**The Strange Death of Mercantilist England:
Gold and Protectionism, 1815-1846**

Timothy Alborn
Lehman College/ CUNY Graduate Center

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In 1935 the historian George Dangerfield ascribed what he called "the strange death of Liberal England" to a conjunction of Conservative backlash, Irish unrest, suffragette spectacle, and trade-union militancy in the decade before World War One.[1] A century earlier, mercantilist England underwent similarly strange death throes, rendered stranger still by the fact that most liberal economists consistently claimed, throughout the first half of the nineteenth century, that David Hume and Adam Smith had already killed mercantilism in the 1770s.[2] The same conclusion regarding mercantilism's time of death has long been reached by most historians of economic thought, who generally settle on Hume and Smith as the end-point of their histories of mercantilism. The fact that protectionism remained Britain's core economic policy for seventy years after Smith has, of course, not gone unnoticed by historians of economics; but they have tended to follow those classical economists who, after 1820, reserved discussions of money supply to the realm of debates over Bank of England policy, and tended to frame trade policy in terms of rent and cost of production, with Ricardo's law of diminishing returns looming large.

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[1] George Dangerfield, *The Strange Death of Liberal England* (New York: Smith and Haas, 1935).
[2] Although the term *mercantilism* did not enter common parlance in Britain until the late 1838 (the *OED* lists a reference from *The New Moral World* in 1838), the cluster of ideas that it implied (which were set out in Adam Smith's *The Wealth of Nations*) were clearly recognized throughout the period, and often referred to as "the mercantile system" or the "theory of the balance of trade."

Historians of economics who focus on British monetary thought in the first half of the nineteenth century have spent relatively little time on the corn laws: hence, for instance, Frank Fetter devoted a solitary page to the corn laws in his history of "British monetary orthodoxy" between 1797 and 1875.[3] Historians who focus on the corn law debates (who are fewer in number), have spent even less time addressing the frequent references to bullion drains that both sides made during the course of the debate. D.P. O'Brien's exhaustive book on J.R. McCulloch, for instance, provides only a brief (albeit critical) notice of McCulloch's effort to link Britain's gold reserves with its trade policy. A partial exception is Boyd Hilton's *Corn, Cash, and Commerce*, which makes a point to bring the two topics together; but his analysis ends in 1830, before the anti-corn law campaign was off the ground, and focuses mainly on internal debates within Parliament.[4] Another is Anna Gambles's history of protectionist thought between1815 and 1852, which clearly locates the place of gold supplies in these arguments but neither dwells on them in detail, nor connects them to a longer mercantilist tradition.[5]

Nobody denied at the time that drains of bullion were a recurrent problem between 1820 and 1846: gold supplies in the Bank of England swung between low ebbs of £4.6m in 1826 and 1839-41 to highs exceeding £10m in 1821-24 and 1838; this accompanied swings in prices, although the overall tendency was deflationary.

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[3] Frank Whitson Fetter, *Development of British Monetary Orthodoxy, 1797—1875* (Cambridge, MA: Harvard University Press), 176.
[4] Boyd Hilton, *Corn, Cash, Commerce: The Economic Policies of the Tory Governments, 1815-1830* (Oxford: Oxford University Press, 1977), esp. 108-126, 132-134, 278-301.
[5] Anna Gambles, *Protection and Politics: Conservative Economic Discourse 1815-1852* (London: Royal Historical Society, 1999). See in particular 134-142, and her very useful discussion of Tory journalists and pamphleteers at 10-18.

In all cases, moreover, most contemporaries recognized that tight money supplies produced consequences that ranged from inconvenient to devastating, since the Bank of England's efforts to attract gold back into the country via higher interest rates inevitably affected economic activity. Not all the gold that drained from the Bank was used to pay for foreign grain: although poor harvests preceded drains in 1824 and 1839, bullion also left the Bank to pay for American cotton in 1838 and (by way of bank runs) in response to political unrest in 1832.[6]

Protectionists reasoned from these developments to predict disastrous consequences for the country under free trade, owing to the need to pay for additional grain supplies with bullion. Their liberal opponents mainly attributed price variations and deflation to the operation of corn laws, which (they argued) prevented "regular" foreign markets from developing that would be prepared to accept British goods in exchange for grain in times of dearth. They also diverted attention from trade to monetary policy, blaming Bank of England directors and joint stock bankers for failing to curtail loans in time to prevent drains from getting out of hand; and to "overtrading" merchants (both in Britain and America) whose demand for accommodation exceeded the nation's money supply. At bottom, this debate pitted a state-centered theory of trade, which placed a central emphasis on the role of national rivalries in determining specie flows, against a more idealized international model that minimized gold's role in settling foreign accounts.

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[6] Arie Arnon, *Thomas Tooke: Pioneer of Monetary Theory* (Ann Arbor: University of Michigan Press, 1991), 17-19 (tables drawn from Mitchell and Deane); M.J.R. Healy and E.L. Jones, "Wheat Yields in England, 1815-59," *Journal of the Royal Statistical Society* 125 (1962), 578. Prices fell by roughly 40% between 1819 and 1850. As much as £10m in bullion left England in 1839 to pay for corn: Peter Mathias, *The First Industrial Nation: An Economic History of Britain, 1700-1914* (London: Methuen, 1969), 230.

1. Adam Smith and the Making of a Shibboleth

One of Adam Smith's most enduring sections in *The Wealth of Nations* was his spirited demolition of "the Mercantile School" in the opening chapter of Book Four. One reason it endured was that his denunciation enabled future generations of liberals to describe their protectionist opponents as holding "exploded" beliefs, and thereby pre-emptively drain their arguments of apparent relevance. This was William Nassau Senior's tactic in 1827 when he walked his readers through Smith's arguments on the way to concluding that "instead of opposing… experience to theory," nineteenth-century protectionists were "opposing the theory of a barbarous age to the theory and experience of an enlightened one."[7] Identifying protectionism with Smith's account of mercantilism turned it into a shibboleth, which diverted attention from several important conditions that had emerged after 1800 and that made it harder to defend Smith's original grounds for opposing mercantilist thinking: these included the rise of protectionism in the United States and Europe, the exponential growth of Britain's national debt and accompanying tax burden, and the three decades of deflation that followed the resumption of cash payments in 1821.

