

IV.—*Sir Robert Peel's Bank Act of 1844 explained and defended.*—  
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[Read December 17th, 1855.]

THERE are few acts of parliament more important in themselves, or which have given rise to more discussion, than Sir Robert Peel's celebrated Bank Act of 1844 (7 and 8 Victoria, cap. 32). I am anxious to take an opportunity of expressing my strong opinion in favour of the provisions of that act, and to explain at the same time the scientific grounds on which that opinion rests.

The object of the act was to regulate the issue of bank notes. Its chief provisions are—First, That no new bank of issue was to be created after 1844. Secondly, All banks of issue then in operation, besides the Bank of England, were absolutely prohibited against issuing beyond a fixed amount ascertained under the act. Thirdly, That the issue department of the Bank of England should be separated from the banking department. Fourthly, The issue of Bank of England notes should be regulated by requiring all notes issued beyond £14,000,000 to be issued in exchange for gold.

Now, in order to explain the effect of these provisions, and the policy on which they are founded, it will be necessary to state the scientific method of measuring the effect of any given issue, and then to apply this method to explain the facts that have been observed with respect to the Bank of England from before the Bank Restriction Act of 1797, to the enactment of Sir Robert Peel's measure in 1844. For this purpose, I have constructed a table which I will now proceed to explain.\*

The principle on which this table is constructed, is the distinction between the total issue of bank notes and the portion of that issue which is really effective on prices.

The total issue of Bank of England notes for fifty-one years, from 1793 until 1843, is given in millions in column No. 4, as stated in Mc Culloch's Commercial Dictionary; the total amount of bullion in column No. 5, as stated in the same authority; and these are the figures commonly used in discussions on the currency.

It is plain, however, that the entire issue of a bank does not act upon prices, but that portion only against which no bullion is held. Let us take the case when a bank is first started in any country. Suppose the whole circulation of gold and silver in the hands of bankers, merchants, shopkeepers, and all other classes, whether hoarded or not, to be £50,000,000, and suppose a bank to issue £9,000,000 of notes in exchange for gold; if all the gold, as in the case of the old Bank of Amsterdam, was kept in the bank, such an issue would have no effect upon the quantity of gold and silver, or upon the circulation, and consequently would have no effect upon prices. If the bank proceeded, as the Bank of England does, to lend out the gold which it received in exchange for notes, to the extent say of two thirds, or £6,000,000, the effect of such loans

\* See Table on next page.

Years.	Currency average depreciation. (1)	BANK OF ENGLAND.				
		Effective issue. (2)	Bullion held against Issue. (3)	Total Issue. (4)	Total Bullion. (5)	Bullion against Deposits. (6)
February.	Per cent.	Millions.	Millions.	Millions.	Millions.	Millions.
1793	—	9·5	2·3	11·8	4·0	1·7
1794	—	6·4	4·3	10·7	6·9	2·6
1795	—	9·8	4·2	14·0	6·1	1·9
1796	—	10·1	·6	10·7	2·5	1·9
*1797	—	9·6	·0	9·6	1·0	1·6
1798	—	9·2	3·8	13·0	5·8	2·0
1799	—	8·1	4·8	12·9	7·5	2·7
1800	0	13·0	3·8	16·8	6·1	2·3
1801	8	15·1	1·1	16·2	4·6	3·5
1802	7	13·2	1·9	15·1	4·1	2·2
1803	2	14·2	1·1	15·3	3·7	2·6
1804	2	16·5	·5	17·0	3·3	2·8
1805	2	16·0	1·8	17·8	5·8	4·0
1806	2	15·1	2·9	17·7	5·9	3·0
1807	2	14·7	2·2	16·9	6·1	3·9
1808	2	14·2	3·9	18·1	7·8	3·9
1809	2	17·4	1·1	18·5	4·4	3·3
1810	13	21·0	·0	21·0	3·5	4·1
1811	7	23·3	·0	23·3	3·3	3·8
1812	20	23·4	·0	23·4	2·9	3·8
1813	22	23·2	·0	23·2	2·8	3·7
†1814	25	24·8	·0	24·8	2·2	4·1
1815	16	27·2	·0	27·2	2·0	3·9
1816	16	26·5	·5	27·0	4·6	4·1
1817	2	21·3	6·0	27·3	9·6	3·6
1818	2	21·6	6·1	27·7	10·0	3·9
1819	4	23·1	2·0	25·1	4·1	2·1
1820	2	19·8	3·6	23·4	4·9	1·3
††1821	0	13·8	10·0	23·8	11·8	1·8
1822	—	9·1	9·5	18·6	11·0	1·5
1823	—	10·3	8·0	18·3	10·3	2·3
1824	—	9·2	10·5	19·7	13·8	3·3
**1825	—	15·5	5·4	20·7	8·7	3·3
**1826	—	25·3	·1	25·4	2·4	2·3
1827	—	14·3	7·5	21·8	10·1	2·6
1828	—	14·6	7·3	21·9	10·3	3·0
1829	—	16·1	3·7	19·8	6·8	3·1
1830	—	13·4	5·6	20·0	9·1	3·5
1831	—	15·1	4·5	19·6	8·2	3·7
1832	—	15·7	2·3	18·0	5·2	2·9
1833	—	13·2	6·1	19·3	10·2	4·1
1834	—	14·1	4·9	19·0	9·2	4·3
1835	—	15·6	2·9	18·5	6·2	3·3
1836	—	15·0	3·1	18·1	7·7	4·6
**1837	—	17·4	·7	18·1	4·0	3·3
1838	—	12·1	6·8	18·9	10·4	3·6
1839	—	12·8	5·2	18·0	6·7	1·5
**1840 Aug	—	17·6	·3	17·9	2·4	2·1
1840	—	14·3	2·2	16·5	4·3	2·1
1841	—	14·1	2·2	16·3	4·3	2·1
1842	—	13·5	3·4	16·9	6·1	2·7
1843	—	13·0	7·2	20·2	11·0	3·8

\* Bank Restriction Act, 1797.

