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CURRENCY.¹

THE subject of Currency has long been the scandal of Political Economy. It is not intrinsically more difficult than the other parts of the science: nay, it is in itself far less obscure than the incidence of Taxation, or the determination of Price. But it has been made obscure by *vicious legislation*. We may seem to speak dogmatically; but to mince words here would be a sham humility. No one defends English legislation on the subject of banking and notes up to the close of our French wars; no one can plausibly defend the last great measure of 1844, especially side by side with Scotch law and Scotch experience. If Scotch law be right, English law is extremely wrong; and conversely. Whoever wishes to understand Currency, will do well to begin by supposing England and Ireland non-existent, and confine his attention to Scotland. After this, knowing what is the relation of cause and effect, he will be at no loss to understand English complications, and judge correctly of our legislative wisdom.

Concerning metallic money there is only one thing obscure to the least instructed, viz. how it gets into circulation. Primarily, when it is coined by a government, it is circulated by government *expenditure*. The State gathers and stamps the gold, then uses the coin to pay for what it wants. But such expenditure falls far short of the needs of currency for an industrious people. In some countries foreign coin circulates; in a rude state individuals coin, and in regard to cheap metal this does well enough; but to attest the purity of gold and silver a government assay is found essential. With us the State coins

at its own expense, and gives the coin in exchange, with necessary alloy and work *gratis*, to any one who will bring to the Mint the same weight of pure gold, not less than a thousand sovereigns. Thus money-dealers supply themselves and the public with a sufficiency of gold coinage, and we are no longer dependent on the expenditure of Government for the supply. Currency becomes a science only when we pass from metallic to *representative* money.

Professor Bonamy Price, in expounding this science, often frets us by his use of words, and surprises by the eyes which he casts upon matter of fact: but he is lucid and searching in his exposition of principles. We shall rapidly apply them first to Scotch law and practice. In Scotland the State never spent much gold coin. The bankers, instead of teasing the Crown for more, took into their own hands the remedy, and issued simply their own notes, payable on demand. As the people were satisfied with this so was the State. Down to recent times sovereigns were scarce in proportion to notes. There, as here, use is made of bills and cheques, as well as of notes payable on demand, which are, as Prof. Price acutely remarks, nothing but *cheques* drawn by a man *on himself*. If a state undertakes the duty of coining metal, forbids individuals to coin it, and then does not supply enough; if in consequence a *base* paper currency get abroad, which is accepted under hard pressure, and great calamities arise by bankruptcy, then the State is blamable. The proper cure is not to forbid private issue of paper (unless indeed the State will take that function also wholly on itself,

¹ *Principles of Currency*, by Bonamy Price, Professor of Political Economy in the University of Oxford. James Parker and Co. 1869.

and do it effectively), but to increase its metallic issues for small traffic. But in Scotland, though there has been an insufficiency of metallic money, and the people consequently are used to ragged notes, which (as we think) would be well displaced by more gold sovereigns, yet no public calamities have been sustained. One great bank failure startled the country, in the Western Bank of Scotland; but Professor Price informs us (p. 128), that the creditors of all Scotch banks have been paid in full. He justly remarks hereon, that the Scotch have been good bankers. They have had the advantage of being let alone.

The doctrine of *laissez faire*, which is so pernicious if allowed to dominate in politics, is the heart and soul of thriving trade. A trade which *must* be put under severe restraints,—as the sale of intense poisons,—cannot be a very gainful one. The great energy of modern trade is in proportion to its freedom. Many trades ought to be subjected to some superintendence: Professor Price illustrates this from emigrant ships. We heartily assent. But if a trade ought to exist, it ought not to be *needlessly* interfered with, nor beyond the mark of necessity. There is a clear reason for enacting a *minimum* for bank-notes payable on demand: 1. Because of the increased danger of forgery involved by small notes. 2. Because the poor and ignorant need to be shielded from the miseries which bankrupt notes inflict on them. We thoroughly approve of the extermination of the English old one-pound notes, and can see no advantage in those of Scotland. Five sovereigns are a very trifling weight to carry; no inconvenience can be suffered on this head. The advantage of the metal is well bought by its price. But it is obvious that these reasons for prohibiting small notes are inapplicable against larger notes. Five-pound notes do not pass, like sove-

reigns, very often, very quickly, in a very hurried way, very unobserved. If they are not legal tender, they hardly inflict on a seller more compulsion to take them, than do *cheques* of five pounds; or if this be not quite true of five-pound notes, yet it is certainly true of twenty-pound notes. Totally to forbid private persons to issue notes, while they are free to draw bills and cheques, or to profess the trade of banker, on whom cheques are drawn, is wholly arbitrary, unintelligible, indefensible. It is an interference with trade immensely beyond what the defence of the poorer and ignorant classes requires. In Scotland there is no such interference. The banker, at his pleasure, issues notes, as he accepts bills, and has cheques drawn on him.

The outline of the banker's trade is this. A merchant who has goods about to be sold, wants 'money' in the interval which must ensue before their price is received. The goods may have been sent abroad, duly insured, or they may be in warehouse at home. On the strength of them he asks of a banker the loan of 1,000*l.* The banker *begins* his business on the support of his private funds; but counts upon getting 'customers,' who employ him to collect their dues, and leave the proceeds for awhile in his hands. Armed by such 'deposits,' he is able to listen graciously to the merchant's request. He does not *pay* 1,000*l.* to him in coin. Deducting say 25*l.* or 35*l.* for discount, he 'advances' to him 975*l.* or 965*l.* in one of two ways: either by giving this amount in the banker's *own* notes, if he issue notes; or else, by permitting him to draw *cheques* upon him to the amount agreed, just as if he had deposits in the bank, although he has none. The banker's procedure is called 'accommodation.' It is legitimate, if the merchant's goods are safely above the

sum lent, and if the banker's funds are adequate to bear the strain. Another merchant has sold goods abroad, and is paid by a bill drawn by a foreign house on some other house: he brings it (perhaps) to the banker for sale. If the banker accept it the merchant can get money upon it. This may involve large risk to the banker. Special tradesmen also, called bill-brokers, facilitate such transactions, and in London are said to take the chief risk. But in the simpler and earlier development the banker is himself the bill-broker.