Without admitting it in so many words, Smith's attack on mercantilism paralleled David Hume's earlier critique, spelled out in his 1752 essay "Of the Balance of Trade." There, Hume had recalled the "universal pannic" that Joshua Gee

[7] William Nassau Senior, *An Introductory Lecture on Political Economy, delivered before the University of Oxford* (London: J. Mawman, 1827), 31. Senior stretched this tactic to its breaking point in 1843 when he condemned Robert Torrens's defense of reciprocal free trade as a covert attempt to resurrect "not in words indeed, but in effect, the Mercantile Theory": "Free Trade and Retaliation," *Edinburgh Review* 78 (1843), 8.

had produced by in his prediction in *Trade and Navigation of Great-Britain Considered* (1729) that, in Hume's words, Britain's trade deficit "was against them for so considerable a sum as must leave them without a single shilling in five or six years." He countered this with the wry reassurance that "luckily, twenty years have since elaps'd, along with an expensive foreign war; and yet… money is still more plentiful amongst us than in any former period." He also responded with a reassuring (if sketchy) theory, which subsequent economists would call the price-specie flow mechanism. The fall in prices occasioned by a drain in bullion, he argued, would immediately "bring back the money which we had lost, and raise us to the level of all the neighbouring nations… where, after we have arriv'd, we immediately lose the advantage of the cheapness of labour and commodities; and the farther flowing in of money is stopped by our fulness and repletion."[8]

Smith's discussion of the "Mercantile School" reinforced Hume's efforts to downplay concerns about bullion drains and trade deficits. Instead of Gee, he reached further back, singling out Thomas Mun's *England's Treasure in Foreign Trade* (1664; written in the 1630s) to stand for mercantilism. Mun, he argued, had mistakenly distinguished between gold and "any other useful commodities, which the freedom of trade, without any such attention, never fails to supply in the proper quantity." The only meaningful function of gold and silver was as "utensils… as much as the furniture of the kitchen"; hence stockpiling bullion was "as absurd as it would be to attempt to increase the good cheer of private families, by obliging them to

[8] David Hume, *Political Discourses* (Edinburgh: R. Fleming, 1752), 81-83. On Smith's failure to incorporate Hume's price-specie flow mechanism into his critique of mercantilism see John Cunningham Wood (ed.), *Adam Smith: Critical Assessments* (London: Routledge, 1984), 1: xxvi-xxvii and accompanying articles.

keep an unnecessary number of kitchen utensils." The movement and supply of bullion in the mid-eighteenth century appeared to justify Smith's assumption that its role in trade, though necessary, was subsidiary to industrial and agricultural output. As "the money of the great mercantile republick," bullion could be relied on to flow efficiently among nations to balance accounts; although Smith admitted that a direct trade—for instance, British hardware and textiles for French wine—was more profitable to Britain than a "round-about one" whereby British goods purchased Brazilian gold, then exchanged that for the wine, he insisted, following Hume, that both sides still gained from the latter transaction.[9]

From his perspective in 1776, Smith found it relatively easy to dispense with two of the issues that would revive mercantilist arguments in the nineteenth century: a drain of bullion owing to foreign wars, and the impact of a trade deficit on the domestic supply of money. Referring to the Seven Years War, which was up to that point by far the most expensive war Britain had fought, Smith implicitly applied Hume's price-specie flow analysis to drains occasioned by foreign wars: "whatever part of this money of the mercantile republick Great Britain may have annually employed in this manner, it must have been annually purchased, either with British commodities, or with something else that had been purchased with them," which "brings us back to commodities… as the ultimate resources which enabled us to carry on the war." Hence a country with sufficient production of "the finer and more improved manufactures" (such as Britain) could easily "carry on for many years a very expensive foreign war." Smith was similarly dismissive regarding any possible

[9] Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (London: W. Strahan and T. Cadell, 1776), 2: 7-8, 15-16., 23, 78-80.

negative impact of a bullion drain on the circulation of coin. At least part of his optimism on this score derived from his relatively benign view of a "well regulated paper money," which could replace a diminished supply of coin "not only without any inconveniency, but with very great advantages."[10]

By taking Smith's analysis as their starting point, classical economists effectively divorced gold from trade policy—or rather, they subordinated trade policy to the dictates of an "automatic" international gold standard. In Joseph Schumpeter's words, they were "neither nationalists or *étatistes*," favoring "an unfettered international gold standard" as a "moral as well as an economic ideal," and embracing gold as "the naughty boy in the room who blurts out unpleasant truths."[11] In the three decades after Waterloo, these unpleasant truths included a steady diet of deflation and a sharp-edged business cycle, which rose and fell as interest rates struggled to keep pace with trade-induced bullion flows.

Smith's early successes in turning the tide against mercantilism were impressive. Looking back from 1843, William Nassau Senior recalled that a decade after Smith had "conclusively refuted" that doctrine, it had likewise been "abandoned by the scientific and literary public throughout Europe, and by the mercantile public in Great Britain." To support this claim, he could point to William Pitt's embrace of free-trade principles, as well as the passage in 1786 of the Eden Treaty, which provided unprecedented access for goods to flow legally between Britain and France. Although Senior conceded that "the revolutionary wars arrested in each country the improvement of commercial legislation," he confidently asserted

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[10] Ibid., 2: 20-22, 9-12.

[11] Joseph Schumpeter, *History of Economic Analysis* (Oxford: Oxford University Press, 1954), 732.

that enlightenment had, by the late 1820s, returned to Britain, if not necessarily the rest of Europe.[12]

The French Revolution and subsequent wars did more than interrupt this momentum in the spread of economic liberalism. The suspension of cash payments in 1793 refuted Smith's (and Hume's) prediction that no foreign war could ever drain Britain of so much gold as to render such a measure necessary, Britain's debt burden rose from £262m to £885m between 1793-1815, and prices rose by 80% over the same period.[13] The robust debates over the 1815 and 1829 Corn Laws and the resumption of cash payments in 1819 reflected this transformed financial landscape. A leading theme in these debates was the perceived need, by "liberal Tories," to balance self-sufficiency in grain production (a major concern during the war) with protection against famine during poor harvests; and, by returning to the gold standard, to arrest inflation and thereby pay down the national debt on terms that would be fair to Britain's creditors.[14]

The result was a delicate political balance whereby grain duties protected landowners' interests and hard money protected those of creditors, hence covering both bases of "gentlemanly capitalism" without any specific policy in place for the benefit of industrial capital or labor.[15] As the Birmingham industrialist and radical MP George Muntz would complain in 1840, "provision has been made for the

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[12] Senior, "Free Trade and Retaliation," 5; cf John A.C. Conybeare, *Trade Wars: The Theory and Practice of International Commercial Rivalry* (New York: Columbia University Press, 1987), 138-156.
[13] George Richardson Porter, *The Progress of the Nation* (London: Methuen and Co., 1912), 617; Arnon, *Thomas Tooke*, 17.
[14] Hilton, *Corn, Cash, Commerce*, esp. chs 1 and 4.
[15] See the discussion by Peter J. Cain and A.G. Hopkins, *British Imperialism: Innovation and Expansion 1688-1914* (London: Longman, 1993), 78-84 .

fundholder by keeping the standard in its old position … and, to a great extent, the landed interests have been maintained in their position by the corn laws; but I do not see that any faith has been kept with the working classes."[16] Although few other people at the time opposed *both* the corn laws and the gold standard (most assailed one or the other), Muntz's observation is a useful reminder that these two pillars of British economic policy between 1815 and 1846 established terms of debate in which gold supplies and foreign trade consistently crossed paths.

