the average of 80s. per quarter; and that an issue of currency would produce this effect. Only a very small pamphlet would have been necessary for the purpose.

Having first proved the plan to be both advantageous to the individuals who might engage in it, and the public, the following might have been submitted as the most judicious mode of carrying it into effect:—

1st. That the bank should commence with declaring, that it was the opinion of those who established it, that the present distress arose from the contraction of the issues of the bank of England and country banks, which they expected in some measure to relieve. That it was not the intention to interfere with the business of the existing private banks; and that in consequence no bills would be discounted except through them; and that whenever it appeared that the public good required it, this bank would at any time make arrangements for withdrawing its circulation and close its doors. That a million of capital had been subscribed, and that its affairs should be annually submitted to the inspection of proper persons chosen for that purpose.

By these means, the other bankers would be conciliated, and this pledge to the public would inspire confidence, while it would be no loss to the concern. For the public good could not

require the bank to withdraw its notes, until it would be the interest of the establishment to realize its profits, and withdraw from the speculation.

2nd. That it should confine itself principally to the issue of £100 notes, and to none less than £20.

This would have several important advantages. First, it would keep the circulation in the hands of respectable people, put the bank out of all danger of a run, and enable it to issue ten millions with much more confidence than it could issue one in small notes. The large notes of the bank of England would in consequence be changed for small ones, the consumptive circulation would thus be occupied by the Bank of England, and the abstract circulation by the notes of this bank. In the second place, they would make a good remittance to the country, whither, in consequence, they would with greater readiness be sent; and in the third place, they would be both much cheaper and issued with less trouble. It would take 200,000 five pound notes to make a million of money, and the stamps would cost £12,500, whereas it would take only 10,000 one hundred pound notes, and the stamps would cost only £4,250; with twenty, thirty, and fifty pound notes, the stamps would cost £5,000.; so that if upon the average, including other expences, which would be

comparatively trifling, we say £5000 per million, we should perhaps exceed the actual cost. A hundred pound note is as easily made as one of one pound; consequently the trouble of keeping ten millions in circulation could not exceed that of a country bank with an issue of a hundred, or a hundred and twenty, thousand pounds in one pound notes, and might be done with the most perfect ease with two or three clerks. Six weeks interest in the funds, at 4 per cent. would pay the whole expence, while the trouble would not be worth the naming.

3rd. That accounts should be opened with ten or a dozen principal banks, more or less, as it might be deemed expedient, in whose hands the notes should be placed, with which the stock was to be purchased, and checks given upon these banks for the purchases when they were made; different brokers on the stock exchange should also be employed. By these means the extent of the purchases would not be discovered, and any expedient by which this could be prevented, as a matter of prudence ought to be adopted, to prevent any speculative rise founded upon a knowledge of the intentions of the concern.

4th. Having made these preparations, it would then be proper to purchase as largely as could be done, without affecting the funds more than three or four per cent. But whether

this would take one million, five millions, or ten, my practical knowledge does not enable me to surmise.

We shall suppose, however, that the partners are fully possessed with both the safety and goodness of the speculation, are men of firmness of purpose, and clearness of head, and have made up their minds to purchase ten millions of stock, if they find the scheme work well.

We must also presume they have made up their minds that an addition of ten millions to the circulation of London, would have a very rapid effect in extending the circulation of the country banks, by determining the balance of payments against London, producing remittances of these notes into the country, upon which issues would be immediately made, and that they would then be returned to the London money market again, would further increase the price of the funds, would again travel down into the country, perform the same operation, and again return to London as before, that therefore, if ten millions of stock could be purchased under we shall say 85, it would be desirable to purchase at once to that extent, and put that quantity of notes in circulation.

We shall therefore suppose that purchases of stock to the extent of ten millions, without raising the funds above 85, could be and was

made. All that the partners would then have to do, would be to remain quiet until agricultural produce had nearly attained the national level, when the bank ought to sell out and realize at such price as the funds had attained, whatever that might be, before the demand for gold for exportation arose. If, however, the funds by this time had risen 20 per cent. the concern would have made 2 millions; if 10 per cent. one.

But we shall suppose that not more than a million could be thrown into the market without raising the funds to 85. In that case, they might conclude that if the funds, from such a supply of money, would quickly rise, they would quickly fall. It cannot be supposed that one million could raise the value of capital 5 per cent. throughout the whole country. After, therefore, purchasing a million, the bank would wait until the funds fell again, then purchase another million, &c. until they had permanently risen as high as the partners chose to speculate further at. All these purchases, however, would be made at the lowest rates; the funds would rise in consequence of them; not before, but after. When they had thus extended their purchases as far as they thought proper, they might then wait until the time for selling out arrived.