A banker's great temptation is to overtrade by *bills* and *cheques* (which is called, we believe, *over-banking*), not to *over-issue*. For if he err in the former way, though punishment overtakes him possibly in six months, yet he has time, he has warning, he may devise escape, he sometimes outrides the storm, and it blows over; but if he issue too many notes, he smarts for it in one week, sometimes in a single day. The public determines how many notes it wants. No one in our country retains in his pocket-book or desk very long much more either of notes or of coin than he thinks he is likely to use; and the bankers are keenly aware of this. Justly does Prof. Price wonder at the ignorance and perversity, which talks about the 'inflation of the currency' to be feared where private persons issue notes freely. In a compact, moderate-sized country like ours, with a strong executive, firm courts, and rapid travelling, notes not wanted are infallibly returned on the banker very speedily. Only in a vast, wild country, as the back States of America, such a thing as inflation may temporarily happen; but the people themselves, who were sufferers some twenty and more years ago, ere long brought a sharp remedy, enacting that the noteholders should be paid before the depositors and other cre-

ditors of the bank. (Whether this is an expedient principle is among questions open for legislation: of course depositors must have fair warning that they will have to encounter this risk.) Now, inasmuch as the natural penalty on the banker who makes an imprudent *issue of notes* is quicker and surer, such imprudence is less to be feared. He who is prudent as to bills and cheques is not likely to be imprudent in his issues. Hence (it has been argued), a law which forbids a banker to employ his capital on the less dangerous side—issue of notes—drives him into greater activity in forms of business which are more liable to abuse; and whatever else they do, do not aid to sustain his solvency, but rather add to its risks. It would be interesting to know what ratio exists with the great Scotch banks of issue, between their issue of notes on the one side, and their dealings by cheques and bills on the other.

Prof. Price carefully analyses the banker's operations and concludes that he is at bottom nothing but a broker for the transfer of debts. He needs capital to start with: so does a grocer. He needs gold, silver, and notes to pay balances with: so does a grocer. But he no more *deals* in 'capital' than does a grocer. No one can create capital. That which the banker accepts and transfers is not capital, but the *title* to capital. Neither cheques nor bills nor credit are capital. Credit is permission to use the capital of another; but if one uses it, the other does not. The banker receives in deposit, or collects for his customers, sometimes solid money, but far oftener paper, which is a memorandum of indebtedness, and carries with it a right to money, either instantly or at a short interval of time. He *either* pays no interest to his customers,—who are then satisfied with his services as agent, collector, and guardian of

their funds, guardian also often of their documents, occasionally of their valuables; *else* he pays to them an interest smaller than he receives from those whom he temporarily accommodates. In the latter case he generally charges commission on the cheques which they draw on him. This somewhat complicates his business, but is of little importance to science. The allowing of interest is of course intended to allure depositors, and may involve danger, unless the rate be very low; for it drives the banker more eagerly to seek those who need accommodation, and tempts him to give it too easily, lest he be an actual loser. Of course he tries to recover his loans at short intervals, yet they cannot possibly be recovered on demand; and he generally has to pay his depositors on demand. It conduces much to his safety to pay a moderate interest on *those* deposits *only* which, it is agreed, shall be left with him for six months. Perhaps this arrangement will hereafter become universal.

Cheques are understood by everybody; but not many of us have any familiarity with bills. Ricardo first taught in broad words that all foreign trade, ultimately and in the long run, resolves itself into barter. Unless a country has gold mines, it cannot be always paying out gold. On an average, gold will come back, as much as it goes out; so that, in a series of years, the goods sent out from the country exactly pay for the goods brought into it. This is the barter to which Ricardo alluded. And the alternate flow of gold is inevitable. For if gold came in for a long series of years—flow without ebb—it would become cheap with us, because superfluous. Like other articles of commerce it would be at length sent out to find a dearer market, until the equilibrium were established. Or conversely, if it had gone out until we sensibly felt

its want, its rarity here would raise its price, and soon bring it back. Only in case of war or revolution can any great fluctuation in gold happen. In war it is wanted in large masses by the providers of armies; it is paid to peasants, and it is long hoarded by them: in revolution it is perhaps buried in the ground for safety.—Well; but let us go back to foreign trade: how does the merchant pay his foreign debts, and collect his foreign dues? He draws a bill on his foreign debtor, and sells it: this becomes to merchants a sort of international currency, but it of course has no legal tender, and is accepted not without peril. To add to its safety it is endorsed by other names, names known and trusted. Such bills pass between two, three, or more nations, and are extinguished by exchanges; exactly, if they exactly balance one another; but if not, then at the season's end, one country and another have a debt to pay; and it is paid *in gold*. The gold may be actual coin; but if it be in ingots, of attested purity, this is quite as good. But all transmission of gold involves loss. Insurance must be paid on it, as well as carriage; and provision must be made against stealing, as well as against the elements. A man who receives a great mass of gold without extraordinary preparations, may fear for his life. In London he is probably glad to get it into the bank cellars as quickly as possible, even though he may design to reship it as soon as convenient. Here is another reason why we do not send gold abroad easily and willingly. Every effort is first made to get bills; and when they are scarce, because we have sold to the foreigner less than we have bought, they fetch a premium. On this depends what is called the 'rate of exchange' between nations. Foreign debts, as other debts, must be paid. We might be glad

if we could pay them in goods. We know we shall do so ere long: but the seller cannot 'order' others to buy: he must wait till they are willing. Meanwhile, there is no choice but payment in gold. Indeed what do we keep the gold for, if not to pay balances of debt with it? That is its specific function, beyond what is wanted by the jeweller or gilder. If it had not this *foreign* use, inconvertible notes once made legal tender, would serve us without producible gold. The express and urgent reason why we look with disdain on inconvertible notes, why they are sure to be depreciated, is, because they are not legal tender to *the foreigner*; they never can pay *foreign* debts. Hence we may go so far as to say, that the primary paramount commercial use of gold is, to be sent abroad and there discharge the balances against us. It is the international metallic currency. If gold is periodically to come in, gold must periodically go out; else England will become like king Midas's fabled realm. It must be added, that the Australian mines now make England, like Mexico, to be a gold-producing country; since the superfluous gold from Australia comes to England first, whatever be its further resting-place. Nor only so, but South American gold destined for the European continent, comes to London by our West Indian steamers, until its real owners—perhaps in Hamburg or Genoa—demand it through their London correspondents. Nothing can be more delusive than to regard the movements of gold as *necessarily* of more importance to the 'money-market' than the movements of iron or cotton. To rejoice when gold comes in, and raise a wail when gold goes out (without knowing anything more about it than the simple fact) is an insanity. Professor Price is justified in treating it as neither more nor less than the

mercantile theory, which, since the time of Adam Smith, has been exploded as the wildest of dreams. Gold is not only not the only wealth; it is but one commodity out of a thousand, and is a very small fraction indeed of the whole.