To resurrect Smithian ideas in the aftermath of the war, liberals did their best to divert all discussion of gold to the realm of monetary policy, where they waged a largely internecine battle over the proper function of the Bank of England under the gold standard; and to label anyone who insisted on connecting gold back to trade policy as hopelessly behind the times. Toward this end, they repeatedly cited Smith's arguments against mercantilism, by way of dismissing any contemporary concerns regarding bullion drains or trade deficits as resting on grounds that had long since been "exploded" or "abandoned."[17] In case Smith's original message was not clear enough, J.R. McCulloch prefaced his 1828 edition of *The Wealth of Nations* with a lengthy additional rebuttal of mercantilism, focusing (as Smith had done) on Thomas Mun's defense of the East India trade.[18] When liberals turned from the "self-evident" claims of Hume and Smith to their opponents'

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[16] *Report from the Select Committee of the House of Lords appointed to consider of the Petition of the East India Company for Relief*. London: HMSO, 1840), 1141.

[17] See, e.g., John Ashton Yates, *A Letter on the Present Depression of Trade and Manufactures* (Liverpool: G. and J. Robinson *et al*., 1841), 16; William Waterston, *A Cyclopaedia of Commerce, Mercantile Law, Finance, and Commercial Geography* (Edinburgh: Oliver and Boyd, 1843), 43.

[18] Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* (Edinburgh: Adam Black and William Tate, 1828), 1: xii-xviii. McCulloch borrowed this part of the introduction from his *Discourse on the Rise, Progress, Peculiar Objects, and Importance of Political Economy* (Edinburgh, 1824), 21-29.

arguments, they did qualify their verdict regarding the demise of mercantilism. Jane Marcet lamented in 1816 that "the old popular error respecting the balance of trade… still prevails, even amongst our legislators," and an *Edinburgh Encyclopaedia* article on export bounties presented mercantilism's staying power as a problem of irrefutable theory battling insufferable practice: "None but persons of obtuse intellect are, nowadays, blind to the absurdity of its principles; whilst its pernicious operation is still permitted to gratify a mercantile and manufacturing avarice, at the expense of the general community."[19]

In this way, mercantilism persisted as a popular foil in what emerged as a typical rhetorical strategy among advocates of free trade: to educate an underinformed public opinion with the clear science of political economy. An example of this was a dialogue between a farmer and his enlightened landlord in *John Hopkins's Notions on Political Economy* by Jane Marcet. When Hopkins worried that sending "money instead of goods" for raw materials that were unavailable in Britain "would not encourage our manufactures," his landlord responded with Smith's point that a roundabout trade was also beneficial: "it's all one whether we send the goods to America to pay for the gold, or to France to pay for the silks," since in each case "the labouring manufacturer will have employment."[20]

When the Irish economist Mountiford Longfield pondered the survival of "the false principles of the mercantile system" in 1835, he thought he came up with an

[19] Jane Marcet, *Conversations on Political Economy* (London: Longman, Hurst, Rees, Orme, and Brown, 1816), 413; *Edinburgh Encyclopaeida* 4 (1832): 364. See also, e.g., Thomas Perronet Thompson, "M'Culloch's Edition of 'The Wealth of Nations," *Westminster Review* 17 (1832), 273.
[20] Jane Marcet, *John Hopkins's Notions on Political Economy* (London: Longman, Rees, Orme, Brown, Green, and Longman, 1833), 167-168.

answer, which doubled as a strategy for free-traders. Protectionists had turned to "different and more plausible arguments" than the "exploded errors of the more ancient system of the balance of trade," when they argued that drains of gold diminished industrial (as well as agricultural) productivity by depriving England of investment capital. His counter-argument, however, was not really any different: the price mechanism would eventually attract gold back into Britain, pulling prices back up and restoring economic activity. What was different (and rare enough for classical economists between 1815 and 1846) was his accompanying qualification: "These operations are not constantly perceptible, but the force which, if necessary, would lead to them, is always active enough to prevent any nation from having either too much or too little gold in its possession."[21] The trick, in other words, was to get protectionists to see beyond merely temporary drains of gold, to the long-term equilibria. This captured the basic form of the debate, which was about short-term drains versus long-term growth and stability. The real point of contention, however, concerned the protectionists' additional argument that although drains seldom persisted for more than a year or two, they carried with them long-term outcomes that were deleterious from the perspective of the British economy.

2. An Orientalist Prologue

When British protectionists worried about the impact of free trade on gold supplies, they seldom did so in ways that directly mirrored older mercantilist arguments. But they did appeal to assumptions that older mercantilists had

[21] Mountiford Longfield, *Three Lectures on Commerce, and One on Absenteeism* (Dublin: Milliken and Son, 1835), 14-17.

originally expressed, and that were almost entirely absent in classical political economy: specifically, the concern that Britain's trading partners had reached a saturation point in their collective demand for British goods, and that any further grain imports could only come at the expense of Britain's money supply. This section surveys some examples of these concerns as they appeared in eighteenth-century discussions of India, which are useful for showing continuities and contrasts with later protectionist discourse. These also reveal an enduring suspicion that Hume's concept of a price-specie flow mechanism did not necessarily apply where "Asiatic" customs and political rule persisted. To the extent that nineteenth-century protectionists transferred this perspective from India and China to Russia and Poland, it is possible to re-read the debate over the corn laws as a remake of an earlier performance pitting Smith against Montesquieu.

In claiming that grain-supplying nations were unlikely to purchase British goods, protectionists revived several arguments that had commonly accompanied older mercantilist critiques of the Indian and China trade, which foregrounded the unidirectional drain of bullion from west to east. According to the East India Company official John Henry Grose, who served in Bombay in the early 1750s, India was "a bottomless pit for bullion, which can never circulate back to Europe"; the Orientalist Thomas Maurice claimed that "the great treasures in gold and silver, produced by the mines of Spain, flowed [to India], to be there swallowed up in a vortex that never regurgitated the shining spoil."[22]

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[22] John Henry Grose, *A Voyage to the East-Indies, began in 1750; with Observations continued till 1764* (London: S. Hooper, 1766), 324; Thomas Maurice, *Indian Antiquities: or, Dissertations, relative to … Hindostan* (London: H.L. Galabin, 1800), 7: 492.

