

departments were reunited. The supporters of the Act of 1844 hold the opinion that a bank note currency is required for the convenience of the public, and that it may likewise be made profitable by economizing the use of gold. They maintain that the profit derived from it should accrue to the nation. This was practically accomplished by the Act of 1844. The Bank of England notes are secured by a Government loan and by gold, and are not employed in the ordinary business of banking as are the issues of other banks. If the Issue department had been transferred to the Royal Mint, the notes would have been secured in precisely the same way. It may fairly be contended that the nation gets the full benefit of the circulation indirectly, but even admitting the contrary, the Act was necessarily one of compromise. In considering the "results" of the Act of 1844, care should be taken not to make the Issue department responsible for any errors committed by the bank directors in their management of the Bank of Discount and Deposit. It is not alleged that the Issue department was ever in danger or difficulty, and it would be wholly impossible that it ever could be if the Government debt were represented by negotiable securities. Strong arguments might be adduced in support of the principle on which the bank issues were regulated by the Act of 1844, and which is thus defined in the essay: "That to prevent mischief it is necessary that the amount of paper money (bank notes) must at all times fluctuate in precisely the same way as a circulation purely metallic would fluctuate under the same circumstances." It may, however, be desirable, for the sake of the present argument, to admit that there is no absolute necessity that the amount of paper should fluctuate in precisely the same way that a circulation purely metallic would fluctuate; in point of fact, so long as the convertibility of the bank note is secured by law, the inevitable result of a foreign demand for

gold must be a reduction in the amount of notes in circulation. The term "circulation" is here applied to all notes which have been delivered from the Issue department. A considerable amount of this circulation is held by the Banking department, which, as is correctly stated in the essay under consideration, "has come to discharge a national function of the most important kind, namely, as custodians and maintainers of the national bullion reserve or fund, and out of this circumstance there is gradually arising a practical difficulty." It may be that the Bank of England has unwisely undertaken the discharge of a duty which in other countries is performed by the banking institutions generally. It is not necessary that the Bank of Deposit should be the custodian of the "national bullion reserve or fund;" indeed that department rarely holds any bullion, and there is no reason why "Bank A," instead of maintaining £200,000 at its credit in the Bank of England should not hold the same amount in its own vaults in gold or in Bank of England notes. It may be instructive to point out the working elsewhere of a system not materially different from that in operation in England. There is, as already stated, a note circulation in Canada issued by the Dominion Government, and secured by debentures of the Dominion, gold, and bank certificates of deposit. The amount held in debentures is fixed by law, on the same principle as that adopted in the Act of 1844, but the excess over that amount may be in gold or in bank certificates of deposit, provided 35 per cent. is held in gold. Canada is exposed, like other countries, "to a demand for bullion to meet an adverse foreign exchange," and it might be imagined, by those who are accustomed to the English system, that it would be found convenient that there should be a single custodian of all the banking reserves. Not only is this not the case, but the principal banks hold a large portion of their reserves in gold. All properly conducted