

nationally speaking, a reserve at an *unexposed* point. It places gold where no one can think of seeking or asking for it." Now there are two modes of meeting the well founded objections made by the "*Economist*" to the existing system. One may be dismissed, not so much on its merits as on its impracticability in the present state of public opinion in Scotland and Ireland. Mr. Lowe, when he declared that the Scotch and Irish issues were "an anomaly which we may tolerate," indicated pretty plainly that he was not prepared to take the bull by the horns and suppress bank issues in Scotland and Ireland, giving the banks enjoying the existing monopoly a reasonable compensation for their loss. The second remedy, and which would be found effective, would be to make Bank of England notes a legal tender in Scotland and Ireland, but to require the Bank of England not to establish Branches in those parts of the United Kingdom. The banks might be permitted to hold the amount issued in excess of their authorized circulation in gold or in Bank of England notes, and as those notes could only be obtained in exchange for gold, the practical effect would be that the gold now held by the Scotch and Irish banks, and which amounts to several millions, would be sent to where it is really wanted, that is, the Bank of England, and the gold reserve of that bank would be materially increased.

It is to be regretted that the opportunity was not taken, when the Act of 1844 was passed, to establish a Government Bank of Issue in name, as was done in reality. Had that change been made, the public would have understood more clearly than they ever appear to have done, that at three different periods, viz.—October, 1847, November, 1857, and May 1866, the principal English Bank of Discount and Deposit was unable to meet its liabilities, "and was only saved from stopping payment by the intervention of the Government."* That inter-

vention no doubt was justifiable under the circumstances, but it affords no proof whatever that the Act of 1844 was a failure. It never entered the imagination of Sir Robert Peel or of Lord Overstone that it would be possible to secure, by an Act of Parliament, the prudent management of a Bank of Discount and Deposit. Their intention was to secure the convertibility into gold of bank notes which had been made a legal tender by Act of Parliament. Now so far from having failed in their object, the gold in the Bank of Issue was, at each of the periods referred to, so ample that the Government was able to authorize it to make loans to the Bank of Discount and Deposit, which, under similar circumstances, it would probably have made, had it been nominally, as it was in reality, the issuer of the notes. On the American Continent the Government of the United States and the Government of Canada are issuers of notes which, like those of the Bank of England, are legal tenders. Owing to a very erroneous financial policy, the former are at present irredeemable, but they are nevertheless held by the national banks of the Union as their reserves. The Canadian Dominion notes are redeemable in gold, and are issued on much the same principle as those of the Bank of England. Now if any bank in the City of New York or in the City of Montreal were to find itself unable to meet the demands of its depositors or noteholders, and was compelled to apply for aid to the Government of the United States or the Government of the Canadian Dominion, its case would be precisely analogous to that of the Bank of England at the different periods to which reference has been made. The Act of 1844 has, on the whole, worked so admirably, that it is only after periods of monetary collapse or of unusual stringency, causing a high rate of interest, that efforts are made by its opponents to influence public opinion to demand its repeal. Notwithstanding the want of success which has

* "N's" Essay.