The drain of bullion that these writers were describing was not a figment of their imaginations. Between 1600 and 1800, a steady flow of gold and silver found its way from Latin America to India and points east: bullion exports were worth around £200,000 in 1600, rising to £750,000 a year in 1700 and £1.3m by 1800. Spain and Portugal typically paid off their trade deficits with England, France, and the Netherlands out of the bullion they received from Latin America, and what the latter countries did not keep at home they sent on to East Asia (as well as the Baltic States and the Middle East).[23] Bullion included silver as well as gold, and especially in the seventeenth century (prior to new gold discoveries in Brazil), the British shipped much more silver than gold to India and points east. A severe shortage of silver coin in London in 1620 was the proximate cause of the famous mercantilist debates that Smith would refer to in *The Wealth of Nations*: Edward Misselden's critique of the East India trade as the "special remote cause of our want of money" spurred Mun's response in *England's Treasure in Foreign Trade*.[24]

To diagnose this digestion of bullion, British writers identified four related cultural and political conditions, all of which conveniently set India apart as distinct from Northern European habits and policies. First was a superstitious tendency to adorn their temples and idols with gold. Second was their proclivity to adorn their bodies with gold. Third, often linked to the first two, was a political system based on tyranny and plunder. And fourth, the South Asian climate curtailed Indian demand

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[23] Artur Attman, *American Bullion in the European World Trade, 1600-1800* (Göteborg: Kungl. Vetenskaps- och Vitterhets Samhallet, 1986), 5-8, 77-78. Factoring in the precious metals that were smuggled out of Latin America, the actual volume was perhaps twice as large

[24] Misselden, *Free Trade* (1622), cited in Barber, *British Economic Thought and India 1600-1858* (Oxford: Clarendon Press, 1975).

for western goods, leaving bullion as the only desirable item in trade. In all these cases, the focus was on cultural difference as an explanation of a perceived economic problem. Michael Symes, who accompanied an embassy to Burma in 1795, depicted the use of gold there as an inversion of British priorities: "although highly valued, it is not used for coin in the country; it is employed sometimes in ornaments for the women, and in utensils and ear-rings for the men; but the greatest quantity is expended in gilding their temples, in which vast sums are continually lavished." British writers spent even more time cataloguing the widespread use of gold in adorning Indian bodies, accounts of which served the similar function of marking South Asians as a race apart from Europeans. William Hodges, describing Madras in 1780, identified "the moment in which an European feels the great distinction between Asia and his own country" as the point when he noticed, entering the harbor, a crowd of "black faces adorned with very large gold ear-rings."[25]

Many commentators paired these descriptions of Indian superstition and adornment with environmental or political explanations for why Indians accepted only bullion in exchange for their goods. Montesquieu, whose observations on India in *Spirit of the Laws* cast a long shadow over subsequent accounts, claimed that the Indian climate "neither demands nor permits hardly any thing which comes from ours." Following in this vein, the British historian Alexander Dow ascribed the drain of bullion to India to the fact that its inhabitants' wants "were supplied almost spontaneously by the soil and climate," and another British Orientalist cited "the

[25] Michael Symes, *An Account of an Embassy to the Kingdom of Ava, sent by the Governor-General of India, in the Year 1795* (London: W. Bulmer, 1800), 260; William Hodges, *Travels in India*, quoted in *Analytical Review* 15 (1793): 241.

peculiar benignity of the climate in which they lived" as the reason why Indians "had no relish for the productions of any other country."[26] The travel writer Maria Graham provided a typical political explanation in 1813: "Where the people were daily exposed to the ravages of barbarous armies, it was natural to endeavour to keep their little wealth in that form in which it could with most ease be conveyed out of the reach of plunderers."[27]

Such diagnoses of Asian absorption of bullion started to recede (although it never wholly disappeared) after 1760, when the East India Company started to rely on tax revenues instead of bullion imports to purchase goods. From a share of four-fifths of its exports to India, bullion declined to a one-eighth share in the decade after 1757.[28] This reversal made free-trade advocates optimistic that nineteenth-century drains in the would always be more moderate than had been the case when Asia had absorbed western bullion. McCulloch, for instance, defended unilateral free trade with France in 1819 on the grounds that the flow of bullion was less sticky among European trading partners because the value of gold and silver in neighboring countries was "always extremely near a par": in distinct contrast to Asia, where transport costs and an assymetry in the value of the precious metals made an indirect trade less efficient.[29]

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[26] Charles de Montesquieu, *The Spirit of Laws* (trans. Thomas Nugent; London: J. Noyrse and P. Vaillant, 1750), 2: 21, 328; Dow, xliv; *Critical Review* 38 (1803): 146. Thomas Mun also appealed to climate to explain the drain of silver to India in *England's Treasure by Forraign Trade* (1668): see Barber, *British Economic Thought,* 12.

[27] Maria Graham, *Journal of a Residence in India* (Edinburgh: George Ramsay, 1813), 3.

[28] Rama Dev Roy, "Some Aspects of the Economic Drain from India During the British Rule," *Social Scientist* 15 (1987): 40-41.

[29] J.R. McCulloch, "Commercial Embarrassments—Trade with France," *Edinburgh Review* 32 (1819), 59.

At a more basic level, the reversal of specie flows from east to west freed up bullion for other uses, not the least of which included waging war against the American colonies and France after 1776, and maintaining the gold standard despite recurrent drains of bullion to Europe and America after 1820. McCulloch cited this as one of several reasons to be hopeful that the deflation that had dogged Britain in the 1820s would soon be a thing of the past.[30] Several liberal commentators also cited this event as indicative of the ability (if not inevitability) of an industrial nation to break into even the most resistant markets—typically neglecting to mention the important role played by the coercive powers of tax collection and military invasion in producing this outcome.[31] The fact that India (and later China, after the Opium Wars) only began accepting manufactured goods instead of bullion from Britain following military defeat may be the reason why almost no liberals appealed to those countries by name when they predicted that Europeans would warm to the idea of trade with Britain.

British protectionists, for their part, drew a very different set of lessons from the recent history of Anglo-Asian trade. With due allowance for apparent differences in national character and political systems, they recurrently invoked ethnographic and political arguments that paralleled earlier "Asiatic" discourses in

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[30] J.R. McCulloch, *A Dictionary, Practical, Theoretical, and Historical, of Commerce and Commercial Navigation* (London: Longman, Rees, Orme, Brown, Green and Longman, 1832), 57. He also cited increased output of gold and silver in South America (relative to the dip in production between 1810-25) and Russia.

