

rities, and imagined he might profit by the favour shewn him by the king to obtain an exception. Louis XV. wrote with his own hands to Charles III. requesting he would grant it; but the Spanish monarch answered the king his cousin, whom he had always professed to love with particular tenderness, that he was obliged to refuse his request, least he should give an example which might produce too many similar demands and importunities.

It is not that the Spanish government does not perceive the moral and political inconvenience of thus depriving the possessors of these claims of their right, or that it totally rejects the idea of one day satisfying their demands. But the necessities of the state, considerably increased by the enormous expences of the late war, have not hitherto permitted it to adopt proper measures. In 1783, government endeavoured with this view to open a loan of a hundred and eighty millions of reals, or about five millions
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of livres (about two hundred thousand pounds). One of the conditions of which loan was; that the claims upon Philip V. should be received to the amount of a third of the subscription. This, however, did not raise the value of the claims so much as was expected; the credit of states resembles the human body, an instant may destroy either, but much time is required to give them strength and maturity. The loan which was supposed to be offered upon advantageous terms, tempted but very few persons to subscribe. At the beginning of the year 1785, it had scarcely produced three millions of livres; and it was soon afterwards closed. Foreigners who would have been glad to make advantage of their claims, were deterred by the consideration that they must risk a capital double the sum of that they wished to recover. The loan, in fact, recalled to their memory the loss they had already sustained. Few were willing to expose themselves to the same hazard again, notwithstanding the difference of

times, and the reasons which might now be adduced for their better security.

The Spanish nation itself is, in general, suspicious, and does not resemble those which the spirit of stock-jobbing keeps in a continual fermentation. It prefers a moderate gain to the hazardous speculations so eagerly adopted in some other countries; and is more than any other nation attached to its ancient habits and customs. For a long time past, far from being tempted by foreign speculations, it had confined its confidence to the company of merchants at Madrid, known by the name of *Gremios*, of which we have already had occasion to speak. The treasure of the *Gremios* is a kind of public bank, in which individuals may place their money at the moderate interest of two and a half and three per cent.

The foundation of the confidence it inspires, is the constant support which government has given the *Gremios*, and
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the regularity with which they have always paid the interest of the capital in their hands; and although they may have hazarded speculations beyond their ability, and government is continually in advance to them, nothing hitherto has shaken their credit. They hold, as we have observed, the farm of the entering duties at Madrid, and that of the *escusado*: they are concerned in the principal manufactories in the kingdom, and formerly had the victualling the army by commission. The government, which has frequently had recourse to them in cases of necessity, has long considered their bank as the chief pillar of the state.

Administration, however, has lately perceived that it could do without them. Necessity even made this a law.

At the beginning of the late war, the state, already fatigued by the efforts it had made in the expedition to South America, no longer having at hand the

extraordinary resources required for the maintenance of its forces by sea and land in both the hemispheres; and deprived of the periodical treasures brought from Spanish America, to enliven the commerce and industry of Europe, which it was unwilling to expose to be seized by the English privateers that already infested all the seas, thought it necessary to make use of a resource, until then unthought of in Spain, to support the expensive war it was about to undertake. Government made application to some French merchants established at Madrid, negotiated by their means a loan of nine millions of single piastres (about thirty-four millions of livres), and issued paper to the amount of the same sum.

This was divided into sixteen thousand five hundred bills of six hundred piastres each, at an interest of four per cent. Those who with imaginary infallibility decide peremptorily on the operations of government, blamed the court of Madrid, because it had not taken the method,

thod, simple in their opinion, of supporting the value of its paper, by establishing a bank, to which the holders of the bills should have gone and discounted them at par. They did not consider that for this a deposit of money was necessary, and that the creation of paper was a proof government had none; that the establishing of a discounting bank would have been useless had the paper been approved: that it would have been shutting up at a loss, funds of which the necessities of the state required the immediate employment; that if, on the contrary, the bills inspired no confidence, the discounting bank would have instantly been exhausted, and that by thus letting slip through one hand what the other had received, the whole operation would have been illusive.

The court was blamed, perhaps with more apparent reason, for having negotiated the loan upon disadvantageous terms, which betraying its embarrass-
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ment could not but diminish public confidence. In fact, the bankers who by their credit realized the loan, asked ten per cent. commission, and obtained it. But in such negotiations the lender calculates his risks, and the borrower his necessities; hence arises the law which one imposes and the other receives; and high demands on one side and facility of compliance on the other are equally excusable.

