

entry, have diminished the revenue by two or three millions, have inundated France with a mass of English goods, and have thus given a violent shock to our own manufactories.

It was pretended that the salaries of the custom-house officers swallowed up at least half of the whole income. Lerena maintained it was a shameful calumny, and proved it by the following details :

1st. The *general taxes*, to which are added the admiralty tax & that of health, employed 994 persons, and amounted to

	reals.
159,108,172	

Their total salary . . . . .	5,375,127
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To which must be added . . . . .	5,501,322
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for the salaries of the *resguardo* of all the kingdom, who are somewhat similar to surveyors and searchers.

2d. The *duty on tobacco* produced in 1787 . . . . .

129,007,414
-------------

Its manufacture employed 4587 persons, whose salaries were . . . . .

13,631,530
------------

To which must be added . . . . .	2,416,580
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as salaries for 13,575 retailers, who had ten per cent. on what they sold.

3d. The *provincial taxes* produced in 1787 . . . . .

122,867,678
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The 3160 collectors received . . . . .	9,974,085
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Lerena proved that, by useful reforms which he had made, this branch of revenue had increased . . . . .

14,350,124
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reals.

4th. The <i>taxes on salt</i> had produced . . . . .	55,408,934
There were 1515 persons employed, which cost . . . . .	4,676,844
5th. The <i>duty on the exportation of wool</i> had produced . . . . .	27,449,246
Salaries for 221 employed in it . . . . .	635,943
6th. The <i>tax on powder</i> , including that of the copper mines of Rio Tinto, and that of making cards for Spanish America . . . . .	8,468,124
Salaries for 290 persons employed . . . . .	1,116,452
7th. The <i>tax on brimstone</i> produced . . . . .	369,417
And 8 people employed cost . . . . .	14,650
8th. The <i>tax on quicksilver</i> and its accessories produced . . . . .	436,844
On which 8 per cent. was left for the workmen.	
9th. The <i>tax on cards</i> for Spain was . . . . .	1,072,649
The 11 persons employed cost . . . . .	44,944
After having presented this summary of the revenues received by means of the general directors and administrators, Lerena observed :	
That the whole number employed in all the branches were 10,729, and their salary . . . . .	37,199,970

Thus this made, one with another, about 7 reals 13 maravedis per cent. on the total produce of these taxes, which was . . . . . 510,859,937 reals.

To these principal sources of revenue must be added 21 other articles that require a particular administration, and which produced in 1787 105,435,720 Expenses on them were . . . . . 2,647,333

Which was about 2 reals 17 maravedis per cent.

Recapitulating all the preceding articles, it will be found that the expenses on collecting every thing were . . . . . 40,483,248

And the total of the revenues . 616,295,637

Therefore the expenses in collecting are no more than 6 reals 14 marav. per cent.

There must, however, be added the maintenance of 3571 officers, as guards against smuggling, which amounted to . . . . . 11,002,645

Adding this to the preceding sum, we shall find the total expense of collecting . . . . . 51,485,893

*General recapitulation.*

Employed for all kind of collecting . . . . . 27,875 persons.

Their salaries amount to 51,485,893 reals.

Total revenue of the  
state . . . . . 616,295,657 reals.

Their collecting, therefore, costs very little more than the twelfth part.

Lerena afterwards triumphed in comparing these expenses with those of the same kind in England and France, where without doubt, said he, there are many defamers of the Spanish administration to be found; and the result of this comparison appeared astonishing even to the Spaniards themselves.

In fact, said Lerena, taking as an example the revenue of the customs in England, which, according to Smith, amounted to a sum  
which may be valued at . . . . . 246,966,000

livres.

The expenses of collecting  
them are . . . . . 25,911,000

They therefore cost more than ten per cent.

Again in France, the revenue in  
1789 being . . . . . 544,800,000

And the expenses of collecting 57,665,000  
they therefore absorbed also more than the tenth part of the total revenue. Lerena added that, at his coming into office, Spain had an annual deficit of 40 millions of reals; that he had augmented its revenue with more than 100 millions, and that he flattered himself to add 50 more. Death did not permit him to realize his brilliant hopes: however, the expenses in which Spain was soon after

involved would have made him renounce his expectation.

