

The GrEco Project

Grenville's Economics

Lord William Wyndham Grenville

Correspondence with William Huskisson
and William Wynn

[1824-1826]

Transcription: Christophe Depoortère

William Wynn¹ to William Huskisson²

Private & confidential

Wh. Pl Monday [8 Mar 1824]

My dear Huskisson

In returning to you the papers which you allowed me to communicate to Lord Grenville I have also sent a letter which I have just received from him & which states very fully his views upon the subject...

I had also a conversation with him yesterday in which he expressed still more strongly his doubts of the expediency of maintaining the protecting duties.

Ever most faithfully yours

The R^T H^{ble} W^m Huskisson

C W William Wynn

Lord Grenville to William Wynn³

[f. 219r]

Copy

Charles Street, 8. March, 1824

My Dear Charles

I return the American Papers. You know my interest in the subject arises from the very particular, and detailed attention which I gave to it in 1794, when I had the satisfaction of persuading the Government how to act, almost for the first time, on the same principles, which are now, 30 years afterwards, in the course of being so wisely, (as I think) and so much more extensively applied

I have again read them carefully over since we talked on the subject, and the impressions which I then mentioned to you are strengthened by the reperusal.

The proposal of opening the ports of all our Colonies to foreign Vessels, on the same principles [f. 219v] of reciprocity, on which we admit those Vessels here, is, I am satisfied, on every ground both political, and commercial pregnant with the greatest advantages to this country: and in the present state of the Continent of Americas, it is, I think manifestly, the only course by which our connection with the still British provinces can be rendered either beneficial, or permanent -at present I think it is neither.

¹ William Wynn (1772-1840)

² MS in British Library Add MS 38745, f. 218.

³ MS in British Library Add MS 38745, ff. 219-223

But my doubts on the able Note which accompanies these papers relate wholly to the importance which it seems to attach to the maintenance of that part of the present System by which protecting duties are provided in the Colonial Ports, in favour of the produces and manufactures of the Mother Country, and of the other colonies.

If any doubts may reasonably be entertained on this part of the System, I need not [f. 220r] state (for it is obvious) how those doubts apply to both parts of the question now to be decided—to the consideration of what the United States ask, and of what it is proposed to substitute in place of that demand.

A duty, which raises the expences of the lumber, flows &c, of the United States in the West Indian Ports, up to a level with the necessary cost of the same articles brought from British America, is evidently first a direct tax on the West Indian Producer, and 2^{dly}, an indirect tax on the British Consumer of sugar, and e?? &c. And this at a time when the consumption of those articles in Great Britain is less than the produce in the West Indies; and when consequently there is every day more and more reason to fear that the proceeds of the Estates in the old Islands, will be insufficient even to feed the negroes, the cost of whose food is thus enhanced.

A due weight ought certainly to [f. 220v] be given to the consideration stated in the Note, respecting the inconvenience which might result to the W. I. Islands in war from an interruption of the supply of Lumber and Flour, if in Peace that supply were habitually and almost exclusively drawn from the U. S.

But that inconvenience is contingent, and doubtful, the other present, and certain. And all ground of fear on that head seems to me to be done away by the convincing arguments of the note, to shew, 1st. that our Islands are not, and I think would not in that case be, under any necessity of looking to that, as their only source of supply; and, 2^{dly}. that if they were under that necessity the Government of the W. I. never could prevent the continuance of such a trade. These arguments I need not recapitulate. I will only say that [f. 221r] among them perhaps sufficient stress is not laid on the abundant sources of all such supplies now opened to our W. I. Islands, in the continent of Spanish America, and in Cuba, and St Domingo. Sources which I am confident will soon be made available in the natural course of things, notwithstanding any difficulties of Monsoons &c.

In what manner the same principles on which I have here reasoned, apply to make the Tax on American timber brought into Canada, a real

tho' indirect tax on British Husbandry, and manufacture, need not be explained.

But it is material to consider the subject in this point of view, if it be also true, as I ever have held, that the greatest of all the political objects we can have with respect to America, is [f. 221v] to facilitate to the utmost possible extent, to all the back provinces of the W. I. The use of the St Lawrence and its ports, as the great Channel and entrepôt of their foreign trade, both of export and of import. If we do this effectually, we put it of the power of the Government of Washington, to throw any national obstacle in the way of our trade with the Interior of the W. I. While they shut the front door, we shall command the back door, which opening to the *heads* of all the great navigable rivers in the W. I. gives no access to the very sea-ports themselves, which they may try to close against us.