However this may be, as soon as the negotiation, of the motives and securities of which the public were really or feignedly ignorant, was made known, the alarm became general as well in Spain as in foreign nations. All exclaimed against a measure which, said they, the most extreme distress could scarcely excuse; a measure sometimes taken to discharge pressing debts, but never to contract new ones. Foreign bankers, who had advanced their money, said they were taken by surprize, and intimated deception; as if the Spanish government,

ment, whose probity and wisdom is equally undeniable, could have conceived the rash and foolish project of re-imbursing them in paper, or the ridiculous hope of giving this paper a value out of Spain. It lost not a moment in removing their fears, and proving to them by real reimbursements, how little foundation there had been for alarm.

Nevertheless the bills circulated in Spain. At first the temptation of a greater interest than that commonly paid for ordinary subscriptions was not sufficient to give them credit. The law which obliged them to be taken in payment in all dealings as ready money, admitted them on the other hand into all the royal treasuries at their real value: but law has no power over opinion. The bills were a long time received with repugnance. Every person took as few of them as possible, and was careful not to miss the first opportunity of passing them again. In several places ignorance, and in some malignity, contributed to discredit

credit them. Sometimes they were passed at a loss of twenty per cent. This critical situation of government was a new triumph for the *gremios*. The credit they enjoyed was increased by the diffidence with which the bills were received. Their bank seemed an asylum to which people resorted to lodge in security the money they thought exposed to danger in the hands of government. The Spanish ministry braved the storm with that serenity which a measure innocent in itself, but opposed by circumstances, inspires; and as state necessities increased with the progress of the war, new bills to the amount of five millions of piastres were issued in the month of February, 1781; in short, the following year others were issued to the amount of fourteen millions seven hundred and ninety-nine thousand nine hundred piastres. The administration was therefore burthened with a debt of nearly a hundred and eight millions of livres, (four millions and a half sterling) without reckoning other less ostensible obligations,

gations, which might make the whole debt about two hundred millions, (eight millions and one third sterling.)

At the time the first bills were issued, the king of Spain engaged to withdraw a part of them annually from circulation. But monarchs, who are the most rigid observers of their promises, are sometimes obliged to sacrifice them to a law still more imperious, that of state necessity. Besides a matter of greater urgency required the paternal attention of the Spanish Sovereign. At the beginning of the war, he had been obliged to overburthen his people by an augmentation of a tax on some of the principal necessaries of life, and which could not but fall still more immediately upon the lower ranks. At the return of peace, one of his first cares was to alleviate this burthen. But five years are past, and the promised re-imbursment is not yet begun, though in the month of June, 1785, Spain withdrew bills to the amount of a million two hundred thousand piastres; leaving

laving a debt of about a hundred and three millions of livres, which at four per cent. interest makes a diminution of almost four millions in her revenues.

A few weeks afterwards other paper was issued; but this must not be confounded with that which the war had made necessary. The last bills had no other object than the continuation of the canal of Arragon, of which I have spoken at the beginning of this work. They were circulated in Spain to the amount of twelve millions of livres (five hundred thousand pounds) bearing the same interest as the royal bills. A part of this species of loan was to serve to reimburse that of six millions of florins which the undertakers of the canal had made in Holland at three and a half per cent. A mortgage was given upon the profits of the canal which succeeds too well to leave the lenders the least uneasiness about their subscriptions;

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nor can it be considered as a charge to the state.

With respect to the real paper money, its stability has at length been sufficiently evinced. The clamours it excited have ceased. Rational persons, restored to the calm which was disturbed by public outcry, perceive that nothing but ignorance could cause alarms, or be induced to compare the slight and transient disquiet of the Spanish nation with the total confusion produced in France by the system of Law. In fact, the specie of Spain exceeds, by almost three-fourths, the value of its paper, and at the fatal moment in 1720, when the French bank notes were in the greatest credit, their amount was eighty times that of all the money which then circulated in the kingdom. It requires not much reflection to perceive all the impertinence of such a comparison. In Spain, all extraordinary wants ceased with the war. The administration was not suspected of abusing, by issuing new bills, the still un-

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certain credit of the nation, and thereby depriving itself of the succours it might afford upon similar occasions. These considerations by degrees brought the royal bills to par. When I left Spain (at the end of 1786) they were fought after and advantageously negotiated.