As for the rest of his memorial, it is nothing but a high-flown apology of courage and activity ; it is a petty chef-d'œuvre of arrogance, where neither modesty nor restraint is discovered in his expressions injurious to the great, the ignorant, and the rich, amongst whom alone he assured the king were the calumniators of his administration to be found.

With respect to the picture of the revenues, this memorial wants nothing. One could wish to find there equally an account of its expenditure and of its debts. But this must be drawn from other sources.

In 1776 the total expenditure	reals.
was . . . . .	505,586,474
Of this sum the army had cost	200,000,000
And the navy more than . . .	127,000,000

It is true that this year the principal expenses were incurred by the navy in the short war with Portugal.

In 1777, the total expenses were	
only . . . . .	476,385,565
Of which the army cost more than	210,000,000
And the navy little more than .	86,000,000
And as this year the total revenue	
had not been above . . . . .	372,346,883
There was a deficiency of . . .	104,038,681

Recourse was had to very ruinous and temporary expedients to remedy this in part. But

as preparations were then making for a war which ensued soon, they were obliged to adopt, although not better, yet more constant means, by an augmentation on the provincial taxes of 30,000,000

On the crown of Arragon . . . 12,000,000

On the tax on tobacco . . . . . 2,000,000

But, as the collection of these could only be slow, successive, and probably incomplete, the minister was obliged in 1779 to borrow from the company of the *gremios* of Madrid an advance of 50 millions at three and a half per cent.

These means still being insufficient, they had recourse to the expedient of issuing royal notes, of which we shall speak hereafter.

In 1784, at the close of the war, reals.  
the expenses amounted to . . . . 685,068,068

And the sum raised by extraordinary means, to the same sum.

In 1786 the total revenue of  
Spain was . . . . . 615,335,147

And in 1787, as we have seen, 616,295,657

But the amount of the debts was 1,543,906,944

Let us now make a verification of them, and return to their origin.

## CHAPTER II.

*Antient and modern debts of Spain. Gremios. Royal notes. Projects for ameliorating the finances.*

THE present royal family has inherited debts from its predecessor, which are known under the name of *juros*, and which bear an interest very moderate indeed. Still it is an annual burden upon the state of about twenty millions of reals, the payment of which is assessed on a variety of the branches of revenue.

Philip V. left debts to the amount of 45 millions of piastres (more than 168 millions of French livres, or seven millions sterling). At his death, Ferdinand VI. was frightened at such a burden. He was just, but feeble and scrupulous. He assembled a junta composed of bishops, ministers, and lawyers, and engaged them to pronounce *whether a king is obliged to discharge the debts of his predecessor*. The question was determined in the negative by the majority, the conscience of the king was quieted, and a bankruptcy resolved on.

Ferdinand pushed his ill-conceived œconomy still further. Solely occupied with saving, he suffered all the branches of administration, the

army, the fortresses, his possessions beyond sea, to languish. Therefore Charles III. at his death found more than 165 millions of French livres, near seven millions English, in his coffers. He made it a duty to repair the fatal mistake of Ferdinand VI.; and paid, in the year 1762, six per cent. on account of the debts of Philip V., which he continued for five years successively. In 1767, the six per cents were reduced to four per cent. The year following sixty millions of reals were divided amongst the creditors. In 1769 they were obliged to discontinue the payments; which completely destroyed the credit of the royal effects. During my first residence in Spain, a man esteemed himself fortunate, if he could negotiate them at 80 per cent. loss.