But is the departure of gold, however necessary and wholesome to the nation, *never* a funereal warning to the merchant? In Scotland never actually funereal, but certainly inconvenient. To the nation at large the export of gold to pay a balance of trade is but the salutary restoration of mercantile equilibrium, a mere ebb of the tide: but to the ship which is left on the strand, the ebb-tide may be uncomfortable enough. This needs careful attention. When gold is lodged in London, merely in transit, of course its departure has no mercantile augury whatever. But if in consequence of our being unable to sell as much as we buy (which may happen, if for instance a great customer, like the United States, has impoverished itself by foolish trading, inexpedient application of industry, or destructive war) our merchants cannot get bills to pay their debts, the price of bills rises, at last they fail, and as a final necessity, gold must be paid out. The same thing happens, if we *lend* largely to the foreigner, and thus engage to make foreign payments. They who have to pay cannot get the gold *without withdrawing deposits* largely from their bankers. This, as Professor Price insists, is the critical point. The bankers are stripped of their means; hence, when merchants who have no deposits, but only goods, come to them for 'accommodation,' the bankers are shy of lending. Fear of involving themselves beyond their means, when even the greater firms feel the drain on them, universally lessens willingness to lend: on the other side, a perception that more are pressing for loans than the fund

for loans can yield, makes the merchants willing to pay higher. Thus the rate of discount is forced up. But in Scotland no solvent house is absolutely refused accommodation, nor indeed, *except in great crises*, will it be refused in London. The cause of the difference must be presently explained at large, more especially as here we find it impossible to admit that Professor Price rightly applies his own principles.

It has been seen that when through our indebtedness to the foreigner, or through our large lending to the foreigner, gold is sent abroad, those who send the gold have to draw out deposits, and more or less cripple their bankers. Prudence then commands the bankers to be very circumspect, to hold tighter and charge higher, and the merchant who wants accommodation is pinched by it. 'Money' is proclaimed to be 'scarce;' a short phrase, which means, *that men who have goods, but no deposits, find it hard to get permission to draw cheques; hard also to sell their bills, or get them endorsed.* (Professor Price vehemently denounces this use of the word Money. We are not sure that is inaccurate. It means, '*such media of exchange as will furnish coin when wanted.*') At any rate science will not explode the phrase, but must carefully interpret it.) High discount goads Londoners into grumbling and moralising and plentiful theorising, concerning cause and effect, law and economy. They are not just then in a calm and philosophic mood: so the writer of a 'City-article' addresses himself to the task of soothing their annoyance, flattering their prejudice, and perhaps reproducing in the columns of a newspaper the wise speculations which he heard from them in the morning. The departure of gold, being the phenomenon which precedes the 'tightness' of the market,

is proclaimed to be its *cause*; al- though it is no more the cause, than the fall in the barometer is the cause of a storm. To push the mercury up, would not avert the storm. We cannot undertake to gauge the wisdom of 'practical men.' Professor Price may have information more accurate than we can claim. Perhaps intellects muddled in detail do really believe that, *if only* the gold could be kept in England, bankers whose deposits are running very short would *not* be slower to lend than usual; would *not* raise their rate of discount; and would cheerfully run the risk of having to bring their private estates into the market. Did he not so often and so confidently allege, that this is the fixed clear unmistakable doctrine of City-articles, City merchants and bankers, we should have accepted their formula as elliptical. That others have to pay a large foreign debt is the *ORIGIN* of the high discount; the exportation of gold (or drain of gold, as it is then called) is consequence and open symptom, upon and after which the pinch of the market is felt. When they deplore the outflow of gold, we should have understood them simply to deplore the fact that the balance of trade was against them. But perhaps, as we said, Professor Price knows better what they mean, and they do mistake effect for cause. That there has never since 1819 been any actual *deficiency* of gold, he declares with the utmost positiveness, and, we cannot doubt, with perfect truth. The bullion dealers always have a store; and he adds, that during the worst period of 1857 there was never less than twelve millions sterling lying idle in the Bank cellars. The lowering of the bankers' deposits is the specific cause of high discount, and of mercantile inconvenience. This cannot be removed by law: so far we agree with the Professor. But it can be *exasperated* by law: this he

appears most unaccountably to forget, and practically to deny.

Through ordinary gales navigators work with more or less toil, but with general success. At intervals comes a storm of great severity, which puts to the utmost strain both their ship and their skill. They ride within six inches of death. By a slight momentum they are saved or sink. So is it with merchants and bankers. A little bad legislation, which in ordinary times is harmless, perhaps absolutely inoperative, may be guilty of frightful ruin at such times. To talk of 'averages' is not to the purpose. A ship that can only bear 'average' waves is sure to founder: what would be thought of a law which forbade the navigator to rig himself as for tempests? Crises occur in which not merely payment is to be made for goods received, but, what is far worse, for goods wholly lost. In 1857 the wild mismanagements in the far West of America made a crash of ruin in New York, and suddenly impoverished numbers of English houses to which they were deep in debt. What are men to do (to put an extreme case), who are suddenly deprived of the greater part of their *floating capital*, and have debts to pay?

There is evidently but one reply. If they have *fixed capital*, they must sell it, or raise money by mortgage upon it. When only one or two are thus distressed, sales may perhaps be made without very ruinous loss; but when the distress is general, to bid them to sell is like mockery. Who, in such times, among those who have free capital afloat, is likely to buy? So few, that the sale can only be effected at enormous loss; a loss such, as will probably entail total ruin a little later. Evidently the only reasonable advice, the only practical resource, is to mortgage. A mortgage may be drawn and executed in half a day

or much less; a sale, with all its surveys, advertisings, preparations, and auction may take weeks. In a mercantile crisis, an hour is like a week. A house is dishonoured, which cannot pay on the day; and worst of all is the case of the banker. A man who has an estate worth 30,000*l.* may perhaps induce a single creditor of 5,000*l.* to accept a mortgage for it; but a banker owes a great variety of sums to a large number of persons, all of whom may come upon him at once, and all ask of him *current money*,—that is, notes or coin. He must mortgage *to one who can furnish him with notes or coin*. This is the cardinal point. The nature of his trade is such, that he cannot possibly have money enough to pay all his depositors at once, lend as cautiously as he may. His shop is like a powder-mill. It is safe, so long as its specific fire is kept aloof; but it may explode at a spark of distrust. And like an exploding store of powder his calamity is a calamity to hundreds or thousands wholly unconnected with him. Surely if ever the legislator ought to be careful not to aggravate a perilous disaster, this is the case. Scotland has gone with wonderful safety through all such times (p.135); and with Scotland our legislation has never tampered. Is the connection of the two facts pure accident?