† Failure of Private Banks, 1814-16.

†† Cash payments recommenced in May, 1821.

\*\* Commercial crises occurred in 1825-26, 1837, 1839.

would be to increase the circulation by that amount; the notes having supplied the place of the gold received by the bank, the gold now issued would be an increase to the circulation. This increase would cause a local fall in the value of gold, and a local rise of prices; as the notes could not be exported, the gold would be exported, and the circulation would permanently settle down at its original amount, only there would be in all £6,000,000 less of gold and silver in the country. In short, a very slight consideration of the matter will satisfy any one who thinks of the subject, that it is only those notes for which no gold is held by the bank that really displace gold or really act upon prices, and it is that portion of the issue that I propose to call the *effective* issue.

If the Bank of England had held no deposits from 1793 till 1843, the effective issue might be calculated at once, by deducting the total bullion (column No. 5) from the total issue (column No. 4). But the bank held large deposits, varying from £4,000,000 to £13,000,000, during that time; to meet which they should, according to sound banking principles, have held bullion to the extent of one third the amount of the deposits.

As there was no separation of the banking and issue departments of the bank, we have no return of how much of the bullion was held to meet deposits, and how much was held to meet issue.

In order to calculate the effective issue of the Bank of England under such circumstances, I have resorted to a very simple hypothesis. I have taken one third of the deposits, as stated by Mr. McCulloch, and set this amount out (column 6) as the amount of bullion that was held, or that ought to have been held, by the bank to meet deposits; where the total bullion in the bank exceeded this amount, I have set out the excess (in column 3) as the quantity of bullion held against the issue.

Then, by deducting this part of the bullion (column 3) from the total issue (column 4), I have calculated the effective issue (set out in column 2).

Having thus explained the principle on which the table is constructed, I proceed to notice the conclusions indicated by the table:—

The first conclusion indicated by the table is the extraordinary increase of the effective issue of the Bank of England during nearly the entire period of the operation of the Bank Restriction Act. That act was passed in 1797, and continued in force until the restoration of cash payments, adopted by the bank in 1821, under Sir Robert Peel's act of 1819.

From 1793 until 1799, the effective issue of the Bank of England ranged from £6,000,000 to £10,000,000, and was on an average about £9,000,000; from 1800 until 1808, the effective issue ranged from £13,000,000 to £16,000,000, and was, on an average, about £14,500,000, being an increase of 50 per cent.; from 1809 until 1816, the effective issue ranged from £17,000,000 to 27,000,000, and averaged about £23,500,000, being an increase of 60 per cent. From the minimum of £6,000,000 in 1794, to the maximum of £27,000,000 in 1814, there was an increase of 350 per cent.; from 1817 until 1820, the effective issue ranged from £19,000,000 to

£23,000,000, and gave an average of £21,000,000, showing a fall of 10 per cent.; from the restoration of cash payments in 1821 until 1843, the effective issue ranged from £9,000,000 to £25,000,000, and the average was about £14,000,000, being a fall of 33 per cent.

The small quantity of gold held by the bank is no less remarkable, as will be at once perceived by comparing column 3 with column 2.

There is one column (No. 1) of the table which I have not hitherto explained; it is the average depreciation of the currency during the Bank Restriction Act, as stated by Mr. McCulloch in his *Commercial Dictionary*. This is calculated from the price of gold as estimated in paper currency. Its price, which with a gold standard could not change, rose from £3 17s. 10½d. per ounce, to £5 4s. per ounce. The connection between the depreciation of the currency and the state of the issue of the banks is so completely established by the report of the Gold Bullion Committee of 1810, and which may be taken as a model of the application of scientific principles to a question of statesmanship; and by Mr. Huskisson in his celebrated pamphlet, "The Question Stated," that I will not enter into any argument in favour of one of the best established truths of economic science. A comparison of the column of depreciation of the currency (No. 1) with that of the effective issue (No. 2), illustrates the coincidences which we would expect to find of an increase of the depreciation consequent on an increase of the effective issue.

There are, however, some apparent anomalies in the fluctuations of depreciation, which this table does not enable us to explain. For a complete account of the depreciation of the currency during the Bank Restriction Act, we ought to have the effective issue of the country banks as well as that of the bank of England, so as to have the total effective issue in England. We ought also to have some estimate of the gold and silver used as money. Unfortunately we have no accurate statistics except what relates to the Bank of England.

There can, however, be no doubt that the number of the country banks and the total amount of their issue increased in a remarkable manner during the Bank Restriction Act. The Gold Bullion Committee estimate an increase of £3,000,000 in one year, 1809-10, as great as the Bank of England in the same year. It is equally certain that the issue of one pound notes by both the Bank of England and the country banks, after 1797, drove gold out of the country. It is also well known that it was the destruction of the country bank paper and the purchase of gold by the Bank of England in 1817 that reduced the total amount of the currency, and nearly put an end to the depreciation. The state of the country circulation is thus noticed by M'Culloch:—

"At the period when the restriction of cash payments took place in 1797 it is supposed that there were about 280 country banks in existence; but so rapidly were these establishments multiplied, that they amounted to above 900 in 1813. Prices sustained a heavy fall in the latter part of 1813 and the beginning of 1814; and this fall having ruined a considerable number of farmers, and produced a

general want of confidence, such a destruction of provincial paper took place as has rarely been paralleled. In 1814, 1815, and 1816, no fewer than 240 country banks stopped payment; and eighty-nine commissions of bankruptcy were issued against these establishments, being at the rate of one commission against every ten and a half of the total number of banks existing in 1813."