There are, however, still certain opportunities to dispose of them with less disadvantage. Sometimes in treating with government on certain enterprises which it wishes to favour, an admission of some at par is obtained. They are also still received in payment of the *medias annatas*. But in all other cases but those, which are very rare, the debts of Philip V. are scarcely of any value. They bear no interest; and their payment, if that should ever happen, will be a long time, especially to foreign creditors. These, however sacred their titles, however powerful their intercessions, solicit in vain for an exception of the law, which excluded them from receiving any thing until the Spanish



creditors are entirely satisfied. They have frequently related to me the instance of Louis XV. who wrote himself to Charles III. to obtain an exception in favour of one of his valets de chambre; he indeed received a very civil answer, but entirely negative.

Charles IV., on coming to the throne, showed a desire of liquidating the debts of Philip V. and of Ferdinand VI. describing those which should be paid entirely, and those with which taxes might be paid. The execution of these measures was hardly begun, when preparations for an unnecessary war, and soon after the actual expenses of it, caused them to be suspended.

So many changes could not but enfeeble the credit of the Spanish government. Charles III., whose personal good faith inspired much esteem, made two very ineffectual trials.

In 1783 he endeavoured to negotiate a loan of 180 millions of reals, of which the creditors of Philip V. should be allowed a third at par. He thought by that to give them a very enticing form. The event proved the contrary. At the expiration of two years the loan produced scarcely twelve millions, and it was obliged to be given up. The foreign creditors were little tempted to run new hazards.—With respect to the Spaniards themselves, they are in general very little enterprising, nor inclined to any kind of stock-jobbing. They prefer a moderate but sure profit to such hazardous

speculations as elsewhere are pursued with avidity. They are, more than any other nation, attached to old customs.

Far from being tempted to place their money in foreign banks, they confine themselves to the company of merchants at Madrid, known by the name of the *gremios*, of whom we have spoken more than once before.

The *gremios* is a kind of public bank, where individuals place their money at the low interest of two and half per cent. The reason why they have obtained so much confidence is, that they are always supported by government, and the punctuality with which they have paid the interest of the capital confided to them; and although they often hazard enterprises perhaps beyond their strength, and are always in advance with government, yet nothing has as yet been able to shake their credit. They continue to farm the import duties paid at Madrid, a very small part of the *escusado*, and the principal manufactories in the kingdom. They have also for some time provisioned the army; and government, who in times of distress have often been assisted by them, have for a long time looked upon them as the principal pillar of the state.

Yet during some years it was attempted to do without them. Even necessity seemed to make it a law, at least for a time. At the beginning of the American war, the government, unprovided

with the extraordinary resources requisite for the display of their forces on both elements, and in both hemispheres, deprived of the periodical treasure from Spanish America, which they would not risk on account of the English privateers, had recourse to a measure hitherto unknown in Spain. They applied to several French bankers established at Madrid, to negotiate a loan of nine millions of single piastres, and issued paper money to that amount. This paper was divided into 16,500 notes or *vales reales*, to which an interest of four per cent. was attached. The government was blamed that they had not established at the same time an office where these notes might be paid at par when presented; but for this purpose a fund would have been necessary; and the issuing paper money showed that they had none.

The court of Madrid were blamed perhaps with more reason for having negotiated this loan on such disadvantageous terms, thereby betraying their embarrassments, which could not but shake the public confidence. The bankers who procured this loan on their own credit demanded ten per cent. commission, and had it. But in these cases the lender calculates his risk and the borrower his wants, and from this double calculation it results that one imposes and the other submits.

However that may be, no sooner was this arrangement known, than the alarm became general. It was said that no distress whatever could justify

this measure; a measure which sometimes had been adopted to pay pressing debts, but never to contract any. The foreign bankers, chiefly French, who had advanced this loan, and who took M. Necker, then minister of finance in France, for their organ, uttered their surprise even to disbelief. It was at first suspected that the Spanish government had conceived the idea of repaying in paper money, or the ridiculous hope of circulating it in foreign countries. It hastened, by effective reimbursements, to prove to these bankers, and to M. Necker himself, that their alarms had been groundless.

