ble incurred. In the next place, the per centage they can afford will in some measure depend upon the size of the banks. If banks are of sufficiently moderate size to be enabled to make their profits by the business of banking alone, they can pay more for the currency. But if any magnificent scheme is entered into of making wonderful grand banks, on the principle of the Bank of England, which shall perhaps embrace the circulation of a large county, government will have to support them, more or less, by charging them a lower rate of interest. The success and usefulness of a bank to commerce and agriculture, is determined by the knowledge which its directors may possess of the individuals who trade with it; and the more limited the business the more intimate that knowledge. As a bank increases in magnificence, therefore, it diminishes in utility. Two small banks in a county will be both more useful to the public, and profitable to their stock-holders, than one large one; and the more profitable they are, the more interest they will be enabled to pay government.

I do not mean to say, however, that there ought to be more than one bank in each town, even though it should be a large one. The greatest possible frauds are often committed upon the public, to which banks are sometimes the unconscious, and generally the unwilling

instruments, which I see no mode of preventing, except by the existence of one bank only. Merchants are very often tempted to speculate beyond their depth by the facilities of raising money which too great banking competition generates; while with more banks than one they are enabled to cloak their transactions. When they get wrong, therefore, instead of stopping at once, which they seldom have courage to do, they by means of accommodation bills, which carry fraud upon the face of them, are enabled through the banks, to support their credit and involve themselves deeper and deeper, until their debts become very large, while their means of paying them become very small; and the public are dreadful sufferers. If there was, however, but one public bank, towards which all bills would naturally gravitate, and where every merchant might be sure his transactions would be seen through, a salutary check would be thus imposed, which would improve the general character of mercantile transactions, and prevent many a fraud of this description from even taking root.

The banks ought also to be allowed to lend the money as they thought proper, the same as if it were the deposits of individuals. If they paid interest to government for the circulation, they would not let it lie idle, for their own sakes. If they could not lend it at one rate of interest, they would take another, and would lend it upon any description of sufficient securities that offered, rather than suffer the loss of keeping it unemployed. Money would sometimes be plentiful, at other times scarce. At one period, they would be able to accommodate all their friends, at another, would be obliged to curtail their accommodations. If they chose to purchase into the funds, they would do so. Their transactions in that respect would only produce the same effect as those of other individuals. But to compel them to invest their stock or money in the funds, on the same principles as the Bank of England, which I think has been suggested, it is evident would be of no advantage to government, would only disturb unnecessarily the internal balance of trade, and would be meddling to no good purpose.

4. *Let a Board of Commissioners be established in London, under whose Management let the Currency be placed, and to this Board let every Bank send Weekly or Monthly Returns of the state of the Circulation, the Supply and Demand for London Bills, and such other Information as the Commissioners deem necessary for their Government.*

Little need be said in advocation of this measure; it is involved in the principle that an in-

terference on the part of government is necessary. Circulation is a science yet to be understood; and no proper management could be exercised, except by proper persons devoted to the subject, who shall have proper accounts regularly sent them. They ought also to have the power of determining the amount of capital required for each bank; to regulate their respective boundaries; and be in fact a kind of board of controul, without whose approbation no vital changes at least, in any of the banks ought to be made. The proper duties of this board, however, it would be extremely difficult at once fully to determine; but a principal duty, though it will be merely a mechanical one, is involved in the next proposition.

5. *Let the Commissioners have an Office for the Deposit of Bullion, and purchase all that comes into the Country at the Mint Price, or a little above the Mint Price. Let them pay for it by Receipts or Notes of not less, say, than £100 each; and let any Bank either in London or any other Part of the Country, to which these Notes or Bullion Receipts may be presented, be obliged to discount them, by an Issue of Notes over and above their stated Circulation, and return them to the Board of Commissioners.*

Gold ought not to be allowed to circulate;

though the best way to prevent it would be by giving for it the Mint price, or perhaps a trifle more than that price. It would always be put into circulation first in London, where it is coined, and under any system of currency would produce a considerable derangement of the balance of trade. These bullion receipts, however, making a convenient remittance, would at once be sent to those parts of the country where the circulation was most deficient, and discharge as it were an additional quantity of notes from the banks of those districts. If a merchant, for instance, with a metallic currency, sent bullion up to London to be coined, he would draw a bill against it, and the gold would be put into circulation in payment of this bill. A temporary rise of prices would in consequence be produced, until the exchange with the county fell sufficiently to pay for the exporting this gold back to the country. But, by the present plan, a bullion receipt would be sent him at once, and the circulation would be increased only where it was wanted. Besides which, with a mixed currency of gold and paper, the commissioners would not have that perfect knowledge of the circulation which would be desirable.