[31] *Substance of a Debate, in the House of Commons… on East and West India Sugar* (London: J.S. Brickwood, 1823), 13 (William Huskisson); *Report of the Public Meeting at Liverpool… [on] the Restrictions imposed upon Commerce by the Present Charter of the East India Company* (London: W. Lewer, 1829), 36 (motion by John Ewart). On the role of political force in Indian deindustrialization see Prasannan Parthasarathi, *The Transition to A Colonial Economy: Weavers, Merchants and Kings in South India, 1720-1800* (Cambridge: Cambridge University Press, 2001).

order to refute the claim that foreigners would condescend to take British goods, as opposed to bullion, in exchange for their grain. Both the parallels and the departures were significant. By inviting earlier comparisons to decidedly un-English peasants and Oriental-style despotism, protectionists painted Britain's would-be trading partners, and foreign trade more generally, as a far riskier proposition than liberals allowed. They departed from earlier mercantilist arguments when they pondered what eastern Europeans were likely to do with the bullion they absorbed. In contrast to Asiatic despots, who (according to the Orientalist narrative) wasted gold and silver on pompous display and terrorized their subjects into burying it, European autocrats allegedly had far more sinister plans for the gold they absorbed in exchange for their grain: to invest in manufacturing, thereby bringing British industry down along with its agriculture.[32]

Another departure from eighteenth-century mercantilism, to which I will return in the conclusion, related to the impact of gold and silver supplies on prices. Into the early nineteenth century, defenders of the East India Company's monopoly celebrated the drain of bullion to Asia as usefully blunting inflation in the West; in David Macpherson's words, Europe had been "happily preserved by the exportation of silver to India from being overwhelmed by the inundation of the pretious metals."[33] In stark contrast, mercantilists in the first half of the nineteenth century

[32] Another parallel that only partly held up concerned the way nineteenth-century protectionists depicted peasants in central and eastern Europe, which tended to be limited to negative assertions regarding their incapacity to develop a taste for British goods. Depictions of European peasants wasting gold on adornment focused on southern Europe, trade with which did not feature in protectionist writing.

[33] David Macpherson, *The History of the European Commerce with India* (London: Longman, Hurst, Rees, Orme, and Brown, 1812), 337.

feared the *deflationary* impact of bullion drains, against the backdrop of the increasing scarcity of gold and silver.

3. Mercantilist Wine in Protectionist Bottles

Since liberal economists studiously ignored any and all protectionist appeals to national character and political machination, the debate surrounding these concerns seldom progressed much farther than a dire prediction on one side, followed by an assertion on the other that the prediction went against the laws of political economy. At bottom, the economic law in question was Say's Law, which refuted the possibility of a general glut, in that liberal economists claimed that the price-specie flow mechanism would always eventually regenerate demand for British goods. To the extent that either side got beyond this stalemate, the ground shifted to the argument that even a temporary deficit in the balance of payments would have a redistributive impact, since deflation favored the financial sector over the "productive" classes.

Few protectionist manifestos that appeared between 1825 and 1846 lacked some variant on the doomsday scenario in which an open grain trade would lead to a "ruinous drain upon the metallic treasures of the country" or "drain the bullion coffers of the Bank of England to the very dregs."[34] To support this, they needed to meet head-on the liberal claim that Americans and Europeans would accept British

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[34] Archibald Alison, *The Principles of Population, and their Conjunction with Human Happiness* (William Blackwood and Sons, 1840), 2: 443; James Charles Dalbiac, *A Few Words on the Corn Laws* (London: James Ollivier, 1841), 53. See also Edward Davies Davenport, *The Corn Question, in a Letter addressed to the Right Hon. W. Huskisson* (London: J. Ridgway, 1825), 3-4; *Remarks upon the Corn Laws of the United Kingdom of Great Britain* ([London[, 1828), 37-38; *Ought the Corn Laws to be Repealed* (Edinburgh: A. Cannon, 1840), 23.

manufactured goods (instead of gold) in exchange for their grain; and, failing that, would accept bills of exchange drawn on countries that did buy British goods. They countered the first argument by proclaiming the incapacity of European peasants to acquire a taste for British exports, and by pointing to the tendency of grain-exporting autocracies to protect home manufactures at the expense of British goods. They were less successful at addressing the second claim until after the commercial crisis of 1836-38, when the failure of the US economy to absorb excess British exports provided them with hard evidence that the global market for those goods was not reliably elastic.

The terms of this debate were already well established by the late-1820s, as rumors swirled concerning Huskisson's designs on the 1815 corn law. An early example was Layton Cooke's claim in 1827 that "it could scarcely be expected that the serfs of Poland and Russia would require the luxuries of life essential only to those who have arrived at a high state of civilization." Answer number eighteen on a list of *Twenty Questions submitted by the General Agricultural Committee* the same year predicted that liberalizing the 1815 Corn Law would "take the gold out of the country" to pay for corn "from poor, thinly inhabited, or semi-barbarous countries, who import few manufactured goods."[35] Such claims persisted into the 1830s, as when the Buckinghamshire MP Grenville Pigott argued in 1832 that "they who are acquainted with the condition of the peasantry or farmers (for they are the same) in north-eastern Germany, Poland, and Russia" knew that it would "require

[35] Layton Cooke, *Practical Observations on the Importation of Foreign Corn, under a Graduated Scale of Duty* (London: James Ridgway, 1827), 24; *Twenty Questions submitted by the General Agricultural Committee… and Answers Returned from Various Parts of the Kingdom* (London: by Order of the Committee, 1827), 10.

generations to give them even a taste for the manufactures of this country," as opposed to goods "supplied by their own household."[36]

So far, protectionists only provided reasons why peasants on the Continent were unlikely to take British goods in exchange for their grain. The next plank of their argument turned to what these countries would do with the bullion that Britain sent them. Here, the presiding fear (as a Carlisle farmer expressed it in 1829) was that "the gold we pay for foreign grain will act as a bounty to extend their manufactures."[37] Fueling this fear was the rapid emergence, almost immediately following the Congress of Vienna, of industrial protection in America and Europe: starting with the Tariff of 1816 in the US, followed by Prussian Customs Union of 1818 (which evolved into the Germany-wide Zollverein by 1834) and a Russian tariff on over 200 imports in 1822.[38]

Since it took time for the economic impact of these new tariffs to be felt, protectionists in the 1820s instead extrapolated from the war years, when Britain "promoted [foreigners'] capability of creating manufacturing establishments" by sending gold to her European allies to pay for grain.[39] By the late 1830s, two decades' worth of experience with foreign tariffs had hardened their stance. One