In the meanwhile the *vales* circulated in Spain: but the temptation of higher interest than the accustomed, was not sufficient to give them credit. They were reluctantly taken, but eagerly parted with. During the course of the war they lost at certain times up to twenty-six per cent., which occasioned high sensations. They forgot that during the same time the Americans struggled for their liberty, almost without any money at all, and their paper money suffering a loss of from forty to fifty per cent. They did not foresee that soon after a neighbouring nation, at strife with all Europe for the same cause, would lose on their paper money three and four hundred per cent., and survive the crisis.

The situation in which Spain now was, procured a new triumph to the *gremios*. The confidence

they enjoyed increased in proportion as the royal notes lost their credit. Their bank became an asylum where a man might place his money with perfect security, while nothing but distrust reigned in the royal bank.

In the meanwhile the necessities of the government increasing with the progress of the war, they issued again, in February 1781, *vales* to the value of seventy-five millions of reals. Again the following year they created notes of 300 piastres, for the sum of 221,998,500 reals. They became therefore charged with a debt of 431,998,500 reals for this object only, without considering several others of less striking appearance, which made the total debt amount nearly to 800 millions of reals.

At the first issuing the royal notes, Charles III. had engaged himself to redeem a part of them. But as at the commencement of the war he had oppressed his people with an augmentation of taxes on articles of consumption, at the return of peace he thought it more advisable to disburden them of this load than to keep his word with the creditors of the state; and it was not until the month of June 1785 that he drew a million two hundred thousand piastres of royal notes out of circulation.

Some weeks afterwards, to every body's astonishment, a new issue of forty-eight millions of reals made its appearance. It is true that its only object was to make a capital for the continuation of

the canal of Arragon, the profit of which was to serve as a security; and it therefore could not be considered as an increase of the public debt.

The alarm which had affected the real royal notes dissipated by degrees; they became again at par; and towards the end of the year 1786 they were sought after, and were even negotiated with a premium.

The war which broke out in 1793 demanded new emissions. The royal notes were never less than at twenty-five and thirty per cent. discount at the most critical time: this must appear surprising of a paper which has no special security, and has no other guarantee than the precarious promise of an absolute government. After the return of peace, toward the middle of 1796, these notes lost no more than ten or twelve per cent. near the frontiers, and six or eight in the capital. Afterwards, on the appearance of a rupture with England, they lost eighteen per cent.; and it was predicted, in case the war should take place, there would be no bounds to their falling\*. At that time there were in circulation *one milliard four*

\* In fact, they lost in 1801 near seventy-five per cent. Since the signing of the preliminaries with England they have risen rapidly. So early as the month of March 1802, they lost no more at Cadiz than twenty per cent., and in the month of April they were done at Amsterdam at fifteen per cent. discount only.

*hundred and ninety millions of reals* ; and far from being able to reduce this mass, they made a loan for 240 millions of reals at five per cent., in the beginning of 1796.

What lessons for governments ! The suspension of several useful enterprises, the ravage of a part of three of her provinces, the death of from forty to fifty thousand of their men, the loss of a great colony, which to be sure did not prosper in their hands, the increase of taxes and of her debts, these were the gains of Spain, who was for a time drawn from her real interests, because she would resent the death of a king, and an outraged religion. At the time when war was determined on (I was a witness of it) the whole nation, with the exception of a few enlightened citizens, partook of the resentments of the court. The religious communities, the great, the rich proprietors, all made it a duty to second it with every effort. But the events of the war, almost always unfortunate ; the tenacity with which we defended a cause the Spaniards had thought so odious ; the want of rest after so violent agitations ; the conviction, too late, of the little interest Spain had in meddling with the establishments of a neighbouring nation, its natural ally, cooled this first ardour. Indifference next, and soon after impatience took place ; and never was a peace more desired, nor welcomed with

more transport, than that of which I was charged to make the basis at Figuières, and which was signed at Bâle the 22d July 1795, between the French republic and the king of Spain.