It is not less true that Spain finds in her paper a burthen which although not more than she is really able to bear, her natural resources being far from exhausted, is but little proportioned to her present revenues, and this is an additional reason why administration should seek the means of increasing them. Several have already been proposed. A few years ago government had it in agitation to appropriate to itself the immense property of the four military orders, which would produce much more in the hands of the sovereign than it does under its present bad management, and besides bringing an increase of revenue, would furnish the means of replacing by pensions the commanderies annexed

annexed to these orders. But a project which seemed to deviate from the intention of the founders was repugnant to the conscience and religion of the reigning monarch, so that others more compatible with his rigid adherence to justice must be devised. The most reasonable one would undoubtedly have been that of a general tax upon all the lands in the kingdom, without excepting those of the nobility and clergy. But this project, against which those two powerful bodies would certainly raise so loud a clamour, and to which intrigue and the established rights which immemorial possession seems to give, must create insuperable obstacles, would be found as inconsistent with prudence and policy, as the other appeared irreconcilable to the scruples of religion; and Spain, will perhaps, be obliged to wait to receive from the slow resources of oeconomy, the advantages she might propose to herself from a sudden but dangerous change.

However, far from being alarmed at the treatment her returning credit first met with, she delayed not to make a second attempt, which was to revenge the affront, give to her paper an advantageous circulation, awaken the Spaniards from their lethargy, draw from their chests the money there lying usefess, both to themselves and the state, and throw it into circulation to the advantage of commerce and industry. Such were her great objects in establishing in 1781, a national bank, which has scarcely any thing in common, except its name, with the banks of other states of Europe.

The idea of it was given by a young French banker, M. Cabanus, established at Madrid, who had begun to insinuate himself into the favour of government at the time the first bills were issued. M. Cabanus has a vigorous and firm mind, united with talents which he had cultivated in secret until the time when he made
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them known. The favour of the minister would not have been sufficient to enable him successfully to struggle against the numerous obstacles he had to encounter. The manner in which he triumphed over them is a greater eulogium on him than any thing I can say in his praise, and has sufficiently revenged him for all the slanders of his enemies. Embarked in a dangerous project, in which a thousand prejudices concurred to prevent his succeeding, he has at once acquired an immense fortune and great honour. Without pretending to appreciate either the merit, utility, or stability of his operations, it must be allowed that nothing but partiality can attribute to chance alone such brilliant and continued success in despite of such powerful opposition.

In 1781, after having profoundly considered the resources of Spain, the causes by which they had been obstructed, and the means of giving them activity, he

digested the plan of a national bank and presented it to the minister.

His principal object was to employ a large sum of money, either in the bank or placed at a very moderate interest. The first means he proposed was to establish a capital, which should discount at four per cent. per annum, all bills of exchange drawn upon Madrid, as well from the other parts of Spain as from the rest of Europe. This resource was moderate; Madrid is not properly a commercial city. The wool Spain sends abroad is the principal article paid for in that metropolis, and this alone would not have furnished a very advantageous employment for the capital of the new bank. An interest of two per cent. would not have been a sufficient temptation. Who at this interest would have been inclined to displace his capital? It was therefore necessary to hold out more seducing advantages. The author

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of the new plan turned his attention to that object.

He required that the profits of the *realgiro*, a particular species of bank, from which the court takes the money it has occasion to send abroad, either for the payment of ambassadors, envoys, consuls, &c. or for other purposes, should be given to the national bank. The administrators of the *realgiro* have a commission of four per cent. This was but a weak resource for the public bank; the *realgiro* pays not more than two or three millions of livres annually.

But the chief source of profits which M. Cabanus proposed to open to the national bank was the victualling and furnishing of the navy and army. Contracts for the first had been given to different persons. The second was held by the *Gremios*, and the several leases and contracts with these and the government were upon the point of expiring.

The bank therefore might replace the former without giving reason for complaint.

Government was easily induced to favor a plan, which was to distribute among a great number of citizens profits until then confined to a few. The capital of the proposed bank amounted to the sum of three millions of reals, or about seventy-five millions of livres tournois (2125000l.) divided into one hundred and fifty thousand shares of two thousand reals each.