M'Culloch then adds:—"The destruction of country bank paper in 1814, 1815, and 1816, by greatly reducing the total amount of the currency, raised its value in 1816 almost to a par with gold."

There is one remarkable circumstance with respect to the operations of the Bank Restriction Act, which I have not noticed as yet, but which is clearly indicated in the table I have given in page 262.

The columns of "Total Bullion" (No. 5) and of "Bullion held against issue" (No. 3) show the advantage the bank took of the Restriction Act relieving them of demand for their notes, to diminish the quantity of bullion in their coffers. In 1794 and 1795, after providing for their deposits, the bank had £4,000,000 of gold (column No. 3) to meet an average total issue of about £12,000,000; being one third of the total issue, or the proportion required for prudent banking. But in the year 1801, when the issue had risen to £16,000,000, the bullion to meet it had fallen to £1,000,000; and in 1804, when the issue rose to £17,000,000, the bullion fell to half-a-million. Then from 1810 to 1815, when the issue was never less than £21,000,000, and rose as high as £27,000,000, there was not for six years a single sovereign in the bank beyond what was required to meet the deposits. On the contrary, the total bullion was a great deal less than a third of the deposits, as will be seen by comparing column 5 with column 6.

The effect of this state of affairs was, that as the security of the bank decreased, its profits increased, for the profits of a bank of issue depend on its *effective*, and not upon its *total* issue. The Bank Restriction Act of 1797 operated as a bounty on the over-issue of the bank, and the strongest inducement of private profit was held out to the bank to violate its trust to the public.

Thus the price of bank stock rose under the operations of the Act from £176 in January, 1796, to £274 in 1810.

The depreciation of the currency was finally terminated by Sir Robert Peel's Act of 1819, which repealed the Bank Restriction Act of 1797, and rendered the Bank of England, after a certain period, liable to pay notes in gold. The bank resumed cash payments in May, 1821; and to be enabled to do so, purchased gold to such an extent that there was £10,000,000 of bullion (column No. 3) to meet a total circulation of £23,000,000. The immediate effect of this measure was to contract the effective issue of the bank to about £14,000,000; a slight increase on what it had been in 1800, before the depreciation commenced, and one-half of what it was when the depreciation was at its height in 1814.

The Act of 1819 was intended to prevent over-issue by the Bank of England; and it has been perfectly successful in that respect, for, from 1821 till 1843, the effective issue of the Bank never rose above £18,000,000; except on one occasion in 1825-26, when the destruction of private bank paper created such a diminution of the total

circulation that there was an extraordinary demand for the Bank of England notes.

The quantity of bullion held by the bank during these 20 years contrasts most favourably with what was held during the previous 20 years under the Bank Restriction Act, as will be seen at once in column 3 (page 262).

It will be seen, however, from this column, that on three occasions the bullion in the bank did fall to a very low amount; namely, in 1825-26, 1837, and 1839. At these periods the convertibility of the bank notes was in serious danger; the amount of bullion against issue being only £100,000 in 1826 to provide for a circulation of £25,000,000; and being less than a million in 1837 and 1839, to provide for a circulation of over £17,000,000. No one can maintain that this was prudent management on the part of the bank, as trustees of the issue of notes for the public.

The crisis of 1825-26 was caused by the mismanagement of the private banks; between 1823 and 1825 they had doubled their circulation when they ought to have contracted it; the result was a failure of seventy banks and a panic which has scarcely ever had a parallel in England. This was followed by a very wise change in the law. For the benefit of the Bank of England, all other joint stock banks had been prohibited in 1708. In 1826 they were allowed to be established. In a recent article in a leading newspaper the public were much blamed for the folly of placing their deposits in the private bank of Paul, Strahan, and Co. But what shall we say for the legislation which, for upwards of a century, compelled the public to deposit either in the Bank of England where no interest was allowed and no accommodation afforded, or else in private banks? What shall we say for the statesmen who required three periods of universal bankruptcy, 1797, 1814, and 1825, to convince them of the folly of limiting banks to six partners, and of not allowing the only perfect remedy, large joint stock banks?

As the issue was in 1826 still intrusted to the banks, another measure was adopted to prevent their mismanagement having such an effect on the total circulation. The issue of all notes under five pounds was prohibited in England. This diminished the paper and increased the metallic portion of the circulation.

The crises of 1837 and 1839 showed that the arrangements with respect to the issue of bank notes were still incomplete. Too much discretion was given to the banks. The honor of discovering a remedy for these evils is due to the celebrated Mr. Samuel Jones Lloyd, an eminent banker, since raised to the peerage by the title of Lord Overstone. His views are contained in an able pamphlet entitled, "Thoughts on the Separation of the Departments of the Bank of England," which led to Sir Robert Peel's Bank Act of 1844.

He showed that the union of the duties of the bank directors, as issuers of notes and as discounters of bills and holders of deposits, caused confusion in reasoning and in action.