But let us return to the *vales*, or royal notes. After several extinctions\* there remains at present (the beginning of 1805) to the value of from *seventeen to eighteen hundred millions of reals* (415 to 450 millions of French livres). But they are hardly any longer negotiable. They are taken in no transaction, and are not admitted in payment of any taxes. The dealers, in their bargains, stipulate for hard cash. The *vales* have now no other enticement than the four per cent. interest originally attached to their capital. They remain peaceably in the hands of their moderate holders, who content themselves with these means of placing their capital, and who now and then bring them into the market as they may be in want of ready money. They can therefore no longer be compared to that kind of paper money which has a forced exchange without any recourse to a public office for discounting them. When circumstances permit, a portion of them are successively extinguished. There is, even at the treasury, an office for this special purpose. This office, known by the name

\* They began in 1799, and continued the five following years. On the 1st of January 1805 more than six millions were to be extinguished ; but perhaps the war has prolonged that measure.



of the *chamber of consolidation*, sometimes endorses the *vales*, and their whole value is paid when presented. After that they appear no further in circulation: and the variations they experience are nothing more than very uncertain marks of the public credit; they indicate only that the means for liquidating them appear either less easy or less near. They fall therefore naturally when a war breaks out, or even when there is only an appearance of it. The unforeseen rupture of England with Spain in 1804 rapidly diminished their value. Some months after they lost fifty-two per cent. In the preceding war they were as low as seventy-five per cent. discount. But the return of peace, and particularly the arrival of the American treasure, so long suspended, may perhaps raise them again to par.

In the mean while, they have been to Spain a resource equivalent to a loan. They have indeed augmented its debts; but it is seldom that a great government contracts any that are less burthensome. Spain may find in the interior of the monarchy resources still less so. They have made a happy trial already, even during the calamities of the war terminated by the peace of Amiens. It consists as follows.

There is in Spain a prodigious quantity of lands, known by the name of *memorias y cofradias*. The first are foundations made in favour of churches, on condition of reading mass for the soul of

the founder. The *cofradías* are lands which the devout have consecrated to the particular worship of the Virgin and the saints. Too long the destinations of these lands have been considered as sacred. Under a government so little enlightened, so little spirited, these lands dared not to be touched; and if the Spanish nation had been generally so blindly superstitious as is believed, it would not have been attempted with impunity. This however is the measure which has been adopted about four years, and of which the happy effects have been felt since the month of November 1800.

These lands, paralysed by the piety of the faithful, inalienable like those of the ecclesiastics, were badly administered and still worse cultivated. The government has put them up to sale, and applied the money to the successive extinction of the royal notes. In the first months of the year 1802, these sales had already produced ten millions of piastres (about thirty-seven or thirty-eight millions of French livres).

Spain has gained by it in every respect; in spite of scruples, buyers have flocked in crowds to the sales. These lands, in the hands of their new proprietors, promise a double produce. This is a great step the Spanish government has made towards the amelioration of agriculture and the increase of population. A few more efforts

similar \* in spirit, will rouse the country from its languor, which perhaps is more prejudicial than the mistakes of administration.

But in Spain more than elsewhere, courage should be tempered by circumspection. Innovations and changes are feared. Old prejudices are firmly rooted; and this has hitherto prevented the adoption of useful measures, by which the treasury might have been profited without the people suffering.

Under the reign of Charles III. it was more than once proposed to seize the lands of the four military orders, which, ill governed under the present state of things, would be more productive in the hands of the sovereign, and would procure him, besides an increase of revenue, the facility of reimbursing by pensions the commanders attached to those orders. But the scruples of the monarch prevented the admission of the project.

Another, not less reasonable, would be a general tax on all the lands in the kingdom, without excepting those of the clergy and the nobility. But the clamours and the intrigues of these two powerful bodies opposed such obstacles to this project, that the Spanish government could not succeed without calling in a dangerous assistance; and it will perhaps be obliged to draw from the

\* At the beginning of 1805 it was determined that the lands of the monasteries should be put up to sale.

slow resources of œconomy, the advantages which it might obtain from a sudden though perilous revolution.

