

Precisely the same result as to the decline in value and distribution in money would follow the precipitation of the same amount of convertible bank currency upon the market. Let it be known that the banks are prepared to furnish \$10,000,000 by discounts in addition to the present local volume of currency, and a ruinously active business would take place in the creation of notes for discount; competition in prices; and in imports from other places, to be held at high prices, by means of bank *accommodations*. There would be plenty of speculation, which would be of no use whatever in approximating goods to the consumer, but only a ruinous tax upon their necessary consumption; this would continue until the banks were checked in their destructive course.

The experience of 1857 and the preceding years, like other periods of great changes in the volume of the currency and value of money, clearly disprove the doctrine of Mr. Fullerton. How was it also in France under the operation of Law's bank from 1716 to 1720? There can be no doubt that the local dealing and expenditure kept pace with the operations of the bank; there was prodigious activity for a while, and a prodigious advance of general prices. Mr. Fullerton would make the mad speculations of that period the cause of the bank issues, and such has been the argument of all the Bank-paper currency advocates in every commercial revulsion in England and this country. It surely will not answer, they mistake effect for cause.

If Mr. Fullerton's theory were correct the converse would also be true, but does the decline of "local dealing and expenditure" cause the contraction of bank loans? or is it the contraction of bank loans which causes the decline of the local dealing and expenditure?

When banks deal in money only, there is no need of *liabilities* without *money in reserve* against them. With this reserve the loans are released from all restraint, and money, like every thing else, may be left to the natural law of supply and demand.

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