debt, in relation to the sinking fund.

The second letter started with the acknowledgement of "an error" in the last provision contained in the first. Supposing that a decided change in the ratio were to reduce the value of one metal (e.g. silver) to account for the new market conditions, a contract previously stipulated for a given sum in pounds would lead to receive in payment the same quantity of this metal as before while its value had fallen:

I perceive on reconsideration, that I committed an error in my letter of yesterday, when I proposed that all receipts, already in circulation, should continue to pass current at the value first marked upon them, notwithstanding any subsequent variations in the declared proportions of gold and silver. This would incur the very same risk against which I was endeavouring to guard. The receipts would thus eventually be made to pass for a greater value than could be realized by the sale of the deposits; and if we suppose a fall of 10 P<sup>r</sup> cent in the

price of silver; a man would be compelled to receive in payment for fifty pounds what was really worth no more than forty five. A manifest injustice, and liable to all the same evils which belong to a depreciated currency in any other form. (Grenville 1826b: f 130r)

To avoid this “injustice”, Grenville suggested that the nominal value of the contracts should be adjusted at the beginning of each period, to account for the decided change:

The correct provision on the subject, would I conceive be this; viz that during the whole continuance of the period within which the receipt was first issued, it should continue to pass current for the sum then marked upon it. But that after the expiration of that period, its value in legal tender, in subsequent periods should be proportioned to any changes which should take place in the declared value of silver on the result of such trials as I have proposed. As these periods would be very short, the danger of rapid or sudden variations in consequence of this provision would be extremely small. And this is what is principally to be guarded against. To avoid disputes, these variations should be notified by proclamation at the commencement of each period, and a power should be given, both in these cases and in the general trial and declaration of value, to disregard very small differences such for instance as should not exceed 9 in the £1. (*ibid*: ff 130r-130v)

However, Grenville felt quite uneasy with this new suggestion, as testified by the end of the letter:

This proceeding sounds more implicated than it would in practice be found to be. And I confess I do not see how, without some provision of this nature, you can avoid the fatal objection, of establishing a currency consisting of two metals, whose future value in exchange with each other must inevitably become different from what it now is; but which must yet continue to be receivable according to their present proportions. (*ibid*: ff 130v-131r)

There was indeed a major difficulty with either provision, that contained in the first letter – *not* to apply the new legal gold-silver ratio to previous contracts – and that contained in the second – to do apply it, except for small changes. Grenville was in fact trapped in a contradiction. He had been for long convinced that in the long run a double standard was not suitable because, for technical reasons, the value of silver was more liable to vary (downwards) than that of gold, so that the market gold-silver ratio could not remain equal to its legal level. To comply with Huskisson’s proposal, he was now disposed to envisage the possibility of a double standard, provided the legal ratio might be regularly (but not too often) adjusted to market conditions without submitting these changes to vested interests.

This safeguard first shows that Grenville only considered the usual argument against the double standard – the variability of the relative price of gold to silver in the bullion market – but had not understood Ricardo’s argument in the 1823 letter to Grenfell which had been communicated to him, viz. the power of the Bank of England to influence this market ratio through its issuing behaviour (see Deleplace, Depoortère, and Rieucou 2013). Grenville’s 180 degrees going about in 24 hours also shows that he did not really know what to think. In his first letter he considered the possibility of two standards, that is, the liability to discharge a debt for the same nominal amount in any of the coined metals, even after a change in the legal ratio. However, the next day he acknowledged that the creditor would thus lose 10 per cent if the price of silver fell by this proportion, because the debtor would discharge his debt with the same quantity of silver as previously stipulated, although the value of this quantity in gold or commodities had fallen by 10 per cent. Now Grenville suggested another rule, which would increase the quantity of silver to be paid in proportion to the fall of its price. But this amounted to consider that gold was the only actual standard, even if the system had formally a double one. Neither solution was acceptable, which meant that a double-standard system was

impossible and that when legally enacted it ended up practically being degraded into an alternate single-standard system with any change in market conditions in one direction or the other, generating instability in the actual value of contracts.

## 6. CONCLUDING REMARKS

Grenville's views on money were not original. He put himself in the footsteps of the *Bullion Report*, as he acknowledged in his 1819 speech:

Even now they [the Bank of England] did not seem to admit the principle of the bullion report, so wisely and irrefragably established by that great man, the late Mr. Horner—a report, which could not be read without instruction and admiration, for the depth and soundness of its doctrines, and bitter regret for the premature loss of a statesman who was so calculated to serve and adorn his country—a loss which was never more severely felt than at the present moment. If the Bank now allowed the truth of that report, there might be some hope that they would prepare for the resumption of cash payments, by regulating their issues of paper in conformity with the issues of gold. But as they did not acknowledge that principle, whatever might be their talents and integrity, they were the last individuals to whom a discretion should be allowed unaccompanied by such provisions as should secure the object at last, which all wished to be accomplished. (Grenville 1819: 651)

In the bullion report, which hereafter, he [Grenville] did not doubt, would form a standard constant and unerring, in the political economy of this country, and of the great merit of which he was by no means aware till lately, from having had constant occasion to refer to it, their lordships would find this subject clearly treated and defined. They would find that the object of that report was, to restore the currency to its real and legal standard—gold bullion. (*ibid*: 653)

However, his arguments in favour of the return to convertibility of Bank of England notes and the elimination of low-denomination Bank of England and country banks' notes lacked theoretical foundations and left open the question of their feasibility.

His other reference was David Ricardo, but not all the way. As mentioned above, Grenville would allude to him in his 1819 speech without mentioning his name (the plan for resumption “came recommended by a name which of all others in Europe would be most likely to recommend any question of political economy”). However, Grenville did not endorse Ricardo's Ingot Plan as a permanent system of exclusive circulation of notes convertible into bullion but only as a transitory step towards the return to a mixed system of coins and Bank of England notes convertible into coins. His insistence on the elimination of low-denomination notes – whether issued by the Bank of England or country banks – in favour of metallic coins was also at odds with Ricardo's approach. Finally, his ambiguities on the double standard show that he had not really understood Ricardo's arguments against it. As far as money is concerned, Ricardo's satisfaction was probably overstated (“I hear from Mr. Grenfell that Lord Grenville [...] is not reading but is studying my book [*Principles*]; I should like to have such a Lord amongst my disciples”; letter to Trower 12 September 1817, in Ricardo 1951-1973, vol. VII: 189), as was Grenville's acknowledgment that Ricardo was “[his] master in this science [of political economy]” (letter from Grenville to Ricardo, 11 January 1820, in Ricardo 1951-1973, vol. VIII: 151). But Ricardo on money was not easy to understand, all the more so by someone versed in politics rather than economic theory.

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