When the W. I. put forward a claim of *right* on this subject that word is ambiguous. No such right can exist, if it clast with the [f. 222r] paramount rights of sovereignty, acknowledged to be in the King.

But in the *Comity* as Lord Stowell would call it, of friendly nations, a free intercourse and passage to the subjects of one power, through the countries, and waters, of the other, is the most usual of all articles in Treaties for the restoration of peace and friendship; and cannot, I believe, on the ordinary principles of national good will, be refused, except on special grounds. Nor can I imagine what intrust we have in withholding it, tho' I see many special advantages to ourselves in granting it on this particular case, provided the usual precautions are taken (as in the use of roads &c.) that the liberty is not abused to the detriment of the Revenue, or Police of the Sovereign-Country

If I might state one further suggestion [f. 222v] on this point it would be, that the most advantageous was for us to consider, and to state the questions, is by not making, or admitting any distinction between waters the source of which arises in, and out of, the territory to which their port of discharge belongs. The right of free intercourse, and passage in peace, applies equally to both, and on principles which are not touched by the question whose the stream arises.

Ever my dear Charles

Most affy yours

(signed) Grenville

[f. 223r] [f. 223v]

Charles S^t. 8th. March 1824

Copy of Letter from Lord Grenville to the R^t. Hon^{ble} C.W. Wynne, on the subject of the American Papers relating to the pending negotiation

Lord Grenville to Huskisson⁴

[f186r]

Charles St Ap. 27. 1825

Dear Sir,

On my return to town yesterday I found on my table your two printed speeches⁵, for which I sincerely thank you. How cordially I concur in all that these measures effect I know I need not tell you; & if they still have [f186v] undone much that I confidently believe would be even yet more beneficial than what you now do, I have in the course of a pretty long public life gained experience enough to learn that even those things which are most clearly & undeniably useful require to have the way smoothed before them, especially [f187r] when so many interests are to be conciliated, & so many prejudices to be surmounted. And it is fair to add that you have already accomplished more in this aim, than I had the least expectation that I should ever to see.

Go on & prosper! is therefore my earnest exhortation, & ardent wish.

Believe me Ever [f187r]

My dear Sir

With great truth and regard most
faithfully & truly Y^r

Grenville

I ought not to have omitted, how much I feel gratified by the obliging expression you have used personally toward myself.

G.

Lord Grenville to Huskisson⁶

[f125r]

(Copy)

Charles Street Feb^y: 17: 1826

My dear Sir,

I beg you will accept my best thanks for your obliging communication of the memorandum which I now return. I believe you

⁴ MS in British Library Add. MS. 38746 ff. 186-187.

⁵ *Substance of two speeches, delivered in the House of Commons, On the 21st and 25th of March, 1825, respecting the colonial policy, and foreign commerce of the country* 1825.

⁶ MS in British Library Add. MS. 59405 ff. 125-129.

are too well apprized of my cordial approbation, and delight in those measures, in which you have borne so honourable and useful a part, to doubt of the extreme satisfaction which it would give me if any suggestion of mine could in the smallest degree contribute to the maintenance and advancement of that policy.

In this light I regard the plan detailed in your very able paper. That statement has removed the greatest part of the difficulties which I before felt on the subject. When the question between the adoption of gold or silver as a standard for our currency was under [f. 125v] discussion, I felt a strong preference in favour of the former. This preference was almost wholly grounded on a belief, that the altered state of South America is likely to produce much less powerful changes in the cost of production of gold, than of silver. It seems probable that in the course of time⁷ both will fall, but silver more rapidly than gold, because (if I am rightly informed,) all the improvements of science, machinery, and capital, are much more applicable to silver as raised from mines, than to gold as collected from stream works. Perfect immutability would be the perfection of a standard; and therefore that standard is the best which partakes most of the quality.

Baring's plan of a mixed circulation of gold and silver, following the French mode, but adopting the English proportions, was in effect nothing else than a plan for depreciating our currency, to the exact amount [f. 126r] of the difference, whatever it is or may become between the market price of silver, and its price as valued in our silver coinage.

The principle of some depreciation he had, if I mistake not, recommended in other forms, in which it had been successfully resisted. And to all such plans any one who was,⁸ 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.

