

independent of the finances of the Colony, and as bearing more especially upon its Banking operations.

In the Report of the Executive Council of December, 1851, upon which the Lieutenant Governor's Despatch was framed, the Council expressed their desire that no such issue of notes should be made as would affect the exchanges (although, at the same time they stated that even then all the specie was collected as fast as it came, in order to remit to the other Colonies,) and that no Government Bank should be established, all the functions of which, they thought, would be best secured by private enterprise. Their object was obviously confined to what they thought would be an economy in their finances.

Again, in the Treasurer's report to the Lieutenant Governor, dated in May last, when the Duke of Newcastle's letter was referred to him, he says: "strange as it may appear, Your Excellency is nevertheless aware that there is not a Bank yet established in this Island, and much inconvenience is experienced from the want of such an institution in remitting to other countries."

But it appears to my Lords, that if the Government of Prince Edward Island had properly considered the effects of their own acts, they should have felt no surprise that private enterprise did not move in that direction. One of the chief, and certainly one of the most profitable functions of a well managed and soundly established Bank in the Colonies, is the issue of Notes; but which it is the duty of the Government to permit only on safe principles. But so long as the Government itself had a circulation of inconvertible Notes, and in the face of a proposal to take Legislative power to increase that circulation, so long as the currency continued in a greatly depreciated condition, with complete uncertainty as to the future, and as to whether that depreciation would become greater or not, or in what degree, it appears to my Lords that it is perfectly vain to expect that private enterprise in Banking should enter the field in competition with the Government and with measures so much opposed to sound policy, and so uncertain in their consequences. On the other hand, my Lords cannot doubt that in a Colony containing upwards of 70,000 inhabitants, and possessing a trade so large that the Customs Revenue alone last year reached £25,702, if the Government had not most unwisely, as my Lords think, tampered with the circulation, and proposed to do so still further by the measures which it was intended to adopt, Banking establishments, based on private enterprise and sound principles, would have been established long since.

Separating then the question of issuing Notes altogether from financial considerations, and confining it to those of Banking, my Lords would then shortly examine whether it would be better that such a function should rest in the hands of the Government or in private Banks. My Lords readily admit that it is quite practicable to establish a Government issue upon a sound and unobjectionable principle, as far as currency considerations are concerned, retaining such a metallic reserve as should at all times secure the convertibility of the Notes; and that an arrangement might be made with private non-issuing Banks to issue such Notes, and that the Government might make a small profit by the operation.

After much consideration of this subject, and the experience which has attended an experiment of this kind in the Mauritius under the most favourable circumstances, my Lords have arrived at the conclusion that it is a plan which ought not to be adopted elsewhere; that when the expense of management is provided for, including the increased trouble it gives to high Officers in the State, the very small rate of interest which a private Bank can allow for the use of the Notes, would leave little or nothing of profit to the public Exchequer. The average annual profit in the Mauritius has been but £421. But even in this view, my Lords have in mind only when such operations are conducted upon most unexceptional principles. It is, however, impossible to deny that, especially in small communities, where such a power is placed in the hands of the Executive, although it may be nominally guarded by "Currency Commissioners," it would be exposed to great abuse at times of pressure.

But, altogether independent of these considerations, my Lords are of opinion that there are other objections, of the most serious nature, to Government undertaking such functions, and especially in small communities. In the first place, even the small profit which may be obtained from the circulation is not any real gain to the community. What profit the Government would make would otherwise be made by the Banks, of which the com-