That the directors were likely in their confusion to sacrifice the public to their private interests.

He showed that they were not, therefore, likely to regulate their

issue so as to make the whole circulation of paper and coin vary as a pure metallic currency would vary.

He showed that the natural contraction, such as takes place in a metallic currency, was an effectual and the only effectual means of gradually checking and ultimately stopping a drain of gold.

He showed that a mixed currency of coin and paper could be as effectually protected against the effects of a drain of gold, by being so constructed as to vary in the same manner as a metallic currency would vary.

Such being the object to be attained, the means of effecting it can be readily explained in the language I have already adopted. To make the entire circulation of paper and coin vary as a metallic circulation would vary, it is only necessary to make *the effective issue of paper constant*.

In the Act of 1844, Lord Overstone's principle was completely applied to the issue of the Bank of England alone. In the case of all other banks of issue, it was the total and not the effective issue that was limited. The banks, too, were not required to publish the amount of their deposits, so that it is impossible even to calculate their effective issue from the bullion stated, as we do not know how much bullion is held to meet deposits, and how much against issue. It was assumed, however, that they would hold bullion to the extent of one-third their issue, as the provision for transferring their issue to the Bank of England allows its effective issue to be increased by only two-thirds of their total issue before the transfer.

In the case of the Bank of England, however, the issue department was separated from the banking department, and the effective issue fixed at £14,000,000. A great deal of nonsense has been written about this number, as if it were arbitrary. But it can be shown to be the correct amount by the simplest yet soundest calculation. If you refer to column 3, in the table in page 262, you will see that the average of the effective issue of the Bank of England, from 1827 till 1843, was as near as possible £14,000,000.

Those who wish to study the principles of the Bank Act of 1844 in greater detail, I must refer to Lord Overstone's pamphlet and Sir Robert Peel's speeches, 1844.

But I have, I think, stated enough to show that the Act of 1844, by limiting the total issue of country banks, and the effective issue of the Bank of England, brings into operation the most perfect safeguard now known against over-issue by the banks, and secures an early and regular contraction of the currency under a drain of gold, and thus adopts the only effectual means by which gold can be brought back.

I have shown further that this Act, and the Act of 1819, taken together, are the safeguards of our monetary system.

The opponents of the Act of 1844 chiefly rely on two arguments. The Act failed, they say, in 1847; and it is opposed to the principles of free trade.

The facts respecting the letter of Lord John Russell and Sir Charles Wood in 1847, the causes which led to it, and its effects, would require too much time to be fully discussed this evening. But as I have shown the fundamental principle of the Act of 1844 to be based on

sound scientific principles, it is for those who rely on what took place in 1847 to show that it proves the failure of the Act of 1844. I believe the letter to have been the weak act of a government not strong enough to resist the pressure of bank directors, and a dangerous precedent; but let any man of science, any economist, come forward to maintain that the letter was right, and I shall be prepared to meet him and defend the Act of 1844. I am not bound to prove a negative.

As to the argument that relies on free trade in banking, the great controversy on the free trade question has so far subsided, that there is not the rage for applying free trade to every thing that there was. The coining of money has always been considered one of those functions of government with which trading, whether free or restricted, has nothing to do. So highly did our ancestors consider the prerogative of coining money, that to counterfeit the coin of the realm was treason. Such was their conception of the functions of government; and it is hard to understand why the issuing of coin should be a function of government, and the issuing of notes to supply the place of coin should not.

We have, however, an example of free trade in banking tried on a large scale in a country of the same race as ourselves, and speaking the same language—the United States of America; and what is the result?

The banks are so numerous, their credit so various, the devices of their notes so changeable and so subject to forgery, that it requires a bank-note guide more complicated than Bradshaw's Railway Guide, to determine the genuineness and degree of depreciation of the money that is passed in daily payments. Such a guide is published in New-York once a month, called, "*Leonori's New-York Bank Note List, Counterfeit Detector, and Wholesale Prices Current*;" and from the number for 18th November, 1854, I have taken the information given in Appendix A and B.

Appendix A (page 272) shows the number of banks in each State, making a total of 1,276. It shows that on 825 of these forgeries were then in circulation, and that the different kinds of forged notes to be guarded against were 3,349 in number.

To illustrate the nature of these different species of forged notes, I have selected from the "*Counterfeit Detector*" part of the paper, some of the hints as to the means of detection, and given them in Appendix B, page 273.

Opposite each bank there is a remark as to its degree of solvency, indicated by a percentage of discount. If Sydney Smith had seen this work, he would not have risked his money in Pennsylvanian Bonds.

We may form some idea of the complication which the forged and depreciated notes must introduce into all cash transactions. I recollect a story illustrating this.

Some journeymen printers, commonly esteemed a shrewd class in society, went from Dublin to New-York for the high wages they heard prevailed there. After some time they returned to Ireland, and the account they gave was, that though the wages were nominally high, yet when they were paid on Saturday, they never could tell



the value of the notes, and were sure to suffer loss when they went to buy their food and clothes.

But the disastrous effect of this free trade in banking on public morality is a still more serious evil.