Under Charles III. the government, not discouraged by the reception given to the first essay of its reviving credit, lost no time in attempting a second, which should give to its paper money an advantageous opening, awaken the Spaniards from their apathy, draw from their strong boxes funds which slept without utility either to themselves or the state, and put them in circulation, to the benefit of commerce and industry. These were the great objects which he proposed in establishing in 1781 a national bank, that has scarcely any thing but the name in common with the other banks of Europe.

## CHAPTER III.

*Bank of Saint Charles. Specie. Money.*

THE idea of a national bank was given to government by a French banker (M. Cabarrus) who began to ingratiate himself at the time of the creation of paper money. He added to a lively and fruitful imagination talents which he had cultivated in silence until the period which brought him into notice. The favour of the minister would not have been sufficient to have shielded him against the many obstacles he was obliged to surmount. In a career where thousands opposed him, he has gathered, if not glory, at least reputation, and a considerable fortune, which the persecutions he has since suffered have no doubt diminished. Nothing but a blind partiality could attribute the success of his scheme to mere fortune. M. Cabarrus has had very warm friends and very inveterate enemies. This is not the lot of ordinary men.

In 1781, after having reflected on the resources so long unproductive to Spain, to put them in a state of activity, he proposed a plan for a national bank.

The principal object of this bank was to employ

a strong fund either without or with very little interest. In this view, an office was established to discount at four per cent. all letters of exchange drawn on Madrid. This resource was very moderate. Madrid, properly speaking, is not a place of commerce. The price of the wools which Spain exports is the principal article paid there; and this alone could not furnish a beneficial employment to the funds of the new bank of Saint Charles.

It was proposed to add the profits of the *real giro*, a kind of particular chest from which the court drew those funds it wanted to send abroad, to pay its agents there, or for other purposes. This also was but a feeble resource. There circulated by means of this *real giro* no more than about two or three millions of French livres per annum.

But the principal source of the profits of the bank was to be the provisioning of the navy and the army. The first had been hitherto divided between several individuals. The second was in the hands of the *gremios*, and the contract with government was just expiring. The bank therefore might take immediate possession of these different enterprises.

The government was flattered by the idea of dividing between a great number of citizens, the profit which had hitherto been concentrated in a very small number. The capital of the bank consisted of 300 millions of reals divided into 150

thousand shares of 2000 reals: and as all persons had the power of purchasing these shares, nobody was excluded from the profit expected. Besides the unemployed capitals which they were going to make productive, it was expected that many of those which received so moderate an interest in the *gremios* would be lodged in the chest of the bank. The overplus of the grants of the communes was administered by the council of Castille. The bank immediately added these funds for the benefit of those concerned. And lastly, there are in almost every community of Spain magazines for grain, or *positos*, the surplus of which is converted into money. This was still one more unemployed fund which the bank could put into action.

Thus she promised great advantages to all classes of the nation; and it is not surprising that the ministry approved the project.

It was discussed and adopted by a great majority, in an assembly of the principal administrative bodies. The contract for provisioning the navy and the army was demanded by the bank; but it could only obtain the superintendancy, and it was agreed to pay 4 per cent. on all its advances, and 10 per cent. commission. Such attractions appeared to seduce a great many people. However, the greater part of speculators remained cold at this brilliant prospect. Few people drew their money from the *gremios*. This community was

only obliged to raise their interest to three and a half per cent.

The bank had many puffers, but they were suspected. Their antagonists, armed with pretensions of the public good, declaimed loudly. They nourished a mistrust to which anterior events had given birth, and they made many proselytes.

The new establishment had immediately for enemies, all those who are averse to novelties, those who did not agree with the calculations of the bank of Saint Charles, those particularly who were actuated by jealousy and national antipathy to a young foreigner favoured by government. He takes advantage, said they, of an ephemeral credit to overturn a nation who could find amongst themselves citizens properly qualified to enlighten them on their true interests. The parallel which they had already drawn between the creation of paper money and the famous system of Law was then recollected. In France, an ambitious stranger gave a mortal stab to our credit, in attempting to make it flourishing. In Spain, it was also a stranger who pretended to re-establish credit and commerce, and who aspired to seduce a nation by the charms of a chimerical gain; both held forth the idea of a bank. The resemblance therefore was perfect. It is thus that most people judge. Malevolence asserted, credulity and ignorance reiterated, that the bank of Saint Charles presented nothing but an illusive plan



of operation, or at least unnecessary to the prosperity of Spain; that instead of favouring liberty of commerce, it would become its bane, as well as that of agriculture and industry; that it naturalized in Spain an evil hitherto unknown, a class of useless annuitants, who in an opulent laziness lived proudly on the labours of their neighbours; that, after having affixed the hatred of exclusive privileges, it sued for the most odious monopolies.