We thoroughly agree with Professor Price, that imprudence and gambling must expect their penalty, and law cannot avert them; nor do we at all say that law ought to *try* to avert them. Probably it could only avert them by damage to some one else. But, indisputably, unwise law may make bad worse; may spread calamity wider than it needs to spread, may forbid its kindly alleviation. Traders cannot be omniscient. With their utmost care, they must sometimes make grave mistakes, either as to

the distribution of their wares, or as to the persons whom they trust. They may be innocently drawn into a whirlpool by the infatuation of distant foreigners, or by the breaking out—yes, and also by the sudden termination—of a war. It must not be made a crime to try to aid them. Now if anything is clear both *a priori* and *a posteriori* in this matter, it is—that in every great and sudden destruction of floating capital, a large creation of paper or parchment documents, based upon valuable property, and making a new currency small and great, is instantly desirable. These documents constitute their confession of indebtedness. We do not know how to believe that Professor Price does not see this, or that he denies it; but if he saw it as we see it, and had it present to his mind, he could not write as he does. We fear that by his language he will make ‘practical men’ raise a new outcry about the ‘hardheartedness’ of political economists. When merchants or bill-brokers have property but not ‘money,’ to meet their engagements, or bankers are hard pressed by alarm rising among their depositors,—in the midst of a crisis which began by the exhaustion of bills on the foreigner, and by an outflow of gold;—he bids the distressed to go and ‘buy gold of the bullion-merchant;’ after which, no doubt, they could get notes at the Bank for their bullion;—for we now speak of London. But the Professor does not explain *with what* they are to buy. With cheques? But at such a time cheques are probably exhausted or distrusted. With bills? If they happen to hold first-rate bills, these may be as good as notes; but bills which were excellent three days back, may be suspected to-day, and not negotiable. With consols, in one place the Professor suggests; but instantly confesses that the holders

of gold are not certain to accept consols in payment. He therefore bids the unfortunates to sell their consols at *any loss whatever*, and get . . . we do not distinctly know what, whether cheques or notes. As said above, to sell at a vast loss, may entail ruin a little later: but let us admit that it is a lucky thing for a debtor thus situated, if he happen to have consols, and can get for them such cheques as will bring him notes. Everybody has not consols. This is surely no crime. There are such things as lands and houses, tenements, shares in mills with machinery, or documents of interest periodically due for money lent to them. There is also such property as ships, mines, quarries, railway and dock shares, and shares in other companies innumerable. If a man has lost so much of his floating capital, that he cannot pay his debts, and he is in imminent danger of bankruptcy, is he to be *forbidden by law* from raising money on such resources? One might think such a thing was impossible. Yet since 1844, the law of England *does* forbid it (wonderful to say), *if* the Bank has not a certain quantity of GOLD! This it is, which makes City-men sigh after gold as a great panacea. To them, we fear, Professor Price’s rebukes and taunts at their puerility will seem to be heartless jibes. They find that the law of 1844 will not allow the man, who has property and urgently needs money, to get currency on the credit of that property, unless there is gold in the Bank: they therefore most naturally bewail the departure of the gold, and most justly condemn the law; for both of which our Professor unmercifully lashes them. Not that he supports that part of the law which they censure: he is far too clear-sighted: but he has strangely made up his mind that all who have been ruined *would* equally *have been* ruined, if the law

had not been made. It is impossible either to prove, or to disprove this. Assertion is cheap on both sides. As well may you discuss, whether a ship caught in a gale *would have* sunk, *if* this or that. Our sole question is: What is the TENDENCY of the law? And here we must go back a little into the history of English banking.

While Scotch banking has always been free, and always good, English banking has never been free. First, in the interest of one bank in Threadneedle Street, and to the great damage of the public, the law forbade more than six partners to any other bank; deliberately planning to make all other English banks unsafe, lest any of them should compete with the one favoured bank. Next, it forbade to issue notes within sixty-five miles of London; which again was solely in the interest of this same bank. Thus it concentrated responsibility and pressure on a single firm, and made its errors (whether it erred in laxity or in tightness) more widely mischievous. Such a protégé was expected to be compliant. Its bullion was taken out of its hand for the convenience of the government; and when, in consequence, it could not cash its notes, the Bank Restriction Act was passed in 1797, absolving the Bank from the duty of keeping its promises. In 1802, the directors desired to resume specie payment, but the King's ministers would not permit it. When the Bank was thus made permanently irresponsible, human nature could not resist the temptation to lend freely and enrich itself by discounts with but slight care of details. 'Money' became very 'cheap.' Country banks were easily set up. The law forbade more than six partners. Plenty of them were necessarily very weak. Imprudence and speculation were ever on the increase; and—Professor Price reproaches the English

for not being as good bankers as the Scotch! The Scotch, forsooth (p. 128), 'were good bankers, and kept their money; the English were bad bankers, and lost it.' That, according to him, is the whole difference. If the law give a high premium to paper-boats, and the shores are strewn with wrecks, does the sight suggest no moral but the bad seamanship of Englishmen? Was it really English *blood* that was to blame, and not the bad English legislation? Highly as we esteem the Scotch, we do not think the difference of our temperaments and of our wisdom so vast. But it is utterly unfair to compare us with them, while we are so crippled with vicious law. No one (as we said at the beginning) is anywhere to be found, who approves the legislation of those days. In 1809, great disasters arose; and when by the peace of 1814 the seas were thrown open to foreigners, a mercantile hurricane afflicted England and Ireland.

In 1819–22 the great bank of Threadneedle Street returned to specie currency and convertible notes. Next, leave was given to have any number of partners in a bank; but unlimited liability was insisted on, while the holders of Bank Stock were favoured by exemption from such responsibility. In 1825 and 1837 destructive panics took place, but in neither was the Bank of England involved. Not only was there no run on it, but the public eagerly accepted its notes as equivalent to gold; indeed, in 1825, which was the severer of the two crises, its *one-pound* notes stilled the tumult, and saved the mercantile world. Evidently the only fault then imputable to the Bank was, too much caution, too great slowness to make advances.—It was a marvellous feat of logic, to deduce from such facts, that the Bank of England could not be trusted to issue notes at her discretion, though the risk was her own; and that, after

an arbitrary figure was reached in her issues, she must not in future rescue falling houses, unless so many should first fall as to extort from the Ministry of the day a suspension of the law.