As an illustration of this, I shall quote a leading article from the paper I have already referred to, which was given to me by an eminent firm in this city in the American trade, as a leading authority amongst American bankers:--

*"Leonori's New-York Bank Note List, Counterfeit Detector, and Wholesale Prices Current, for Saturday, Nov. 18th, 1854.*

**"PROBABLE SUSPENSION OF ALL WESTERN BANKS.**

"It is presumed by those who are conversant with monetary affairs that a general suspension and failure of all the banks in Illinois, Indiana, Wisconsin, Michigan, Tennessee, Georgia, and Louisiana will shortly take place. We have no doubt whatever but that many banks, hitherto considered good, must stop. So many failures as are now taking place must cause much embarrassment, and we see no chance for any favorable change for a number of months to come. Gold is now at a high premium out west, and it will soon be very scarce, at par, among our own best banks. We hear very unfavorable reports about the banks of late organization in the Eastern States, and also have been made aware that many of the Boston city banks are in as bad a condition as the 'Cochituate' was at the time it failed.

"We now tell our subscribers that they must feel no degree of surprise should a general bank suspension take place all over the country. No favorable change can possibly take place before spring, if then. *All the banks in Indiana, Ohio, and Michigan may be considered as already in an insolvent condition, so far as regards their ability to pay in specie.*

"Gold still goes to Europe in large amounts, and will continue to go till our banks suspend. *If they do so, it will be, after all, the best thing for the general welfare of our country, as the European banking world will drain us, if the war continues, without recourse to negotiation by the great powers now embroiled. The sooner our large institutions take this precautionary step, the better. Gold will then accumulate in their vaults—they will then be in a better position to facilitate a more healthful state of commercial enterprise. Nothing can be worse for our merchants than the present state of matters, and we predict, impossible though it seems, that the 'Bank of England' will suspend in order to protect British interests, should this war continue for fifteen months to come.\** We may be wrong in our calculation, but the thing is more probable than improbable. All that we have stated in regard to a financial crisis, and all we have written hitherto, seems to have been fully realized."

Now it is difficult to know whether to wonder most at the ignorance, recklessness, or want of principle in this article.

The contrast between the American Banks and the Bank of

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\* The war continued for more than fifteen months after 18th November, 1854, and the Bank of England did not "suspend, to protect British interests."

England has been put by one of that race whom the Americans despise and oppress, but he shows a more correct appreciation of the Bank of England than the Editor of the *New-York Counterfeit Detector*, whom I have just quoted. The story is so humorously told by the emancipated slave, that I shall be pardoned quoting it at full length:—

“The same party with whom I visited Windsor being supplied with a card of admission to the Bank of England, I accepted an invitation to be one of the company. We entered the vast building at a little past twelve o'clock to-day. The sun threw into the large halls a brilliancy that seemed to light up the countenances of the almost countless number of clerks, who were at their desks, or serving persons at the counters. As nearly all my countrymen who visit London pay their respects to this noted institution, I shall sum up my visit to it by saying that it surpassed my highest idea of a bank. But a stroll through this monster building of gold and silver brought to my mind an incident that occurred to me a year after my escape from slavery.

“In the autumn of 1835, having been cheated out of the previous summer's earnings, by the captain of the steamer in which I had been employed running away with the money, I was, like the rest of the men, left without any means of support during the winter, and therefore had to seek employment in the neighbouring towns. I went to the town of Monroe, in the state of Michigan, and while going through the principal streets looking for work, I passed the door of the only barber in the town, whose shop appeared to be filled with persons waiting to be shaved. As there was but one man at work, and as I had, while employed in the steamer, occasionally shaved a gentleman who could not perform that office himself, it occurred to me that I might get employment here as a journeyman barber. I therefore made immediate application for work, but the barber told me he did not need a hand. But I was not to be put off so easily, and after making several offers to work cheap, I frankly told him that if he would not employ me, I would get a room near him, and set up an opposition establishment. This threat, however, made no impression on the barber; and, as I was leaving, one of the men who were waiting to be shaved said, ‘If you want a room in which to commence business, I have one on the opposite side of the street.’ This man followed me out; we went over, and I looked at the room. He strongly urged me to set up, at the same time promising to give me his influence. I took the room, purchased an old table, two chairs, got a pole with a red stripe painted around it, and the next day opened with a sign over the door, ‘Fashionable Hairdresser from New York, Emperor of the West.’ I need not add that my enterprise was very annoying to the ‘shop over the way,’—especially my sign, which happened to be the most expensive part of the concern. Of course, I had to tell all who came in, that my neighbour on the opposite side of the way did not keep clean towels, that his razors were dull, and, above all, he had never been to New York to see the fashions. Neither had I. In a few weeks I had the entire business of the town, to the great discomfiture of the other barber.

“ At this time money matters in the Western States were in a sad condition. *Any person who could raise a small amount of money was permitted to establish a bank,\** and allowed to issue notes for four times the sum raised. This being the case, many persons borrowed money merely long enough to exhibit to the bank inspectors, and the borrowed money was returned, and the bank left without a dollar in its vaults; if, indeed, it had a vault about its premises. The result was, that banks were started all over the Western States, and the country flooded with worthless paper. These were known as the ‘ Wild Cat Banks.’ Silver coin being very scarce, and the banks not being allowed to issue notes for a smaller amount than one dollar, several persons put out notes from six to seventy-five cents in value; these were called ‘ shimplasters.’ The shimplaster was in the shape of a promissory note, made payable on demand. I have often seen persons with large rolls of these bills, the whole not amounting to more than five dollars. Some weeks after I had commenced business on my own hook, I was one evening very much crowded with customers; and while they were talking over the events of the day, one of them said to me, ‘ Emperor, you seem to be doing a thriving business; you should do as other business men, issue your shimplasters.’ This, of course, as it was intended, created a laugh; but with me it was no laughing matter, for from that moment I began to think seriously of becoming a banker. I accordingly went a few days after to a printer, and he, wishing to get the job of printing, urged me to put out my notes, and showed me some specimens of engravings that he had just received from Detroit. My head being already filled with the idea of a bank, I needed but little persuasion to set the thing finally afloat. Before I left the printer, the notes were partly in type, and I studying how I should keep the public from counterfeiting them. The next day my shimplasters were handed to me, the whole amount being twenty dollars, and after being duly signed were ready for circulation. At first my notes did not take well; they were too new, and viewed with a suspicious eye. But through the assistance of my customers, and a good deal of exertion on my own part, my bills were soon in circulation; and nearly all the money received in return for my notes was spent in fitting up and decorating my shop.