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[36] Grenville Pigott, *A Letter on the Nature of the Protection afforded by the Present Corn Laws, and on the Probable Result of a Free Trade in Corn, addressed to the Land-Owners, Farmers, and Electors of Buckinghamshire* (London: Roake and Varty, 1832), 48.
[37] *A Refutation of a Catechism on the Corn Laws by a Cumberland Farmer* (London: James Ridgway, 1829), 22.
[38] C. Edward Skeen, *1816: America Rising* (Lexington: University of Kentucky Press, ,2003), 62-65;Toni Pierenkemper and Richard H. Tilly, *The German Economy during the Nineteenth Century* (New York: Berghahn Books, 2004), 31-37; Boris Ananich, "The Russian Economy and Banking System," in Dominic Lieven, *The Cambridge History of Russia: Vol. 2, Imperial Russia, 1689-1917* (Cambridge; Cambridge University Press, 2006), 400.
[39] Thomas Gardner Bramston, *The Principle of the Corn Law Vindicated* (London: J. Hatchard and Son, 1827), 76;

pamphleteer in 1843 predicted that unilateral free trade would enable Europeans to "grow rich by bringing corn, pork, and beef to your shores and taking back gold; and the surplus of their wealth… will be lent out at full usance to the young and enterprising manufacturers who want capital." John Gladstone similarly opposed the liberals' "vapid, frothy declamation" that Europeans would take British textiles in exchange for their grain by arguing that they had "been engaged for years past in originating and adopting measures for the exclusion of our manufactures and the promotion of their own."[40]

Implicit in many of these arguments was the concern that Prussian and Russian autocrats would use any means necessary to foil free-traders' hopes that European consumers could ever be convinced to vote with their pocketbooks. A "Practical Farmer" painted this picture in the bleakest possible colors in 1839, worrying that under free trade,

> the moneyed capitalists, and the Emperor of Russia, would then have it all their own way. Russia alone would then raise, between Woronetz and Odessa, quite sufficient corn to supply this empire… The first thing the Emperor would do, in this case, would be, to build Government warehouses to a great extent, and insist upon all the corn being there placed; and a duty would be imposed for rent; and an additional duty upon exportation, when this country required the corn. Gold would be required for the purchase of the corn: and it is absurd to expect [that] Russia would take your manufactures for corn. They would say, "Bring gold; or go back, and let your people starve." Few persons, except those who have resided in Russia, are aware of the effect of an ukase issued by the Autocrat: disobedience, in the most trifling particular, by a landowner… would insure him *a journey, gratis, to Siberia*: and his property would be *confiscated.*"

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[40] *Reflections on the Designs and Possible Consequences of the Anti-Corn-Law League* (London: Marchant, Singer and Smith, 1843), 15; John Gladstone, *Four Letters addressed to the Editor of the Morning Post on the Objects of the Ministerial Budget* (London: William Blackwood and Sons, 1841), 5. See also Joseph Hubback, *A Letter on the Corn Laws* (Liverpool: Lace and Addison, 1843), 29, where he cites "the hostile tariffs of the United States, France, Germany, Spain and Portugal."

Adding insult to injury, some protectionists predicted that once European despots had ruined British farmers and caught up with British industry, they would be in a position to lure away British artisans, delivering the death-blow to industry as well. One protectionist pamphlet took this reasoning to desperate extremes: "English skill and inventive ingenuity will be planted in a foreign soil, in which tall chimnies will every where meet the view: our own land will be desolate, and our once vaunted manufactories will be turned into receptacles for the starving millions thus thrown out of employment."[41]

Protectionists also needed to confront the scenario in which Britain's grain providers would accept bills of exchange issued on the security of other British export markets, hence removing the need to send them gold. They met this claim by arguing that demand was not elastic in those parts of the world that presently purchased British textiles. Such assertions became easier to make after the commercial crisis of 1838, when Americans proved to have a satiable appetite for British goods. Writing in 1840, the Irish journalist R.N. Kelly was willing to allow that before the crisis British grain imports were "actually, though indirectly, purchased with our manufactures" via American bills; but since then, "much more gold has gone out of England, … than would have gone, had our commercial relations with America been upon a sound and wholesome footing"; and concluded that "what may be considered the commercial insolvency of that country has totally deranged the ordinary course of our own dealings with other nations." A Doncaster

[41] *Letter to the Duke of Buckingham, on the Corn Laws* (London: T. Cadell, 1839), 16-17; *Fallacies of the Philanthropists! A Candid Appeal to Common Sense, in Some Plain Talking to the Manufacturers and Artisans about Themselves and the Agriculturists* (London: W.H Dalton, 1841), 18-19.

protectionist specifically blamed the 1838 crash on British capitalists' "desire to multiply beyond all past precedent, the productive powers of manufactures," and cited the dramatic increase in British exports to the US in the four years leading up to the crash as "facts which corn law repealers should keep in mind."[42]

A different protectionist argument, which also tapped into a mercantilist fear of unrequited trade, focused on the redistributive effects of drain-induced deflation. This came out most clearly in an exchange between Thomas Perronet Thompson and an anonymous *Fraser's* reviewer in 1833-1834, focusing on the silk trade with France. When *Fraser's* linked free trade with the "continual lessening of our circulating medium," and Thompson answered with the usual appeal to the "counteracting operations" effected by the price-specie flow mechanism, *Fraser's* responded that this "would answer tolerably well if there were no national debt, no 'dead weight,' no mortgages, pensions, fixed salaries, settlements, and other immoveable payments, interwoven with every man's affairs… By their two nostrums of 'metallic currency' and 'free trade,' our economists have contrived, in little more than ten years, to reduce the prices of all kinds of commodities."[43]

Not all protectionists were as ready to abandon the gold standard as this writer (although many were), but most would have agreed that the corn laws performed the essential service of propping up prices in the face of gold's deflationary tendencies: especially in light of the high taxes that Britain's debt

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[42] R.N. Kelly, *A Review of the Corn Law Question* (Edinburgh: William Blackwood and Sons, 1840), 48; G. Calvert Holland, *Lecture on the Corn Laws* (Doncaster: R. Hartley, 1840), 12-13. Cf Maurice Lévy-Leboyer, "Central Banking and Foreign Trade: the Anglo-American Cycle in the 1830s," in C. Kindleberger and J.P. Laffargue (eds.), *Financial Crises: Theory, History and Policy* (Cambridge: Cambridge University Press, 1982), 66-113.
[43] "On National Economy," *Fraser's Magazine* 9 (1834), 359, 361.

burden imposed on landlords and farmers.[44] This was especially the case during the short period of time when the corn laws coexisted with the more stringent requirements under the 1844 Bank Charter Act, which pegged note issue to the Bank of England's bullion reserves. A protectionist writer for the *English Review* argued that the more rigid post-1844 gold standard needed such a law more than ever: "the *monetary system* of the country is dependent for its very existence upon the prevention of any considerable importation of foreign grain." Or, as another protectionist proclaimed in 1846, the Bank Charter Act made it all the more clear that "*free trade in corn and monopoly in money cannot possibly exist together.*"[45]

4. Burying Treasure: Gold and Free Trade

The most common response among advocates of free trade to protectionist fears about a drain of bullion was to focus intently on outcomes rather than processes. With more than a little impatience, they continually reminded protectionists that gold would and did return to England in the end, just as Hume had predicted it would; and that when it did, overall output always increased. When stopped to focus on the problems caused by drains, they either blamed this on the corn laws, which (they claimed) prevented a "regular trade" with grain exporters; or diverted attention to monetary policy, and specifically the numerous mistakes committed by the Bank of England and joint stock banks. All these arguments followed Smith in de-emphasizing the significance of gold in the international

[44] See, e.g., *Alarming State of the Nation Considered; the Evil traced to its Source, and Remedies Pointed Out* (London: James Ridgway, 1830), 37-39. On this point more generally see Gambles, *Protection and Politics*, chs. 4-5.