But such is the celebrated Act of 1844, which was devised, as is believed, by Lord Overstone, though Sir Robert Peel has the great responsibility for it. Professor Price's treatment of this Act is the weak part of his lectures. By all his principles he is bound to condemn it. It is condemned by all the greatest authorities. The *Westminster Review*, in a very vigorous and instructive article of 1858, gave in the list of its opponents Tooke and Newmarch, Thornton, Fullarton, Macleod, James Wilson, and J. Stuart Mill. This Act of 1844 turns the issue of notes into a purely mechanical operation, over which the directors of the Bank have no control whatever; so that notes, like coin, are a Government currency. Moreover it fixed a maximum for the total issue of notes by existing private bankers, and forbade all issue by future banks.

Let us now see what is the natural and necessary *tendency* of the Act when a severe crisis arises. To test it, we have only to imagine a clearly possible case. Suppose that the Bank has already issued as many notes as the law allows, and that a great banking house, which has among its partners property worth a million, and holds deposits that cannot be claimed for six months worth two millions more, is subjected to a panic from depositors of a third million and finds its reserves of coin and notes running short. If it can get to-day or to-morrow a single additional hundred thousand pounds, it may come out triumphant, still the waves, and to-morrow be in smooth water. If it cannot get it within a few hours it may be forced to suspend; and even if in another fortnight it dis-

charge everything in full, that cannot be foreseen by the public. Its suspension may so spread alarm, that a run follows on weaker houses and many of them come down in a crash. Now, if any philosopher, seeing the contingency of such events, totally deprecate banking, and utterly censure the credit-system, we have great sympathy with such a view. It may be a very otiose admission (Prof. Price will not thank us for it), but we will admit;—*perhaps* it would have been better not to have bankers at all; or, again, *perhaps* a time will come when we shall get rid of them. But if we are to have banking, and while we have it, we must guard against its explosiveness as we do against gunpowder. He would be a great fool who should enact, that if any one sees a train of fire, running towards a powder-mill, he must not trample it out, but must go and tell the Queen's ministers of it. What else is it to enact, that in times of high mercantile danger, the directors of the Bank shall have no control over the notes which they issue at their own risk, but if they please they are at liberty to petition the Ministry of the day to suspend the Act? Practically, the Bank of England will not take such a step until *after* great and avoidable calamities, nor without the concurrence of the London banks in general. Time must be lost, both in getting that concurrence and in securing a Cabinet consideration of the subject; thus days are wasted while hours are precious. For anything that the legislator could know, a banking-house may have estates worth ten millions sterling, yet be unable to get a hundred thousand pounds of notes and coin upon the credit of its estates in three days' time, though not to have it in one day may bring it to the verge of ruin by a panic among depositors. We say, 'it may be unable;' for when the bank *which*

alone is allowed to issue notes, is forbidden to issue notes, the only chance with the distressed banker is, to go begging for the loan of notes from others who have laid them up for their own needs—beg for them at a time when every banker is trying to increase his reserves, and even great houses tremble for themselves. Is this a conjunction of affairs in which the great central Bank of England is likely to be imprudent? in which it cannot be trusted with its own interests? The minister who added to his Act the clause which gives to the Ministry of the day the power to suspend the Act, betrays that he had no confidence in its good working; that he knew it was wholly tentative, as indeed it rests on no intelligible principle. It was first put to trial in 1847, when the nation had invested so inordinate a mass of *floating* capital in the *fixed* form of incipient railways, that 'money' was painfully deficient. The gold in the Bank also flowing out, bankers began to increase their reserve of notes, and 'accommodation' became difficult. After much agitation and much ruin the Act was suspended; the private bankers at once ceased to hoard the notes, and, to every one's surprise, no more were wanted. In 1857, in a similar storm, 800,000*l.* of notes sufficed to still the elements. The smallness of the sum indicates how extremely unwise is a fixed and arbitrary restriction. It is like prescribing by law how to navigate a ship in a gale. A foot's breadth of canvas, more or less, may decide life or death. In 1866, when the mercantile ruin was caused by the flagitious mismanagement of two great houses, we may *now* well believe that *nothing* could have saved them. The Bank, when permitted to lend, declined to lend; so that no harm was done by suspending the Act, which was thus proved to be perfectly *needless*. On

the other hand, it necessarily increased alarm and agitation, until it was suspended.

Every one who remembers the Anti-Corn-Law struggle knows how bitterly the Duke of Wellington's sliding scale of duties was resented. The fraud on the merchant, who expected one duty and encountered another, was unbearable; and drove him to counter artifices and endless speculation. He warehoused his corn, and held it back in hope of a lower duty, and at last brought it into the market in mass; then down went the price, and up shot the duty, so that it was wittily said, the sliding scale would not slide, but only jump. On the other hand, if he had held too long, and a generally good harvest followed, he was utterly ruined. The country was scandalised at a cargo of wheat being flung into the Thames by a despairing importer. Perhaps the very worst mischief caused by such artificial enactments, is the speculation about prices which they make inevitable. Professor Price justly ridicules the over-inquisitive anxiety with which merchants watch 'the drain of gold,' but this is the fruit of the law, which subjects ever-varying trade to an artificial formula, fixed by ingots of gold in the Bank cellars. As an acute writer summed up the events of 1857:

The progressively increasing demand for accommodation was in great part due to the conviction that, in consequence of the Bank Act, there would shortly be no accommodation at all. Men who had bills coming due, saw that, by the time they were due, the Bank would discount only at higher rates, or *not at all*; they therefore decided to lay in beforehand the means of meeting these bills. The hoarding, thus induced, not only intensified pressure on the Bank, but took both gold and notes out of circulation. At last, as in 1793 and 1825, when it was understood that loans could be had, instantly loans were not wanted; [for men ceased to hoard.] The fact that the panic quickly subsided when the Act was suspended, denotes that the Act had in great measure produced it.