Those who had property to purchase shares were not excluded from the profits they might produce, and these, according to the prospectus, seemed to be very promising. Besides the idle money to which an advantageous opening was about to be given, it was hoped that a great part of that in the hands of the Gremios at a moderate interest would naturally be removed from their coffers to those of the national bank. The surplus of the grants from cities and communities

munities were also counted upon. These were in the administration of the council of Castile, whence the national bank was to take them, and make such use of them as should be most advantageous to the persons they concerned. In Spain there are magazines of grain in most of the cities, boroughs and villages *. Their surplus is converted into money. This also was an useless capital, which the bank might employ.

Hence it appears, that great advantages were promised to every class of citizens. It is not therefore astonishing that the minister adopted the project,

It was discussed in 1781, in an assembly composed of members from the chief branches of government. A very considerable majority was in favour of the project. An important question was then debated. When the bank should have a

* There are upwards of five thousand of these in Spain.

contract for furnishing the troops with provision, cloaths, &c. and the navy with provisions, ship-timber, iron, cordage, and the like, would it be proper that government should confide this to its management as a contract, or at a certain commission? The authors of the plan voted for the first proposition. In their opinion, the administration would in that case have the advantage of reckoning upon a fixed sum for the expences of the army and navy; and it would be for the directors of the bank to render the contract advantageous to the parties concerned, without deceiving the intentions of government, which would always have the power of watching over their conduct. The ministry were of a different opinion; they asserted they had not yet documents sufficient to enable them to estimate the expence of thus furnishing the army and navy, and adopted the proposition of allowing a certain commission, with a clause to convert this into a farm or contract, when the experience of some years

years should have proved that it would be advantageous to the finances of the king.

It was therefore determined that the national bank, or bank of St. Charles, should be charged with victualling and cloathing the army, and furnishing the navy with the articles above-mentioned, that it should be allowed an interest of four per cent. on account of the advances to be made to government, and a commission of ten per cent.

It was difficult to make a more advantageous bargain for future subscribers, and it was expected that in a little time their number would be considerably increased. The king and royal family first gave the example; this was followed by several rich individuals, who, more from condescension than conviction, were eager to deposit their capitals in the coffers of the bank. There were other monies of which the directors had previously assured themselves. Such were the

the accumulations of the grants from cities, &c. the surplus of magazines of corn, and certain capitals which waiting for appropriation, were deposited under the safeguard of public authority.

This was the first state of the bank. The event answered not to the most probable conjectures. Most people were unmoved by a prospect which seemed of a nature to tempt every one. But few withdrew their money from the bank of the Gremios; who were only obliged to raise the interest they paid to three and a half per cent. The new establishment had some partizans, but these appeared suspicious. Its antagonists, armed with the pretence of public good, forcibly declaimed against it; they kept up a mistrust which anterior events had prepared, and gained many over to their opinion.

The enemies to the new bank were, in the first place, all those who without previous examination are equally so
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to every novelty; others whose calculations were deranged by it, and those especially who from jealousy or natural prejudices looked with an evil eye upon a young foreigner, well received and supported by the ministry, and taking the advantage of a transient credit to overturn a nation which, said they, might find amongst its citizens men who understand its interests much better. The parallel already drawn between the creation of paper credit and the system of the famous Law was then recollected.

The project in France was that of an ambitious stranger, who had given a mortal blow to the credit of the kingdom, by endeavouring to render it flourishing. In Spain it was that of a stranger also, who pretended to animate public credit and commerce, and aspired to seduce the nation, by tempting it with a chimerical profit. Each had given the idea of a bank; therefore the resemblance was perfect. Thus the greater part of men judge, deceived by the most trifling

trifling similarity between two objects. Sometimes from a mere conformity of names, they create resemblances which have no reality, except in their own imaginations, but which are stupidly adopted by that great multitude who never judge but by hearsay. This was now the case in Spain.

The assertion which personal interest, or sentiments still more odious, had advanced, was adopted, propagated, and commented upon by credulity and ignorance. It was repeatedly said that the bank of St. Charles had presented to the public a plan of operation illusive in its nature, or at least totally incompatible with the true interests of the nation, and which instead of favouring the liberty of commerce, as had been artfully pretended, must be prejudicial to that, as well as to agriculture and industry, by swallowing up the money which might have been more usefully employed in their encouragement, than in naturalizing, in Spain, an evil until
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then unknown; the class of useless annuitants who should live in opulence and idleness on the labours of their fellow citizens: that it sold to government, at an exorbitant price, its own agency for the conduct of an undertaking in which more able persons, or at least those of more experience might have been employed upon more advantageous terms; and that after having held up to public hatred all exclusive privileges, it had solicited for itself the most odious of monopolies.