What served for a pretext to this last accusation, was a grant the bank obtained soon after its establishment, that of being exclusively charged with the extraction of the piastres. It is well known that the portion of this money which does not remain in America, and which is not extracted by smuggling, arrives in Spain to pay for all sorts of merchandise which that country receives from strangers.

The extraction of piastres for this purpose was of an indispensable necessity. In times less enlightened, the Spanish government, to augment the revenues, determined to subject it to a duty of three per cent., which in 1768 was raised to four per cent.; and although it is at present convinced by experience that this duty is an additional tax on the people, to whom foreigners charge their goods four per cent. dearer; yet the situation of the finances, and some remains of old prejudices, have not as yet induced them to repeal it. It results from thence that this duty, being high enough to hold out

a temptation to smuggling, is evaded by a variety of ways; that although the whole quantity of piastres necessary to pay the balance of Spain is exported from America, yet the government is defrauded of a part of its revenues.

The bank pretended to obviate some of these inconveniences, by demanding the exclusive right of extracting the piastres. They hoped, as they said, to prevent by this the high price of specie, a necessary consequence of a multiplicity of merchants, and to diminish the fraudulent exportation by an additional vigilance which could not be expected from the agents of government.

This new request was consented to, and they stated that, in order to facilitate to the bank the means of averting the speculations of contraband, it should be prohibited from exporting piastres, unless by special leave, by any other channel than that of Bayonne; and that all who had to send them abroad should take bills of the bank.

In spite of numerous reclamations, the greater part excited by personal interest, the bank of Saint Charles took possession of its privileges in the month of November 1783. The first use they made of it was very advantageous. The return of peace produced a prodigious circulation of piastres. In 1784 the bank exported to the amount of more than twenty millions; and in 1785 nearly twenty-two. The revenue gained by this arrangement. The duty on the extraction of piastres had

never produced more than six millions and a half of reals; in 1784 it exceeded fifteen, and in 1785 sixteen millions of reals. Then it was that ignorance was cleared away, that malevolence was silenced, and the bank triumphed. The single article of piastres produced a profit of near twelve millions of reals to be divided amongst the holders of shares.

In the mean while they obtained the contract for provisioning the army and the navy. The first dividend, that of 1784, felt the effects of this: it produced nine and a half per cent.

The triumph of the bank was then complete; and as men in every country run to extremes in every thing, they passed rapidly from aspersion to enthusiasm. The bank profited by this change, to raise at different times the price of the shares which remained with them unsold, and thus to obtain new acquisitions for the succeeding dividends. The fermentation, extended to foreign countries, now produced the utmost ebullition of stock-jobbing. In a little time the shares had risen in France, at Geneva, and elsewhere, to 3040 reals; and the Spaniards, less confident or more provident, fed this inconsiderate ardour of foreigners to the utmost of their wishes.

It was temporary, it is true, but lasted long enough to produce in many fortunes a destructive revolution. Some people took upon themselves to cool it. Mirabeau particularly, *this fomenter of public opinion* as he called himself, opposed the

bank of Saint Charles with a violence so usual to himself. He condescended to write a large volume, in which he lavished maledictions and the most unfavourable predictions on the bank of Saint Charles, and gratuitous abuse on its founder. In continuation, he maintained that the great commercial nations ought to fear lest their moneyed men interested themselves in the bank of Spain, for they had need of all their resources to diminish the burden of their own debts; and *that individuals who exposed their fortunes in so hazardous an enterprise, behaved like bad citizens considered as members of the community, and like infatuated men as fathers of families.*

The court of Madrid ordered this philippic of Mirabeau to be prohibited by the council of Castille; which however did not much lessen its effects. The enthusiasm of the jobbers cooled, and has since only emitted very feeble sparks. A very great number of shares in the bank have been returned from foreign countries to Spain. The directors of this establishment repurchased to the amount of thirty millions in 1787 and 1788, so that there are now no more than a hundred and twenty millions in circulation.