City men, who are not sound economists, do yet discern that the Act causes speculation, speculation causes hoarding, hoarding causes deficient currency, alarm, more hoarding, and rising discount. They blame the Act, and their advocates in the press flatter and soothe them by talk which to Professor Price is flummery. But if he would deceive them as to the nonsense, he must concede all that they have of good sense; and unite with them in condemning a sliding-scale which was introduced wantonly, rests on no principle, contradicts both science and practice, is, ordinarily, quite inoperative, but the moment it wakes into activity, excites baneful hoarding, torments the merchant and the banker, and is wholly unknown, certainly undesired, in Scotland. From 1819 to 1844, the Bank, as Professor Price emphatically admits, went on very well without Lord Overstone's sliding scale. No one asked for it. Two men made it and imposed it. This vicious legislation is guilty of those speculative errors in City men, which Professor Price deplores, exposes, and rebukes.

He laments that after Adam Smith had, in appearance, thoroughly exploded that mercantile theory which ascribed to gold occult and special properties, and regarded it as the only wealth; the old error has stolen back upon City men: a fact which he regards as highly discouraging to science. But, since *when* has the error come back? We believe we are right in saying, since 1847, when the pinch of the Act of 1844 was first felt. That Act treats gold as something exceptional. It allows notes to be issued on the security of gold, and of nothing but gold. It therefore recognises in gold, and practically affixes to it, an occult and special value. Men who do not look very deep into theory, but are forced to feel whatever the law imposes, value gold inordinately,

because the law so values it. Let us repeat: Professor Price distinctly and emphatically declares, that so far as the Bank of England is concerned, the law was not wanted at all, and has been utterly useless. He also thoroughly approves the Scotch freedom, and refers with high general praise to the valuable paper of Mr. Charles Gairdner, of Glasgow, given in his 'Appendices.' Now, among the questions which the 'Conseil supérieur du Commerce de France,' has propounded to Mr. Gairdner, the 26th runs thus: 'Is there advantage, or inconvenience, in separating the issue department from the discount department?' *Answer.* 'There does not appear to be any sound principle to justify the separation in question; and the experience of its working by the Bank of England, has not proved it to be of any practical advantage; but, on the contrary, it has created on many occasions serious complications.'

We find it impossible to account for Prof. Price's energetic refusal to admit what appears to us obviously and demonstrably to flow from his principles; but we see very clearly the one principle on which we part from him. It might be supercilious in us to say, he does not understand, but he certainly does not admit, that a large destruction of floating capital calls legitimately for a temporary increase in floating paper, in order to bridge over the time which must intervene before property can be sold in a fair market, and debts paid by fixed capital, if sale is ultimately essential. To be deeply mortgaged permanently, is an unhealthy position alike for a landowner or a millowner; but to be deeply mortgaged for a few months in order to avoid sale in a market where there are hardly any buyers, is certainly very reasonable. Besides, bills held by a firm may be suspected and unavailable to-day, yet may be found sound

in another month. Until the worst is known, the vacuum must be filled by borrowing on property, not by selling it. Allusion was made above to the events of 1793. The Government offered in that year Exchequer bills to those who could give good security—a device as old as Tiberius Cæsar—and in the modern, as in the ancient case, it was successful in instantly stopping panic. Prof. Price in one passage confesses that the sale of private estates cannot be effected quickly enough to meet the needs of a panic.¹ He wants merchants and bankers to conduct their business *entirely* upon their floating capital. This they greatly prefer; immeasurably. No one likes to mortgage property. Ordinarily every trader looks to his unsold goods and his balances at the banker's, or his freely marketable bonds and bills, as his moving power. But if calamity swallows up a man's floating capital, then to forbid him to raise *currency* for the payment of his debts from his fixed capital of every kind, is not only an unintelligible cruelty and injustice to him, but it makes him a circle from which ruin spreads to others. The English law acts the part of 'dog in the manger,' it will not give help itself, and will not let others give help; hence, in the agony of a crisis, a trader may be poor and perishing, for want of gold and notes, in spite of real affluence. The dread of getting into this position makes all shorten sail, when they see the approach of the cloud which threatens a squall. They summon in their debts, refuse to lend, and increase their store of those notes

which before long may be unattainable. A law which holds over the market such a threat must certainly aggravate, and may sometimes cause, calamity. Prof. Price (p. 173) astonishingly argues that two or three millions of notes out of forty can never be of importance one way or other. He records the fact that 800,000*l.* sufficed to bring matters right in 1857 (p. 148), and says it proves nothing against him, because the sum is so trifling. He looks to the *ratio* which the 'fluctuations' of the currency bear to the general mass! As well say, waves forty feet high cannot have overwhelmed a ship; for forty feet bears a small ratio to the depth of the Atlantic. As well say, a basinful of water cannot have extinguished a train of fire, and saved a powder-mill from explosion; for the quantity of inflamed powder, which it is pretended to have extinguished, was but the ten-thousandth part of that which the mill contained,—and after all, it was only a basinful of water.

It is proverbially the last straw that breaks the camel's back. Ten sovereigns in hand may at the close of a day save a great banking-house from the ignominy of suspending payment, and tranquillise the morrow's panic. Just because no one can foresee how great results a small deficiency may cause, therefore it is insanity in the legislature to enact a 'hard and fast line,' which neither rests nor can rest on any scientific reason. The 'rule of thumb' from a very unscientific but experienced bank-manager is beyond measure preferable to a blind

¹ Yet elsewhere (p. 79) he wonderfully says: 'In the very worst, in 1847, in 1866, no banker who had salable property, and therefore (!) the means of *buying* sovereigns and notes, was, or could have been (!), under any difficulty to procure them.'—We entirely protest against and disavow the Professor's delusive, gratuitous, and vexatious interchange of the words *buy* and *sell*. They are not at all identical, nor interchangeable. To change Sell into Buy, viciously assumes that a seller can *initiate* sale, whereas he cannot 'order,' he can but 'offer,' plead, advertise, tout or puff. The buyer is he who 'orders.' The buyer wants a definite commodity, the seller wants only some current medium of exchange. The buyer presents that medium, which gives him the initiative. scanned by Google

and dead Act of Parliament. It avails not to say,—as does our Professor vehemently and frequently,—that if the bank had issued notes, the public *would not have retained* them. How does he know that? How can he possibly prove it? What ‘would have been,’ we do not undertake to prove; though, when people hoard notes, they may retain them far longer than could have been conjectured. The additional 800,000*l.* of 1857 were retained; and five millions in 1825. Moreover, such argument evades to notice,—what is the attested fact, and what might *a priori* be expected,—that dread of the operation of the law causes hoarding, causes the desire of more notes. Again, suppose for a moment that the ruin would have been just the same, even without the law; then one evil of the law is, that the imprudent can screen their imprudence by laying the blame on the law.—Bankers and merchants see, as well as feel, that the law, so far as it does anything, does precisely the opposite of what common sense requires. Every fact on record goes to prove that they are right; and they do not deserve to be put down as ignoramuses, even if many City men talk nonsense about the export of gold.