“ Few bankers get through the world without their difficulties, and I was not to be an exception. A short time after my money had been out, a party of young men, either wishing to pull down my vanity, or to try the soundness of my bank, determined to give it ‘ a run.’ After collecting together a number of my bills, they came one at a time to demand other money for them, and I, not being aware of what was going on, was taken by surprise. One day as I was sitting at my table, strapping some new razors I had just got with the avails of my ‘ shimplasters,’ one of the men entered and said, ‘ Emperor, you will oblige me if you will give me some other money for these notes of yours.’ I immediately cashed the notes\* *with the most worthless of the Wild Cat money that I had on hand, but which was a lawful tender.* The young man had scarcely

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\* Free trade in banking.

left when a second appeared with a similar amount, and demanded payment. These were cashed, and soon a third came with his roll of notes. I paid these with an air of triumph, although I had but half a dollar left. I began now to think seriously what I should do, or how to act, provided another demand should be made. While I was thus engaged in thought, I saw the fourth man crossing the street, with a handful of notes, evidently my 'shinplasters.' I instantaneously shut the door, and looking out of the window, said, 'I have closed business for the day: come to-morrow and I will see you.' In looking across the street, I saw my rival standing in his shop-door, grinning and clapping his hands at my apparent downfall. I was completely 'done Brown' for the day. However, I was not to be 'used up' in this way; so I escaped by the back-door, and went in search of my friend who had first suggested to me the idea of issuing notes. I found him, told him of the difficulty I was in, and wished him to point out a way by which I might extricate myself. He laughed heartily, and then said, 'You must act as all bankers do in this part of the country.' I inquired how they did, and he said, 'When your notes are brought to you, you must redeem them, and then send them out and get other money for them; and, with the latter, you can keep cashing your own 'shinplasters.' This was indeed a new job to me. I immediately commenced putting in circulation the notes which I had just redeemed, and my efforts were crowned with so much success, that before I slept that night my 'shinplasters' were again in circulation, and my bank once more on a sound basis.

*"As I saw the clerks shovelling out the yellow coin upon the counters of the Bank of England, and men coming in and going out with weighty bags of the precious metal in their hands or on their shoulders, I could not but think of the great contrast between the monster institution within whose walls I was then standing, and the Wild Cat Banks of America."*\*

Now, it is for the advocates of Free Trade Banks of issue, and for those who say that everything should be left to discretion, to show how they will draw the line and prevent our system from becoming, under their laws, like the Banks of New-York with 700 kinds of forgeries in one State, like the Western Banks suspended through entire States, or like the Wild Cat Banks and the "shin-plasters."

In conclusion, I shall give a brief summary of the conclusions to which I have endeavoured to direct your attention in this paper:—

- I.—That the portion of the issue of the bank that effects prices—  
or, as it may be called, the effective issue—is the difference between the total issue and the bullion held to meet it.
- II.—That the Bank Restriction Act of 1797, by relieving the Bank of England from holding bullion, led to a remarkable increase in the effective issue of the bank.
- III.—That the over-issue of notes of the Bank of England, and of other banks of issue in the United Kingdom, during the last war, depreciated the currency for a number of years, especially in 1814, when the depreciation reached 25 per cent.

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\* "Three Years in Europe, or Places I have seen and People I have met." By William Wells Brown, a Fugitive Slave. London: Charles Gilpin, 1852. Page 97.

- IV.—That the failure of the private banks in 1814, 1815 and 1816, by contracting their effective issue, reduced the total effective issue of all the banks to such a degree as nearly to restore the currency to par.
- V.—That Sir Robert Peel's Bill of 1819 made it impossible for the Bank of England to over-issue without risk of failure to itself.
- VI.—That the mismanagement of the private banks in 1824 to 1825 caused the numerous failures of those institutions, and the derangement of the currency that then took place.
- VII.—That the Bank of England, by allowing their effective issue to rise to such a large amount in 1837 and 1839, and by postponing the contraction of their circulation, aggravated the commercial crisis in those years, and ran the risk of not being able to pay in gold.
- VIII.—That the Bank Act of 1844, by limiting the effective issue of the Bank of England to £14,000,000, brings into operation the most perfect safeguard now known against any over-issue by the banks, and secures an early and regular contraction of the currency under a drain of gold, and thus adopts the only effectual means by which gold can be brought back.
- IX.—That this Act, and the Act of 1819, are the safeguards of our monetary system.
- X.—That the suspension of the Bank Act in 1847 was a weak measure, and a dangerous precedent.
- XI.—That if the sound teachings of science are departed from, and the regulation of issues left to discretion, we have no security against the evils that have been produced by the American system of banking.

