

Lord William Wyndham Grenville

Irish Bank Restriction Bill
(1804)

Source: Hansard, First series, vol. I, pp. 697-713
<https://api.parliament.uk/historic-hansard/lords/1804/mar/05/irish-bank-restriction-bill>

IRISH BANK RESTRICTION BILL

HL Deb 05 March 1804 vol 1 cc697-713

On the motion for the second reading of the bank of Ireland restriction bill,

Lord Grenville said, the noble Earl [of Limerick] had made a strange assertion, when he said, it would be as unjust to ask the Bank of Ireland to pay in cash, as to make the same demand of the private and country banks. His lordship did not seem to be aware, that the legislature had never interfered, and God forbid it ever should, to enable private banks to pay their own issues in a depreciated circulation. To the noble lord who opened the debate, the country was highly indebted for bringing forward the discussion. He agreed with the noble, lord, that much good had resulted from former discussions on this subject. The industry and talents employed by his lordship on this intricate question, had afforded much light to every impartial person, As to the [702] bill before the House, he had, on a former occasion, moved for certain papers, which, though not a positive rule to shew the proportion between paper and cash, would have given a result sufficiently accurate. The House had negatived that motion. Of that negative he would say nothing; he would only observe, that, since every door was to be shut, every information with-held, it, would be better for their lordships to pass every measure without discussion; and he must add, that that was the only instance he ever knew in that House of such papers being denied. He had reason to believe, if the papers had been produced, they would have shewn the proportion of paper over cash to be inconceivable. 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. 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 not 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.—The noble earl used but one argument for the bill, which was, since the Bank of England Restriction Bill is passed, you must also pass this. He believed that was too true. But he would argue from that, the necessity of revising the whole measure, of reconsidering the whole system. The subject could not be too often, too much dwelt upon by their lordships. It might be said, that the English Bank Restriction Bill cannot be [703] repealed this session; this was no reason for dismissing the policy of the bill without discussion. No one, he believed, would wish to see the bill rashly or hastily repealed. It must be done deliberately and with preparation. But their lordships might weigh the subject now and hereafter, and be prepared to re-establish the Bank on its old foundation, without any violation of their lordships' rules.—The threat of ruin that menaced from the present situation of the country, 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 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. 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 horror of such a scene is too great to be pictured. He would give their lordships an instance, which might shew what was to be expected in case of actual invasion. A report was spread in the town of Newcastle, that the enemy was landed. Instantly there was a run on all the banks of that town. The proprietors were obliged to send messengers post to London, act for Bank of England notes, they would go no more than the country notes, but for gold. The shock was given all the way [704] from Newcastle to London, and produced the like effects. If such was the result of an alarm, what would an actual invasion do? Their lordships would easily conceive, by carrying their eyes forward to the rapid and destructive progress such things make.—His lordship proceeded to point out the injurious effects which the restriction originally imposed on the Bank of England had produced in Ireland, by occasioning a similar restriction on the bank there. Not only had it operated to the disadvantage of merchants in their pecuniary transactions, but peculiarly grievous was it to the middling and lower orders of the community, by whom the depreciation of the paper currency, which was forced upon them by virtue of this new restriction, was felt as an actual diminution of their income, and the consequent enhancement of the price of the necessaries of life. He again deprecated the idea of the present being taken up as a party question, or connected with any set of politics. He viewed it in its consequences as materially involving the welfare of the bulk of the people in the United Kingdom

of Ireland, upon whom the want of a sufficient quantity of the circulating medium of coin produced the most distressing consequences, and diffused a spirit of dissatisfaction, complaint, and penury, and which the proposed continuance of this restriction on the bank, his lordship considered, as ill-calculated to retrieve.—After expatiating upon these topics considerably in detail, his lordship 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 G. 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. These were, however, only parts of the outline, which might be recommended to the attention of a general committee of inquiry, the [705] expediency of which, under the present circumstances of the country, the noble lord solemnly and impressively enforced.