

trouble existed amongst our neighbors, for we were enabled to get many things which we would have had to have done without, if our neighbors' necessities had not compelled them to sell their goods at such low prices; for, in ordinary times, we could not purchase them at such rates; and by whatever the cost exceeded the selling price, by so much was our wealth increased or our wants better supplied than they otherwise would have been.

CREDIT THE CHIEF CAUSE OF PANICS.

"I hold that if there were no credit there could be no panics."

There is no doubt but the state of credit, and not the state of the currency, is one of the chief causes of commercial revulsions. Speculative trading, stimulated by great facilities for obtaining credit, undue confidence by lenders, followed by a sudden curtailment of credit, are prime factors in the phenomenon. But the quantity of the circulating medium has no share in it.

THE LOSS THE DISSIPATION OF THE CAPITAL.

"A man might lose all he had in speculation, but his loss would not create any disturbance. It would injure him, but the money would have passed into the pocket of some one else. There would be no loss of money to carry on business with. But you take the failure of a man who is carrying on business at credit; his failure hurts someone else, and thus disturbs the trade, and the disturbance creates a panic."

The same confusion pervades all Mr. Wallace's reasoning on this important branch of political economy. He cannot distinguish between the extinction of capital and the transfer of the medium of exchange. Suppose a capitalist undertakes the construction of some work of public or private utility, and that after spending all his capital the work is abandoned in an unfinished state, like the celebrated *Chats Canal*, does that hurt nobody but the owner?

The capital is dissipated, gone for ever, except whatever portion may happen to be saved by the laborers who received it, or by the producers of materials as profits. A person cannot both eat his cake and be able to transfer it to another. The capital lost in speculation, no matter whether owned by the speculator himself or lent him by another, is gone, dissipated, lost for ever; and the loss of the community is the same, whether the dissipated capital is owned by the spendthrift himself or borrowed. According to Mr. Wallace's reasoning, the capital—as champagne, oysters, etc., consumed at a vice-regal dinner—instead of being dissipated, would be only transferred, and be so much added to the wealth of the community. From this doctrine necessarily follows the corollary:—*The greater the extravagance the greater the prosperity.*

EXCHANGE MAY BE CARRIED ON BY CHEQUES.

It is easy to conceive a condition of society by which its industries might be carried on without the intervention—nay, the existence—of a single coin or its representative paper. Suppose that we had one banking