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THE BANK OF ENGLAND AND THE ACT OF 1844.

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IT is now nearly 30 years since Parliament, on the recommendation of the late Sir Robert Peel, defined the principles on which a national currency could safely be established. The measure was an imperfect one, inasmuch as it permitted the continued issue of bank notes by English Private and Joint Stock Banks, and by Scotch and Irish Banks,* though under such restrictions as have prevented the redundant issues of former years.

The Scotch issues have been recently made the subject of discussion, owing to some important utterances of the Chancellor of the Exchequer (Mr. Lowe). A memorial was addressed to him by the Glasgow Chamber of Commerce, praying for the repeal of the Bank Act of 1845, which confers a monopoly in Scotland on certain Banks which were in existence at the period of its enactment. Mr. Lowe availed himself of the opportunity to declare his adherence to the principle of the Bank Act of 1844 in the following words: "It is generally recognized that the issue of bank

notes is the creation of money, and that the creation of money is the business of the State, not of any trading association; hence it follows that the issue of such notes by private banks is rather an anomaly which we may tolerate than a right which we ought to extend. A mixed currency, composed partly of the precious metals and partly of paper, cannot be in a sound condition unless it complies with the three following conditions: first, the "paper must be convertible into gold on demand; second, sufficient security must be held by the issuers to secure the payment of the notes; third, mixed currency must be at all times exactly of the same amount, and consequently of the same value, as a purely metallic currency would be." These remarks of Mr. Lowe have led to a discussion of the Scotch Bank Act, and it must be admitted that the London *Economist* is correct in its objection that the effect of that Act is "to take gold from the Bank of England, where it is wanted, and to send it to the Scotch banks, where it is not wanted." And again: "The compulsory reserve of the Scotch and Irish banks is,

*Separate Acts for Ireland and Scotland were passed in 1845.