What furnished a pretext for the last accusation, was a grant which the bank of St. Charles obtained soon after its establishment, for the exclusive exportation of piastres. This Spanish money is employed in a great measure to pay the balance of accounts due from Spain to the other nations of Europe. About thirty millions of them are annually struck in Spanish America. Part of these remain in the country; some are carried out of it in the smuggling trade;

trade; two or three millions are shipped on board the *Nao* or Galleon from Acapulco; and the rest come to Europe, to pay for merchandize sent thence to America. During a long time the mother country had not shipped commodities to her colonies to the amount of even ten millions of piaftres, and the balance then owing to foreigners was calculated at fifteen millions.

It was absolutely necessary to pay this balance on account of the necessity of discharging debts to preserve credit. In less enlightened times the Spanish ministry had conceived the idea of turning the unavoidable exportation of piaftres to advantage: to increase the revenue of the state, such exportation was subjected to a duty of three per cent. which, in 1768, was augmented to four per cent. and although the ministers are now convinced that it is only an additional tax on their own traders, to whom foreigners sell their goods four per cent. dearer, the state of Spanish finances, and,

and, perhaps, the remains of an attachment to old prejudices, have not yet permitted them to take it off. The consequence is, that the duty is sufficiently high to give temptation to evade it: and even those who are appointed to collect it, favour the clandestine conveyance of piastres out of the kingdom. The whole surplus quits the colonies, but the royal treasure is deprived of a part of its revenues.

In this state of affairs, the bank wished for the exclusive privilege of exporting all the piastres necessary to discharge the balance due from Spain, and represented, that should this be granted, two advantages would result from it to the state; that of preventing the value of money from being increased, which must be the necessary consequence of multiplied negociations; and that of diminishing the fraudulent exportation of piastres, by an extraordinary diligence, which could not be expected from the agents of government. The governors
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of the bank wished at the same time the duty of four per cent. to be taken off, or at least reduced to the half: but government refused either to annul or diminish the duty. Except in this particular the propositions of the bank were perfectly well received.

It was therefore ordered, that in future the bank should possess the exclusive right of exporting piastres; that to prevent them from being fraudulently withdrawn out of the country, they should all pass by the way of Bayonne, except in a few particular cases, in which government should reserve to itself a conveyance through other channels; and also that those who should have money to send into foreign countries, should be obliged to take bills for it from the bank.

This grant, which had the form of an exclusive privilege, excited new clamours. It naturally irritated those, who until then had speculated in smuggling the specie

specie out of the kingdom, others who had been employed to export it legally, and merchants, who, in consequence of the new regulations, were in future to be subject to the laws of the bank, by being obliged to make all their foreign payments in its paper, and to receive it at the exchange the bank should be pleased to issue it at. But all uniting in complaints which had different motives, alledged that the prosperity of commerce would be endangered, its liberty essentially injured by the shackles of monopoly, and that private interest was concealed under the veil of public good.

Ministry were deaf to all these suspicions and objections, and the bank was put in possession of its privilege in the month of November 1783. The first use made of it proved very advantageous to the subscribers. The war, as we have observed, had retarded the arrival of the treasures from America, and the return of peace brought with it a prodigious quantity of piastres. The bank, which

had taken the strictest precautions to prevent their being fraudulently conveyed out of the kingdom, exported upwards of twenty millions in 1784.

The year following the sums exported amounted to nearly twenty-two millions, and as Europe impatiently waited the arrival of these periodical succours, the bank could not but sell to advantage a merchandize which is the price of those which Europe furnishes to Spanish America, which the latter country only produces, and which so many were anxious to possess, so that all concerned seemed to gain by the change. The bank, to which the most advantageous preceding years had not produced six millions and a half of reals for the duty of four per cent. upon the exportation of piastres, received from it in 1784 upwards of fifteen millions, and from sixteen to seventeen millions in 1785, and this one article produced a profit of twelve millions of reals to be divided among the subscribers.