## APPENDIX A.

Extracted from "*Leonori's New York Bank Note List, Counterfeit Detector, and Wholesale Prices Current*," New York, Saturday, Nov. 18th, 1854:—

States.	No. of Banks	No. on which there are Forgeries	No. of Forgeries	States.	No. of Banks	No. on which there are Forgeries	No. of Forgeries
Maine ..	67	33	73	Virginia ..	20	7	47
New Hampshire	37	20	45	North Carolina	10	4	22
Vermont ..	40	27	91	South Carolina	20	11	55
Massachusetts	164	125	462	Georgia ..	19	3	11
Rhode Island ..	88	69	274	Louisiana ..	11	4	14
Connecticut ..	69	57	301	Alabama ..	5	2	4
New York City	61	52	245	Ohio ..	33	16	42
New York State	292	232	791	Indiana ..	75	14	44
New Jersey ..	51	38	236	Illinois ..	37	13	17
Pennsylvania ..	54	49	273	Kentucky ..	8	5	45
Delaware ..	8	6	58	Tennessee ..	23	3	29
Maryland ..	32	25	152	Michigan ..	9	1	3
District of Columbia } }	19	4	7	Missouri ..	1	1	1
				Wisconsin ..	23	4	7

## APPENDIX B.

Extracted from *Leonori's New York Bank Note List, Counterfeit Detector, and Wholesale Prices Current*, New York, Saturday, 18th November, 1854:—

- Belfast Bank.* Beware of drafts of the *Lumber Association* on this bank, dated New York City.
- Eastern Bank.* Beware of drafts or notes of the *N. Y. Foreign and Domestic Exchange Company*, payable at this bank.
- Bank of St. Alban's.* Beware of drafts of *Mechanics' Exchange Co.* on this bank; read "pay for the *Mechanics' Exchange Company*, New York," they are frauds.
- Farmers' & Mechanics' Bk.* Beware of drafts of *Mechanics' Exchange Company*, N. Y. on this bank; they are frauds.
- Globe Bank of Boston.* Beware of small bills of *Globe Bank of Bangor, Maine*, altered. Parsons and Howard are the officers.
- Northampton Bk., Mass.* This bank has issued new bills dated October 1, 1844, and subsequently. Better reject notes of a previous date.
- Old Colony Bank, Plymouth, Mass.* All bills of this bank, except 500 ds. have a fine vignette of the Landing of the Pilgrims—all others are worthless.
- Plymouth Bk., Mass.* All genuine notes of this bank have a fine vignette of the Landing of the Pilgrims, 1620. The denomination of each bill is distinctly printed on the borders and elsewhere, so as to prevent any successful alteration.
- Bank of Rhode Island.* All notes signed J. Munson and P. King, are spurious: they never were officers of this bank.
- Commercial Bk., Bristol, (Rhode Island).* All denominations altered from the broken "Commercial Bank, Millington, Maryland," are forgeries.
- Commercial Bank, Prov. (Rhode Island).* Same remarks.
- Globe Bank, Prov. R. I.* Beware of bills altered from "Globe Bank, Bangor, Maine;" also, "Globe Bank, New York."
- Phoenix Bk. Westerly, R. I.* Refuse all notes of this bank dated prior to January 1, 1850; new plate substituted.
- Smithfield Union Bank, Woonsocket, R. I.* All bills issued by this bank since January 1st, 1852, are dated at Woonsocket, R. I. All issued prior are dated at Smithfield, R. I.
- Bk. of the State, N. Y. City.* Beware of the notes of the "*State Bank of New York*," at Buffalo. "*Buffalo*" scratched out.
- Fulton Bk., N. Y. City.* Beware of Derby Bank notes, payable at this bank.
- Manhattan Co. N. Y. City.* This Bank has called in and cancelled its old notes, and commenced a new issue in 1848.
- N. Y. City Exchange Bk.* Beware of all denominations of the old fraudulent bank of this name—the notes read in form of a post note.
- Tradesmen's Bk., N. Y. C.* Beware of checks on this bank purporting to be drawn by the *Utica Insurance Company*.
- Union Bank, N. Y. C.* Genuine ones and twos of this bank are made payable to "bearer"—all higher denominations payable (in writing) to individuals.
- Amenia Bank, Leedsville (N. Y. State).* Notes must be presented before Sept. 9, 1855.
- Atlas Bank of New York, Clymer.* Notes must be presented before Dec. 9, 1854.
- Bank of Carthage, Jefferson County (C. N. Y. State)* Failed August 21, 1854. Resumed, Oct. 1854.
- Bank of Ithaca, N. Y. S.* Bills redeemed by the Mercantile Bank, 190, Broadway.
- Bank of Rome, N. Y. S.* Spurious bills of various denominations, altered from the *Bank of Romeo, Michigan*.