To sum up against Lord Overstone's sliding scale. To have *too much* note currency is well provided against while notes are convertible; to have *too little*, in a trading community, under our credit system, where rich men are great creditors and great debtors, means, in a crisis, undeserved ruin to thousands. How much is ENOUGH, no one can say abstractedly. In a country of chronic distrust, as Turkey or recent Spain, even coin is buried, and nothing is enough. In a spasm of distrust, a far larger currency than ordinary is needful. The law cannot possibly know how much is enough; for what is plentiful to-day, may be too little in half a year. The Act

of 1844 has *presumed* that the fifteen millions which the Government happens to owe to the Bank, will be always enough note-currency for England. To call this ‘presumption’ ‘ignorant’ would be feeble language. ‘Fatuous’ is rather the word; for there is no imaginable connection between the accidental debt of the Government and the need of an industrious people for currency. The legislator fancies that he knows how much is enough; perhaps he does know the *average*. But to fix the supply immovably, is to provide that in a time of DISTRUST ruin shall be double or tenfold.

Has then the Act of 1844 no positive merit with Prof. Price? It has. He tells us both what it has not done, and what it has done. He requests us to note the former well; therefore we extract his words, pp. 135–137 :

I believe that not a single person ever suffered loss in Scotland from the non-payment of bank-notes; and we know this to be true of the Bank of England at all times when its notes were convertible, and not forbidden to be paid in gold. *There never has existed any practical motive, much less any practical necessity, which called for a change in the systems of Scotland and of the Bank of England.* The Bank of England note, since the Bank Restriction Act was repealed, and payment on demand enforced by law, has enjoyed the most untainted reputation for solvency and credit. The Act of 1844 has not rendered the Bank of England note ONE WHIT better or sounder or more deserving of circulation, than it was before that period. It is very desirable to note the fact well. . . . The Act was designed as a remedy against drains [of gold]; *an absurd and impracticable scheme.* . . . [But] public opinion recognised that the paper-money issued by *these* [the country] banks did *not* fulfil the indispensable condition of solvency. . . . Bankers who conducted their business ill were manifestly unfit persons to be entrusted with the function of supplying public money. . . . The remedy came in 1844; and whatever else may be said of the Act then passed, it is certain that so long as it remains in force, *the special disasters of 1825 can never recur.*

The Act of 1844 has two different

parts, either of which may be destroyed, and the other left. The former operates solely on the Bank of England, and not on the country banks. The latter operates solely on the country banks and not on the Bank of England. The former alone has been generally censured in London. It destroys the control of the Bank of England in every dangerous crisis over the issues for which it is responsible, enacts a sliding scale, and decrees the absolute supremacy of gold. Professor Price declares that nothing of this was wanted. Nevertheless he defends this *first* part of the Act by the *second* part, which has no logical connection with it whatever. The second part forbade *new* banks of issue, and limited the issues of those existing to the average of their recent circulation. This is surely a very lame defence of the first part of the Act. But neither have we any conviction that the Act deserves credit on the second head; and the topic is not immaterial.

In 1823 the infamous Congress of Verona sent the French armies to destroy the constitution of Spain, which had been framed by the nation with English sympathy and recognition, when by our aid liberated from Napoleon I. Mr. Canning, then Foreign Secretary, was indignant in the extreme, but England alone could not act against Russia, Austria, Prussia and France. The Duke of Wellington was sent to Verona to protest: and, protest being vain, Canning 'called a New World into existence' (according to his celebrated boast) 'to redress the balance of the Old.' In short, he recognised the independence of the Spanish colonies, after stirring up President Monroe to pronounce the celebrated declaration, that if the European monarchies endeavoured to reconquer them, it would not be

matter of unconcern to the American Republic. In consequence English merchants rushed headlong into the new markets of Mexico and other new States, formerly colonies of Spain, still half-formed, ill-governed, ill-organised. Without rightly knowing their wants, their roads, their means, or time to investigate their trustworthiness, shiploads of merchandise were poured in. The wonderful activity of trade in 1824-5 so delighted Mr. Robinson,¹ then Chancellor of the Exchequer, that his speeches earned for him the name, Prosperity Robinson. But as 1825 wore on, it became notorious that our goods had been flung away by millions. First merchants, then country banks, then London banks suffered ruin and panics. But the cause of the ruin was *not* that the country bankers had issued too many notes, but that merchants had ignorantly and fatuously sent out too many goods. Now Professor Price accepts with praise an Act which forbade in future *any* NEW English banks from issuing notes *at all*, and left the OLD banks which alone ostensibly could be blamed, to continue their issue! This also was nineteen years later, and after it had become lawful to have more than six partners. We can see no logical relations here at all.

Moreover, as far as we can understand, the unfrequency of panic to the distress of issuing banks has depended on quite a different cause, viz. the suppression of one-pound notes. A chief reason for suppressing them was, the facility which they gave to passing forged paper. But besides, poor and ignorant note-holders are most liable to panic, so that a bank issuing small notes is peculiarly exposed to a sudden run. Are we wrong in believing that this cause played a large part in the disasters of 1825, the bankers

¹ Afterwards Lord Goderich, finally Earl of Ripon.

having been previously brought low by the reckless trading of the merchants?—On the whole, it does not appear to us that Professor Price makes out a case for either part of the Act of 1844.

We think we need not apologise for dwelling so long on this Act. It is *practically* the main topic of these lectures: practically also the great subject for Parliament. The sliding scale sleeps for ten years at a time; but no one can say when a new crisis will happen, which it may kindle to an explosion. We have, at length, a Prime Minister whose reputation in finance makes a reform of this Act morally possible. Neither Russell, nor Aberdeen, nor Derby, nor Palmerston would have had courage to overthrow Sir Robert Peel's financial work. Mr. Disraeli, indeed, has all the courage needful. We speak with respect for the point of view from which we think Sir Robert viewed the Act. His paramount object seems to us to have been, gradually to extinguish *all* private issues of notes; strip the Bank itself of their control; finally absorb bank-notes into strictly Royal notes, and make the Royal currency twofold—notes and coin. He could not do this at once; but he thought his successors would complete it. In the sliding scale, which is the peculiarly baneful part of the Act, he probably trusted to Lord Overstone's practical judgment.