[45] "Wellington," *English Review* 4 (1845), 304; "Currency and Corn," *Hood's Magazine* 5 (1846), 87.

economy. Like Smith, they presented gold and silver as useful utensils (possessing "scarcely any value but as instruments of exchange," as one journalist put it in 1823), always there when people needed it, but not nearly as important as many protectionists seemed to think.[46]

Free-traders most often responded to fears about bullion drains by bemoaning the inability of protectionists to understand basic economics. Many of them led with the claim that talk of gold drains was a red herring: "a perfectly irrelevant consideration, which has nothing whatever to do with free trade, but with which it has been found peculiarly convenient, by certain sophists, to encumber the matter," as one pamphleteer argued in 1839.[47] Most appealed, directly or indirectly, to Hume's price-specie flow mechanism, as when Richard Badnall offered the assurance in 1830 that "a country exporting her produce, and only importing gold, cannot continue to do so without causing a glut of that commodity, which is sure by eventually finding its own level, to return through one channel or another, to that country from which it was originally exported, in exchange for other commodities." Eleven years later, the liberal journal *Facts and Figures* countered the argument that "foreigners will only take our gold in payment for their corn" by insisting that they "can do nothing of the sort," since "under a free trade system every article finds its level in price, and so does gold. If we have too little petty cash to carry on our trade, and another country has too much, we can give a higher price for it, and back it comes." That lines sometimes blurred between economic arguments and articles of

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[46] *Edinburgh Annual Register* 16 (1823): 116.
[47] Jelinger C. Symons, *Arts and Artisans at Home and Abroad: with Sketches of the Progress of Foreign Manufactures* (Edinburgh: William Tait, 1839), 262.

faith is apparent from a free-trade tract in 1838, which simply proclaimed that "the exchanges would at all times put the matter to rights."[48]

At its most utopian, this argument rested on a profound faith in the capacity of British ingenuity to generate an infinite demand for their products. Returning from Eastern Europe in 1839, the agricultural reformer John Paget saw no reason why grain imports necessarily implied a drain of bullion: "What, in these days of universal movement, steam and railroads, is to hinder a taste for English luxuries and English enjoyments, to spring up amongst the owners of the vast plains of Europe; and, instead of gold going out for corn, suddenly crippling every branch of commerce, and impoverishing the entire community, English ingenuity and English manufactures stimulated, advanced, and exchanged, in return for continental grain." For the free-trader George Browning, Britain possessed "a kind of natural national monopoly" on intelligence and industry, whereby "the natural current of her commerce is, to manufacture for those countries who supply her with raw materials."[49]

A more sophisticated variant on this argument was the claim that a "regular," as opposed to sporadic, demand for corn on Britain's part would sustain a regular demand for manufactures on the other side. In other words, mercantilism was only

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[48] Richard Badnall, *Letter to the Lords and Commons, on the Present Commercial and Agricultural Condition of Great Britain* (London: Whittaker, Treacher and Co., 1830), 129-130; *Facts and Figures* 1 (1841), 14-15 (paraphrasing a letter by Hamer Stansfield of Leeds); *The Injury Inflicted upon the People by the Corn Laws and the Prosperity that would result from their Repeal* (New Brentford: Charles James Murphy, 1838), 15. See also William Anderson, *Notices on Political Economy* (J.M. Richardson, 1821), 67; J.C. Ross, *An Examination of Opinions maintained [by Malthus and Ricardo]* (London: J.M. Richardson, 1827), 42-43; Henry Booth, *Free Trade, as It Affects the People* (Liverpool: Wales and Baines, 1833), 16.

[49] John Paget, *Hungary and Transylvania* (1839), quoted in *London Saturday Journal* 3 (1840), 121; George Browning, *The Domestic and Financial Condition of Great Britain* (London: Longman, Rees, Orme, Brown, Green, and Longman, 1834),.

a relevant concern under the corn laws, which created conditions in which gold supplies mattered more than would be the case under free trade. Remove them, and gold would soon recede to the margins just as Hume had predicted would be the case. "If there were no restrictions on the importation of foreign Corn," argued the Huddersfield minister Edmund Kell in 1840, "foreign nations would grow corn regularly to supply any deficiency in our harvests, and would then pay us in Corn for our manufactures, and all that would be necessary to carry on our commerce with such countries would be a small portion of gold, to act like counters, in adjusting the trifling balances."[50] This was an especially popular argument against the sliding scale that Huskisson had introduced in 1829, which, many argued, made British demand for grain less predictable for foreign suppliers. One lecturer argued in 1843 that under the sliding scale, "we come pouring in on them with our gold like an invading army of locusts, lay our hands on every bushel of corn that all the bullion of the Bank of England can buy, sweep their markets bare, and leave famine behind." None of this would happen, he concluded, if we would only "let nature alone."[51]

These types of arguments, which essentially wished away any possible negative economic consequences of a drain of bullion, were effective enough when

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[50] Edmund Kell, *The Injurious Effects of the Corn Laws, on All Classes of the Community, including the Farmer and the Landowner* (London: Smallfield and Co., 1841), 23. See also James S. Buckingham, *An Address on the Proposed Reforms in the Commerce and Finance of the Country* (London: Simpkin, Marshall and Co., 1841), 231-232; J.E. Elliot, *Letter to the Teviotside Farmer* (London: T. Brettell, 1841), 7-8; *The Incubus of the Nation, and Effects of Its Removal* (James Pattie, 1841), 8; Thomas Plint, *Speech… at the West-Riding Meeting of Anti Corn Law Deputies* (Leeds: John Barr, 1841), 11; *Report of the Conference of Ministers of All Denominations on the Corn Laws, held in Manchester* (Manchester: J. Gadsby, 1841), 43, 97, 107.

