

munity would have the advantage, and to a much greater extent, as the operation would be conducted with greater efficiency and benefit for the trade of the Island. So as in any other branch of trade which might be undertaken by a Government, the real profit derived by the community would be less than if undertaken by private interference, it would be the same as regards the profit derived from the circulation of Notes. But a still greater objection exists, and has operated most prejudicially in the Mauritius. Such a Government issue can only be made against bullion. If it goes beyond that, and issues Notes against securities, it at once adopts the business and the risk of banking without the same means of doing it securely as bankers are possessed of. When a banker finds that he has a larger reserve of bullion than is necessary, he is willing to increase his advances to his customers by discounting bills, or upon other securities; and by this means, through the operations of the exchanges, the surplus bullion is at once exported and turned to profitable uses. So again, when the amount of bullion is smaller than is convenient for the community, by restricting his accommodations, which, in self-defence, he is obliged to do; again, by the intervention of the exchanges affected by the contraction of accommodation by the banks, or the higher rate of interest charged for it, the requisite amount of bullion is restored. It is through the aid of the banking operations, that is, of the advances made to the public in discounting bills, &c., the extent to which they are made from time to time, and the rate at which they are made, that the exchanges are most easily affected and the circulation maintained in its proper amount from time to time.

A Government, therefore, which issues only against bullion, has no facilities for this purpose, such as are possessed by a Banking establishment which performs all the necessary functions. For example, the issue department of the Bank of England, which is regulated by fixed rules in relation to the bullion held, *is daily acted upon only by the policy pursued by the Bank in the Banking department.*

It would not be impossible to manage the two by different bodies and altogether apart; but there can be no doubt that they are much more easily, and, for the public, more beneficially managed together; and the difference would be even more perceptible in a small Colony.

It is, therefore, in the opinion of My Lords, clear that the best course for the Government of Prince Edward Island to pursue would be to persevere in the recent course, and by carefully confining their expenditure within their income, to provide for the liquidation of their debt; which it is plain may be accomplished at no distant day—and My Lords think that with a view of hastening that object, and of adopting at the same time a Revenue system more consonant with sound principles, it may be well for the Secretary of State to point out to the Government of the Colony that it would be desirable to shorten the period for which credit is given for the payment of duties and taxes, with a view of gradually abolishing a system of credit altogether, the only effect of which has been to impose upon the public the necessity of borrowing upon Warrants, and paying interest thereon, to place funds in the Treasury which are due from individual tenders and others.

This being done, and arrangements made for withdrawing the present inconvertible Notes from circulation, or at least an intimation being given that they would be withdrawn, and the idea of any further issues had been abandoned, My Lords have the greatest confidence that a Banking establishment would very soon be proposed with an actual paid up capital, which would be a sufficient guarantee for its transactions, and on which a paper circulation might be permitted, with the checks and control which have been found ample for all purposes. Or it is possible that a branch of some known Bank of large capital in the North American Colonies might be established which would answer all the purposes required, and afford ample security to the public.

In any arrangement which might be made either with a new Bank, or with a branch of an existing Bank, the Government would be in a condition to stipulate for terms very favourable to itself for keeping the public account, for making advances upon the Bonds for duties and taxes, so long as the system continued in whole or in part, which would render a resort to Treasury Warrants unnecessary, and would enable the Government the sooner to discharge the Debentures which are out; and even further for affording means for the withdrawal and extinction on very favourable terms to the Government of the Notes now in circulation, which would be a matter of importance to such a Bank.

In the last report of the Colonial Treasurer it is said that notes of private Banks in the