6. *When a Demand for Bills upon London by any of the Banks arises, exceeding the Supply, let the Demand be met by Drafts upon the Commissioners for Bullion, and the Notes received in Demand for these Bills be cancelled. If these Drafts are presented for Payment in Bullion, for Exportation or any other Purpose, let them be paid; but if they are remitted to any other Part of the Kingdom, let the Banks to whom they are presented for Discount, issue fresh Notes to their Amount. In the same Manner let the Bank of England, or such Banks of Circulation as may be established in London, pay their Notes by Drafts upon the Commissioners for Bullion when required, and also issue fresh Notes in Discount of such Drafts when presented, the same as the Country Establishments.*

As long as the banks had bills on London, or funds in their agents' hands to meet the drafts for which there was a demand, they would, for the sake of their own interests, supply such demand by drafts upon their own agents. But when the demand for London bills in any district exceeded the supply, it would be a proof that its circulation to the extent of this demand was excessive.

By the bank, therefore, drawing a bullion draft (at the same date, we shall say, as their drafts upon their agents, by which they would make nothing, and would not in consequence be tempted to draw unnecessarily,) the circulation would be contracted to the extent required. If these drafts, instead of being sent to London, were sent to any other part of the country, it would be in consequence of a deficient circulation in the part to which they were sent, and an extension would immediately take place. If, however, they were presented for payment in bullion, and that bullion was exported, it would be in consequence of prices being above the national level, and they would be reduced accordingly.

In the chances of trade it would probably happen that a bank might have an excess of bills on London without any bullion drafts amongst them. Nevertheless, however, a quantity of bullion drafts equal to this excess must have been drawn in that district from whence this balance of payment would have come.

We shall suppose, therefore, that these drafts were sent to another part of the country where the balance of trade was equal, and where they were of course not wanted, but that they were presented for payment, and fresh issues took place upon them. There would, in consequence, immediately be a deficiency of London bills to their extent, and notes would necessarily be taken in again to purchase fresh drafts of equal value. These would be sent to London

as an ordinary remittance, and be discounted there, and fresh issues would be made upon them. But in the mean time, the country bank which had an excess of London bills, without any bullion drafts among them, must have sent these bills to its London agents for payment, but not wanting the money in London, would necessarily order its agents to return the balance in bullion drafts, the same as it would have ordered them to remit gold, had the circulation been metallic. Its agents would, therefore, take an equal amount of notes into the Bank of England to procure such drafts, and remit them accordingly. Thus with the Bank of England, the discount of bullion drafts on the one hand, and demand for them on the other, would balance; while the country district in whose favour the balance of payment had been determined, would experience an increase of circulation by the fresh issues which would be made upon the bullion drafts received from London in return for the other bills sent thither for payment.

To the extent that the balance of payments was in favour of London, the circulation of London would be increased in the same manner as other districts; and when the circulation of London was excessive, the balance of payments against it would create a demand for bullion drafts, which would be sent into the country, or be presented for payment in bullion to be sent out of it, according as the balance of payments was against the country generally, or against London, in favour of some particular district.

The various bullion drafts thus drawn would never be presented in demand for bullion until it was wanted to be remitted abroad, and it would be hardly necessary for the commissioners to be put to the trouble of accepting them. They need know nothing of them except by the accounts remitted from the different banks, unless presented for actual payment.

Now this plan is the essence of simplicity; and if it has any merit it is that of being strictly a copy of nature. A paper circulation, by this system, would dilate and contract precisely in the same manner as a metallic currency. The demand for currency in different places is continually varying. We shall suppose for instance, that a gentleman who has been living in Northumberland, goes to reside in London. His income would in consequence have to be remitted him by his agent in London bills. This would determine the balance of payments in favour of London, and with a metallic circulation the balance would be settled by a remittance of money. The circulation of Northumberland would be thereby contracted, while that of London would be increased to the same extent. The effect upon the price of commodities would be that they would be lowered in Northumberland and increased in London sufficiently to induce an exportation to London from Northumberland, equal to the consumption of the individual who had changed his residence. A certain amount of currency would be transported to London first, and the produce of his estate, or an equal value in other commodities the produce of Northumberland, would follow it. Now just the same effects would be produced by this plan. The balance of payments in favour of London, which with a metallic currency, would be followed by a remittance of money, would be met by a contraction of currency in Northumberland, and a remittance of bullion bills, upon which a corresponding issue would be made in London. As the currency contracted in the one place, it would be dilated in the other. At present whether these effects were produced or not would be a mere chance. The currency might contract in Northumberland without being at all extended in London. The tendency, in this case, would be to produce a balance of foreign payments, in favour of the country by lowering prices generally, and thus increase the circulation of London, by an importation of the precious metals. But this would be effecting, in an indirect and disadvantageous manner, what nature intended should be done in the simplest manner that can be conceived: viz.—By merely sending the money from where it was not wanted, to where it was.