If ever Mr. Gladstone take up this question, he will insist upon dealing with it by clear scientific principles, without which it is impossible for Parliament to reason about it, or know what is being done. Nothing *forces* the State to become our letter-carrier, nor to make our notes, nor, we may add, to make our coin. Merchants in Turkey sit loose to Turkish money, and make contracts in that of Spain or Austria, or in ducats of Venice, Holland, Russia. In old

Rome individuals coined copper, and large payments of the State itself went on by Greek coin. Indeed those of us who are elderly can remember when copper coined by private firms circulated pretty freely in the market with the copper of George III. and George II. It is for the State to choose whether it will coin money or not, whether it will carry letters or not; but if it forbid individuals to do these things, then it is bound to execute the task well and *thoroughly* itself. So, it is not bound to furnish bank notes; but if it forbid private persons from this function, then it binds itself to do the work effectually, and make no arbitrary exceptions. There is here an obvious possible compromise. The Government might issue *gold* notes itself, and make them legal tender, leaving it open to others to issue notes based upon any or every form of property. Acceptance of the latter class of notes would of course be optional. A minimum might be imposed on them, as said above, to avoid forgeries and public distress. By gold notes we understand transferable notes, which attest that the holder is entitled to a certain sum of gold coin actually in store. The inscription on them might run thus: 'The bearer shall receive on demand [one hundred] gold sovereigns reserved for his use in the Royal Mint.' The advantages of paper money are twofold. The former is of very small comparative importance, viz., the saving of *interest* on the worth of the metal, when we employ paper to do the work of gold. Secondly, what is of more value, besides saving of wear to the gold, the paper is lighter, easier to carry or transmit, easier to conceal, easier also to trace if stolen. The second class of advantages are retained by gold notes, the former only is sacrificed. If a million's worth of such notes were current, it would be instructive in every

crisis to observe whether they ever fetched a premium over those of the Bank. The experience of this century seems to assure us that they would not. If to have one million, or even twenty millions of gold sovereigns in store conduces to safety and dignity, we see no cause to moan, like a usurer, over the loss of the interest of the gold,—perhaps 6*d.* a head per annum on our whole population. What is wealth for, if not to maintain safety and dignity? Sir Robert Peel moved in this direction in his celebrated Act. So far, we do not venture to disapprove; but if the State restrict its own notes to a *gold* basis, it must not forbid others from issuing notes (say of ten pounds or twenty pounds and upwards) upon the basis of *all* tangible property. Then distressed traders, who had property not instantly marketable, would get ‘accommodation.’ But at present we do not know what the State consciously undertakes. By forbidding new banking houses, however strong, to issue notes, it seems to take that function entirely for its own; yet it fulfils one side of it only, by limiting itself to gold. Again: it makes the Bank of England note ordinarily legal tender, as though it were State money; yet it is *not* State money, for the State does not guarantee it, and the Bank is at last bound to cash it. Bullion must be kept for all issues *above* 14 or 15 millions. Why this limit? It is meant to be scientific, but it has no tendency to secure payment on demand. The sum in question is said to be the Government debt to the Bank; but *if* there were to be a universal run on the Bank for *gold*, those who needed the gold would insist on having it instantly. The ultimate responsibility of the Government would not save the Bank from bankruptcy. The whole is a chaos. It is not scientific, nor yet is it practical. It neither attempts

to estimate, as bank directors do, what reserve of gold *suffices* (which must vary from time to time); nor yet does it, like gold notes, honestly keep in store the representative of every note issued. How can a Parliament reason and compare opinions when there is no basis proposed to reason upon? An Act without a basis is a mere EDICT from a powerful minister, carried by the force of his character and of his majority.

In Hungary, where many who are rich in land are deficient in marketable capital, it was attested by Kossuth that a land-bank was found very useful. If the English law did not interfere, who shall say that a great bank might not arise, supplementary to what we must call the Government Bank, and advance a new paper currency to those who could give security in any sort of property? If this paper were payable in cash and Bank of England notes, not on demand, but at seven days’ sight, and the larger sums (say, five hundred pounds and upwards) at a month’s sight; such currency would, if perfectly honest, satisfy those depositors in common banks, who in a crisis withdraw their funds through terror: thus the present bank-notes (payable on demand, and legal tender), would be economised. That the law should *a priori* forbid such possible developments, appears to be infatuation. Certainly its prohibitions impose on it grave duties, which it now neglects. But to find any principle in the present mixing up of the Government with a private banking establishment, is impossible.

Professor Price remarks on an error of generalising into which even Mr. J. Stuart Mill has fallen, in saying that the ‘Money’ in the market is equivalent to the goods in the market. The proposition is evidently indefensible, even if money include cheques and bills. Professor Price gives useful prominence to

the strangely neglected fact, that coin and bank-notes are by far the least used of all the media of exchange. To the market of the world they are what cash in the pocket is to one's quarterly income: hence Professor Price calls them the 'small change' of the market. The vast mass of payments is made by cheques for the home trade, bills for the foreign trade. The London Clearing House alone, week by week, cancels cheques amounting to several millions sterling. As a telling fact, Sir John Lubbock's analysis of nineteen million sterling, paid into his bank, is adduced. It consists of 18,395,000*l.* in bills and cheques, 487,000*l.* in bank-notes, only 118,000*l.* in coin: that is, about 2*l.* 11*s.* 3*d.* per cent. in bank-notes, and 12*s.* 5*d.* per cent. in coin. Justly may this be called the small change. But although this is the normal state, in which coin pays an ultimate balance only, yet in panic the cheques and bills have no sure basis; and no argument can be drawn from this interesting fact in disparagement of the necessity of such a note currency as can expand, if requisite, and forestall or instantly allay needless panic.

We do not wholly go along with Professor Price as to inconvertible notes. Perhaps from haste and inadvertence, he omits to notice (at least we cannot find any notice) that their inability to pay foreign debts is an *essential* cause of depreciation to them, whether they are few or many: hence no proof of their being 'in excess' can be founded on the fact of depreciation. We have very much to say here, but our limits forbid. The terrible mischief is the extreme difficulty of going back to specie payment, when the issue has been large. Whether notice be given or not given, the evils are great. If the depreciation is considerable, it is impossible to hinder speculation and hoardings, unless the return to specie payment be very sudden; which implies a large mass of gold already in hand. Our transatlantic brethren have yet to show us another great example of skill and energy; and we trust, under their new and vigorous President, Southern *peace* will be at last established, Southern industry revive, and large armies become needless: after which they will not long leave their currency in disorder.