- Champlain Bank, Ellenburgh, N. Y. S.* Notes must be presented before Nov. 29, 1855.
- Commercial Bk. Albany.* Bills of all denominations on this bank, altered from broken "Commercial Bank, Millington, Maryland."
- Commercial Bk. Lockport.* Closing. Notes must be presented before Oct. 30, 1854.
- „ „ Troy.* Bills of all denominations on this bank altered from broken "Commercial Bank, Millington, Maryland."
- Drover's Bank, Ogdensburgh, St. Law. Co., N. Y. S.* Failed 11 A.M., August 24th, 1854. Resumed 1st Oct. 1854.
- Farmers' & Mechanics' Bk. of Genesee, Buffalo.* Beware of Bills altered from a broken bank of same name in Michigan.
- Freemen's Bank, Hebron, Genesee Co. Bank.* Notes must be presented before Sept. 9, 1855. All denominations of the broken bank of Genesee, Michigan, altered so as to read "Bank of Genesee County."
- Hudson River Bank.* Notes on this Bank dated in New York are frauds.
- Lumberman's Bank, Wilmot.* Closing. Beware of all issues of certificates of deposits, drafts, checks, etc. not secured by deposit in the Bank department.
- McIntyre Bk. Adirondack.* Notes must be presented before Jan. 26th, 1855.
- Merchant's Bank, Mina.* Notes must be presented before Oct. 17th, 1855.
- Merchant's and Farmer's Bank, Carmel.* Notes must be presented before May 27th, 1856.
- Prattsville Bank, Prattsville.* Notes must be presented before Nov. 30th, 1854.
- Burlington County Bank, Medford, N. Jersey.* Beware of frauds with, "real estate pledged, and private property holden," between signatures.
- Farmers' Bank of New Jersey, Mount Holly.* Bills of the broken "Farmers of Seneca County," altered to this bank; "Mount Holly," stamped on.
- Ocean Bank, Bergen.* Notes must be presented before Jan. 1st, 1855.
- Passaic County Bank, Paterson.* Beware of notes altered from broken People's Bank.
- Bank of the U.S. Phila.* Winding up. Persons unacquainted with the bills had better refuse them.
- Commercial Bank of Pennsylvania, Philad.* Bills of all denominations on this Bank altered from "Commercial Bank, Millington, Maryland."
- Lancaster Bk., Lancaster.* Frauds altered from a Canada concern, engraven by Harris and Sealey. Vignette, a lion and unicorn.
- York Bk., York, Pennysl.* No 1 dols. out, except some relief notes.
- Bank of Milford, Milford, Delaware.* Failed 11 a.m. August 24th, 1854.
- Farmer's and Planter's Bk., Baltimore, Maryland.* Certificates of deposit issued in form of bank notes.
- Franklin Bank of Baltimore.* This bank failed some time since, and the old issue of genuine notes have almost all been redeemed.
- Hagerstown Bk. Hagerstn.* Beware of bills of the *Farmer's and Miller's Bank*; at a first view they seem to read *Bank of Hagerstown*.
- District of Columbia.* There are many fraudulent notes purporting to be on banks that are not named. Refuse all that are not quoted good.
- Bank of Virginia, Richmond.* This bank having been robbed of some of its 100 dols. repudiates them.
- Branch of ditto at Portsmouth.* Take no 50 dols. or 100 dols. notes on this branch; some of its notes were stolen, and the bank will not redeem them.
- Merchant's and Mechanic's Bank, Wheeling, Branch at Morgantown.* Beware of notes of this bank, made payable at the *Farmer's and Mechanic's Bank of Philadelphia*. They are forgeries.
- Bank of State of North Carolina.* Beware of the notes which read, *State Bank of North Carolina*—they are worthless.
- Bank of Hamburg, S. Car.* Beware of notes signed J. M. or W. Tilman, cash., and Henry Shultz, pres.
- S. Carolina Railroad.* These notes are signed James Gadsden, pres.

- Alabama, Bk. of the State.* This bank is winding up.
- Com. Bank, Cincinnati.* Refuse all notes dated previous to 1845.
- Franklin Bk. of Columbus.* The genuine notes of the old bank of this name have been almost all redeemed.
- Ohio State Stock Banks.* The 10 dollar plate used by all these banks has been well counterfeited. Refuse all notes of this plate; vignette, female seated, with fasces and scales in left hand, and Mercury's wand in right; on right, a steamboat; on left, bridge, rail cars, steamboat, etc.
- Bank of Marion, Ohio.* Notes from the genuine plate, with counterfeit signatures, are said to be in circulation.
- Indiana.* Refuse all notes that are not signed by the "*Registrar and Auditor of State*;" as they are the only ones that have securities deposited.
- State Bank of Indiana.* This bank issues or pays no notes except at its branches.
- Mississippi, Arkansas, Florida, Iowa, Minnesota, and Texas.* The notes of Banks in these States are of doubtful and only nominal value.
- Commercial Bk., Canada.* Beware of notes purporting to emanate from the Foreign and Domestic Exchange Company, New York.

V.—On the Criminal Jurisdiction of Courts of Quarter Sessions in Ireland.—By P. J. Mc Kenna, Esq.

[Read 17th March, 1856.]

THERE is nothing so zealously guarded by the constitution of these realms as the liberty of the subject. It is of the spirit of that constitution that no man shall be imprisoned without sufficient legal cause; and in conducting inquiries into the guilt of accused parties, our courts have ever shown a rigid impartiality, merciful towards the accused, and temperate as well as stern and just in imposing punishment when guilt has been ascertained. It is considered, and rightly so, the duty of the state to provide tribunals for ascertaining and settling the rights of individuals, for the protection and assurance of property and life. Great expense to the state and great inconvenience to individuals are borne without a murmur, because all recognise the necessity of having as authoritative, as impartial and as satisfactory a tribunal as human wisdom and ingenuity can devise, in order to preserve the well-being, the very existence of society. There is, however, an anomaly in our present system, at variance with all the other parts, which must excite wonder at having been so long overlooked—the extensive jurisdiction of Courts of Quarter Sessions in criminal cases, and which needs but to be brought under consideration to have its defects recognized.

It may be broadly stated that the most satisfactory tribunal available should investigate criminal charges as well as civil rights. This rule admits but of one exception grounded on convenience, that, when the charge is of a trifling nature, or the civil question in dispute of but little importance either as regards money or character, a less expensive and more summary method of disposing