[51] Philip Harwood, *Six Lectures on the Corn-Law Monopoly and Free Trade* (London: John Green, 1843), 104-105. On the impact of the sliding scale on supply and demand see Wray Vamplew, "The Protection of English Cereal Producers: The Corn Laws Reassessed," *Economic History Review* 33 (1980): 382-395.

liberals were preaching to the converted at Anti-Corn Law League meetings. They were less effective when they found themselves in Parliament, where they were expected to do something about the negative impact of recurring economic downturns. One option was to blame "overtrading" by merchants and bankers, a concept that at least diverted blame for commercial crises from the landlords with whom they legislated in parliament. This was the favored approach of Malthusian financial reformers like Lord Overstone, who assumed that that businessmen who recklessly speculated beyond their means were doomed to experience endless waves of self-deception and bankruptcy .[52] McCulloch similarly blamed the drain in 1837 on American merchants, who "grossly overtraded" and shut their eyes to the inevitable "scarcity of money" that their actions helped to bring about.[53]

A second, more constructive, liberal response to commercial instability was to tinker with monetary policy. One interpretation for the vast amount of ink spilled on "the currency question" between 1820 and 1846, the majority of which was produced by people who were united in their opposition to the corn laws, is that it diverted attention from mercantilist diagnoses of financial crises. These debates focused on the allocation of responsibility among bankers and the relevant instruments of credit that should be subjected to regulation; they culminated in the victory of the "currency school," which resulted in the 1844 Bank Charter Act. A less successful proposal, which David Ricardo first introduced in 1816 and McCulloch revived in 1828, serves to illustrate the tendency of liberals to embrace currency

[52] Boyd Hilton, *The Age of Atonement: The Influence of Evangelicalism on Social and Economic Thought, 1795-1865* (Oxford: Oxford University Press, 1988), 131-136..
[53] J.R. McCulloch, "Crisis in the American Trade," *Edinburgh Review* 66 (1837), 234.

reform as an alternative to mercantilism. The scheme consisted in a paper currency backed exclusively by bullion, with only token coins in circulation. Not only would this greatly reduce the risk of domestic bank runs, McCulloch argued, it would also enable the Bank to regulate prices with sufficient precision to entice trading partners to prefer British exports over gold "under almost any conceivable state of our commercial relations."[54]

As is often the case in persistent controversies, both sides were correct regarding different aspects of their arguments. The liberal claim that gold did always return following a drain was, of course, true for the first half of the nineteenth century, and the economy did, by most accounts, achieve significant overall growth during the same period. On the other hand, that period was also marked by bouts of devastating unemployment and persistent deflation, which could at least in some cases be traced directly to drains of gold, and which came with a clear set of winners and losers. One of the secrets to liberal success in the battle for free trade was their ability to keep attention focused on consumer prices and "monopoly" rents charged by landlords, and focused away from the creditor interest that gained substantially from deflation. Periodically demonizing the Bank of England and "overtrading" speculators helped their cause, as did the reticence with which many protectionists directly attacked the "fundholder" interest, for fear of being associated with Birmingham radicals.

[54] J.R. McCulloch, supplement to Adam Smith, *Wealth of Nations* (1828 ed.), 4: 249. McCulloch's proposal, which originally appeared in *The Scotsman* in 1826, built on a similar proposal in Ricardo's *Proposals for an Economical and Secure Currency*: see D.P. O'Brien, *J.R. McCulloch: A Study in Classical Economics* (New York: Barnes and Noble, 1970), 167-177, for a full discussion.

5. Conclusion

Reporting home from a tour in Frankfurt in 1848, the Tory journalist William Aytoun took the opportunity to provide readers of *Blackwood's Magazine* with a grim post-mortem of the recently departed corn laws:

> I strolled on from shop to shop, gleaning everywhere as I went statistics touching the manner in which our free-trade innovations have affected the industry of Great Britain. For a year and a half, the boot and shoe trade has been remarkably thriving; the London market being the most profitable in the world, and nothing but British gold exported in return….When we couple those facts, which may be learned in every Continental town, with the state of our falling revenue, and the grievous direct burden which is imposed upon us in the shape of property and income tax, it is difficult for any Briton to understand upon what grounds the financial reputation of Sir Robert Peel is based, or to comprehend the wisdom of adhering to a system which sacrifices every thing in favour of the foreigner, and brings us in return no earthly recompense or gain.

Aytoun linked Peel's policies, and the "adverse state of the foreign exchanges" that they had brought about, with "the calamitous monetary panic of 1847," which, he claimed, had been "occasioned by the demand for gold to meet the large importations of foreign grain consequent upon the [Irish] famine." The fact that gold had soon returned to the Bank, he argued, had only taken place at the cost of forced sales "at prices ruinously low to the producers" and "by the sudden limitation of the employment of labour."[55]

By the early 1850s, many protectionists were singing a very different tune. What had changed in the intervening years was the discovery of major new supplies of gold in California and Australia, which would increase world gold output from

[55] W.E. Aytoun, "A Glimpse of Germany and its Parliament," *Blackwood's Edinburgh Magazine* 64 (1848), 534; Aytoun, "Agriculture, Commerce, and Manufactures," *Blackwood's Edinburgh Magazine* 67 (1850), 372.

just over forty tons a year in the 1840s to around 800 tons in 1860.[56] Awash in gold, protectionists basked in the anticipation of grain prices rising with the more general inflationary tide, and no longer worried if some of the new gold departed the country to pay for additional stocks of grain from abroad. Archibald Alison, referring to the California gold rush as "the currency extension act of nature," predicted that this "gift of Providence to a suffering world" would "arrest the general and calamitous fall of prices which the Free-traders have laboured so assiduously to introduce, and thus diminish in a most material degree the weight of debts and taxes." Edward Cayley, who had been a leading protectionist during the 1840s, put it even more strongly: "Give me gold—give me cheap paper—and I don't care for protection. We have Australia—we have, thanks to a beneficent Providence, California, and that settled the question of free trade."[57]

To the extent that the new supplies of gold provided protectionists with a *deus ex machina* that would undo the baneful effects of free trade, the gold rushes also struck the final death knell of British mercantilism, at least in its and early nineteenth-century incarnation. The reason for this was that, after 1800, mercantilist discourse had hinged on the relative scarcity of gold and silver, which enabled protectionists to forecast economic disaster following the predicted diversion of those precious metals to pay for grain. As Aytoun's gloomy dispatch from Frankfurt suggests, such forebodings might very likely have continued to

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[56] Niall Ferguson, *The Cash Nexus: Money and Power in the Modern World, 1700-200* (New York: Basic Books, 2001), 331.

[57] Archibald Alison, "The Currency Extension Act of Nature," *Blackwood's Edinburgh Magazine* 69 (1851), 19; *York Herald*, 11 April 1857, quoted in H.I. Dutton and J.E. King, "An Economic Exile: Edward Stillingfleet Cayley, 1802-1862," *History of Political Economy* 17 (1985), 215.

accompany critiques of free trade well into the second half of the nineteenth century, had not the promise of a sufficiency of gold suddenly appeared on the scene.