How long that may be it is not easy to conjecture. I believe there is now a general, and well founded, opinion that the supply of metals from South America [f. 126v] has been for many years past much deficient, in comparison with former averages. If this be so, there is little ground to apprehend that within any short time we shall experience the inconveniences of a superabundant supply of either metal.

⁷ "in the course of time" is inserted.

⁸ "was," is inserted.

Still this is a possible contingency, and one therefore not wholly to be overlooked. The unexpected discovery of any very abundant mine of silver, worked much more cheaply than those now in operation, would rapidly disturb our whole system, and send away our gold, even under the well considered safeguards of your plan, if they were still made applicable to the present (french) proportions of gold and silver.

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. [f. 127r] 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, in some such form as is now adopted for the trial of the Pyx. 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.

[f. 127v] You will readily perceive my object in this suggestion. These variations might it is true be made by Parliament, as often as occasion shall require it. But every such discussion might, and probably would, be influenced by the casual preponderance of the contending interests, who might, (as now), expect some profit from the depreciation or maintenance of the currency. Whereas in this way you would now establish the correct, and as I conceive the only honest, principle, which is, that the two metals shall respectively pass current for that which they are really worth, in exchange with each other, and for neither more, nor less. And you would leave the application of that principle to be governed by the actual facts, in the course of events, which no man can foresee.

In 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 [f. 128r] 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. 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. You will best judge whether any thing of practical utility can be grounded on these suggestions: and I will no longer detain you on this subject.

With respect to the concluding part of your paper, your statement of the inconveniencies which must result in time of war, or preparation for war, from the present large amount of our unfunded debt is undeniable. But on the other hand, there is [f. 128v] an obvious and striking inconvenience in attempting to fund any part of it, at a moment when stocks have fallen so much below the average of many past years, and so much below what we may hope, if peace continues, will be the average of many succeeding years. And this view of the subject presents a balance of evil between which it is not easy to decide. The impression of my own mind would be, to operate in this case somewhat differently, and rather more slowly than you propose. I have for many years entirely ceased to approve of that once favourite object of pursuit to M^r Pitt and to myself, a sinking fund for the redemption of our funded debt. The reason for this change of opinion it would be tedious to detail, and the decision, whether for good or evil, has been finally made and acted upon.

But admitting that it is desirable in time of peace to raise five millions of additional taxation for the purpose of reducing debt, the [f. 129r] considerations which you have so forcibly stated prone undeniably the inconvenience of applying that sum preferably to the discharge of undemandable, rather than of demandable debt. There would be no inconsistency of principle, scarcely any difference of practice, in adopting the opposite course. The sinking fund, if first applied in discharge of the unfunded debt, would be equally, and with unquestionable good faith, made available to the annual diminution of the public incumbrances. And the benefits, once so highly extolled, of the principle of compound interest, might as easily be obtained in this case as in the other. The sinking fund might be annually increased by the interests of the Exchequer Bills extinguished. A considerable loss must attend any attempt to fund Exchequer bills in any state of the money market at all resembling the present. But by applying the whole sinking fund to the four next year, as fast as it arises, to their extinction, you might accomplish, without any such risk, the same benefit which your more adventurous [f. 129v] proposal proffers to us in two years. That this difference of time might in some events be immeasurably important, I readily admit. But in all political

decision there are conflicting dangers, between which your navigation must be steered.

The anomaly of keeping up a sinking fund to reduce the debt in time of war, by annual additions to that debt, is now I believe very generally condemned by all who understand the subject. That of upholding a sinking fund in time of peace, by omitting to discharge, or at least to reduce within some manageable limits, your unfunded debt, seems to be very obviously liable to the same objection.

Believe me & &c

(signed) Grenville

The R^t Hon^{ble}
M^r Huskisson
&c &c &c

Lord Grenville to Huskisson⁹

[f. 130r]

(Copy)

Charles Street Feb^y 18. 1826.

My dear Sir,

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^r 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.

The correct provision on the subject, would [f. 130v] 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.

⁹ MS in British Library Add. MS. 59405 ff. 130-131.

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 st9.

This proceeding sounds more implicated than it would in practice be found [f. 131r] to be. And I confess I do not see how, without some provision on 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.

Believe me &c &c

(S^g) Grenville

R^t. Hon^{ble}
M^r Huskisson
&c. &c &c