Four years after its institution M. Cabarrus thought of creating a new source of profit by connecting it with a company of the Philippines, of which he had also just laid the foundation. He induced the holders of shares in the bank to

throw 21 millions of reals deducted from the dividend in 1784, into the funds of this company. Whatever has been or may be the success of this new establishment, the measure cannot injure the capital of the bank.

The time of the infatuation is past, perhaps never to return ; that of discredit must take place, and the public opinion appears at last to be fixed concerning it. It is avowed, in spite of the authority of Mirabeau, that without ceasing to be a good citizen or a good father a man may place his money in the bank of Saint Charles ; for it must now appear established on a solid foundation, since it has resisted the storms that assailed it in its infancy.

Since 1785 almost all its assemblies have been tumultuous. Lerena, who at that time came to the management of the finances, began his reign by showing a strong prepossession against the author of it. He spread evil reports against the old governors, dismissed them in a shameful manner, and supplied their places with their enemies. He deprived the bank of the contract for provisioning the army and navy, (though by their treaty it was to last three years longer,) the profits of which might have repaid the losses experienced for some years past ; and he confided the administration of it to the community of *gremios*, that waited impatiently for vengeance. So many proofs of malevolence discredited the shares of the bank in

such a manner, that in 1791 they were sold with difficulty for 1800 reals, including the dividend.

The animosity of Lerena did not stop there. Jealous of the credit and the success of M. Cabarrus, whom he regarded as a dangerous rival, irritated by the very unceremonious language this gentleman indulged himself in against the minister, M. Cabarrus was so harassed by chicane, that in 1790 he was obliged to resign his place of perpetual director of the bank. This was not sufficient. Lerena soon after seized the pretext of an insignificant letter he had written to one of his friends, and caused him to be arrested. This detention lasted more than five years; and the minister Lerena, equally apt to enjoy as to inspire hatred, had the consolation of leaving his enemy in captivity when he himself departed from the world. His successor, M. de Gardoqui, had this injustice to repair; but whether from want of credit, or from lukewarmness, he was not very quick in fulfilling his task. The cause of M. Cabarrus was conducted with all the tediousness common in Spain, and which was rendered still more dilatory by the machinations of secret malevolence. At last, in the year 1796, he obtained slow yet brilliant justice. He was acquitted of every charge brought against him, reinstated in all his places, and authorized, at the expense of his persecutor, to sue for the losses which his fortune had suffered during his long imprisonment.

But since 1796 M. Cabarrus has again experienced great vicissitudes. He had been honoured with the title of count, and in a little time had recovered almost all his old influence in the bank of St. Charles, which had been of his creation. At an assembly held in his presence, they promised to abjure all hatred towards him, in order that no unpleasant consequences might affect their proceedings. By forming a connexion with the Prince of Peace he had recovered a great part of his credit; and this prime minister in some measure paid a deference to his advice, by bringing into the ministry don Francisco Saavedra and don Gaspar Jovellanos, two men pointed out by public opinion rather than by friendship.

Count Cabarrus was afterwards charged with a mission abroad of some consequence. At his return to Spain it was thought (his enemies pretended that he caused it to be circulated) that from certain connexions he had at Paris, he would be very proper to fill up a principal embassy then vacant in Spain.

He was appointed ambassador to France, where he went to display his new character; when it was remarked to the executive directory, that being born a Frenchman he could not represent a foreign power in his own country, and his admission was rejected.

The affront thus offered to him afterwards proved highly injurious: from that time he de-