It must be observed, that the effect upon the funds by the issues of the Bank of England

form no criterion by which to judge of the effect which would be produced by the issues of this bank. When the bank of England extends its circulation, it is in consequence of an increasing demand for money, and though it equally raises prices of agricultural produce, its effect upon the funds is to keep them from falling. But these issues would not be the result of an increased demand for money, and would therefore have the effect of raising the funds. The effect would also be infinitely greater than during the war, when the demand and supply of money was so much more extensive. In a market with an actual demand for ten thousand bushels of wheat, an additional supply of one thousand must have less effect upon prices than if the demand and supply in that market were not more than three thousand; and upon the same principles, a greater effect would be produced in the stock market now, than would be produced by the same supply of money during the war, when the demands of government were great, and the annual economy, and supply of money in the market, so much greater than at present.

Should the partners, however, think that waiting until the country circulation was extended, too slow an operation, they might quicken it in this manner: Having made all the purchases of stock they were disposed to do, they might then

throw as much money into the market as they could, by increasing their deposits with their bankers, and by discounting at a low rate of interest. They need have no hesitation as to the quantity of money they thus lent out upon good bills. The amount of interest they got would be of no importance. Their profit would arise from the speculation in the funds, and the lower the interest the better: it would have a greater effect in raising them. The securities, however, would have to be at short dates, and of course perfectly good. In this case they would perhaps have to employ bill brokers to purchase bills, as the bankers, from the previous issues in purchase of stock, would be overflowing with money, and would not discount with them. If they were to lower the rate of discount, say, to $2\frac{1}{2}$ per cent. and glut the market with money, on these terms the 3 per cents must necessarily rise to a hundred. They might then sell out, taking care to push the money they received from the sale of the stock into the market again, by which to keep it up until they had sold out the whole.

If they did not wish to speculate on so great a scale, and instead of making millions, they were willing to be content with hundreds of thousands, they might, we shall say, purchase, one, two, or three millions of stock, as they thought proper, then throw an equal

quantity of money, as already described, by way of discount, into the market, &c. They would have always to keep in mind, of course, that when they sold out, they would have still to keep the money in the market, if they even lent it without interest; or by withdrawing it, they would both lower the price of the funds, and agricultural produce also. If they did good to themselves, they should take care to do as little harm to others as possible.

If, however, they were not influenced by quite such liberal principles, they might play upon the market by taking all the money at once out of circulation after they had got rid of their stock. This would produce a corresponding reduction in the funds; when they might buy in again, and do the same as before. In order to this it would not be necessary for them to withdraw their own notes; the bills discounted, would be paid them perhaps principally in those of the bank of England, as it would have the greatest circulation. But if they locked up Bank of England notes, it would be just the same; and by their own notes continuing in circulation, these operations upon the market would not be so fully seen through; which, with such Machiavelian policy, would at least be prudent. Without, however, losing sight of the interest of the country, (for to raise the funds quickly to what

they will ultimately attain, could be no evil,) a considerable sum, there is no doubt, might have been made, even if the plan did not work so smoothly as we have laid down, and the bank was sometimes obliged to sell out against its inclination. It must be kept in view, that its selling out would always produce the fall, its buying in the rise in the funds *that would follow*: as it would therefore come into the market before both the fall and the rise, it would always have the advantage; while at the same time, the extended circulation would produce a gradual permanent rise, and they would always sell out more or less to a profit. In any case, therefore, the speculation must have been attended with gain, and that not inconsiderable.

The whole of their circulation would be either in stock or short dated bills, and they consequently never could have been placed in any very aukward situation. No run upon them could have taken place without actual fears of security, which at any moment might have been dissipated; while they would know and feel their credit as they went along, and govern themselves accordingly.

It is probable, however, that two consequences would have resulted from such a speculation. First, that other banks would follow its example, and begin to issue large notes also; and

next, that government would interfere. If other banks began to make issues, it would be done blindly, and without measure, by which the price of stock would be more rapidly increased; and as upon the stability of their operations no reliance could be placed, it would be prudent to sell out, and realize as their issues increased, and terminate the speculation. Or, if government interfered, it would not be for the purpose of contracting the circulation. In this case, they ought to be ready and willing, conformably to their first declaration, to turn their issues over to the Bank of England, if required. The bank taking their stock at its existing value, or holding it as security, and bringing it into the market at such periods, and in such a manner as, for making the most of the speculation, might be agreed upon.

Both the principle and the plan of this speculation are sufficiently simple. There can be no doubt that the power of making money at pleasure, would give any house of sufficient credit the power of lowering its value by increasing the supply; and as the supply in the country is now less than is wanted, they could with confidence for a limited time make issues to almost any extent.

The trouble would be quite trivial, so far as making and issuing the notes, &c. went. The

principal management would lie in the operations of the stock market. That it is a speculation which would very much suit the tastes of many of the monied men in London, there cannot perhaps be a doubt; and that consequently if it had been properly gone about, such a plan might have been carried into effect, I think extremely possible, and by those also who would have carried it through to any extent practicable, great as the scheme is, without the vibration of a nerve.

That the plan is possible, however, is a sufficient argument both with the bank and government, for an immediate alteration of the present charter. If the law is left as it now stands, government cannot expect that individuals will lose any fair opportunity of making money by establishing paper mints of this description in London, as well as in other places.

THE END.

Appendix.