

**ON THE REGULATION OF CURRENCIES: BEING  
AN EXAMINATION OF THE PRINCIPLES, ON  
WHICH IT IS PROPOSED TO RESTRICT, WITHIN  
CERTAIN FIXED LIMITS, THE FUTURE ISSUES ON  
CREDIT OF THE BANK OF ENGLAND, AND OF  
THE OTHER BANKING ESTABLISHMENTS  
THROUGHOUT THE COUNTRY**

Published @ 2017 Trieste Publishing Pty Ltd

ISBN 9780649662876

On the Regulation of Currencies: Being an Examination of the Principles, on Which It Is Proposed to Restrict, Within Certain Fixed Limits, the Future Issues on Credit of the Bank of England, and of the Other Banking Establishments Throughout the Country by John Fullarton

Except for use in any review, the reproduction or utilisation of this work in whole or in part in any form by any electronic, mechanical or other means, now known or hereafter invented, including xerography, photocopying and recording, or in any information storage or retrieval system, is forbidden without the permission of the publisher, Trieste Publishing Pty Ltd, PO Box 1576 Collingwood, Victoria 3066 Australia.

All rights reserved.

Edited by Trieste Publishing Pty Ltd.  
Cover @ 2017

This book is sold subject to the condition that it shall not, by way of trade or otherwise, be lent, re-sold, hired out, or otherwise circulated without the publisher's prior consent in any form or binding or cover other than that in which it is published and without a similar condition including this condition being imposed on the subsequent purchaser.

[www.triestepublishing.com](http://www.triestepublishing.com)

**JOHN FULLARTON**

**ON THE REGULATION OF CURRENCIES: BEING  
AN EXAMINATION OF THE PRINCIPLES, ON  
WHICH IT IS PROPOSED TO RESTRICT, WITHIN  
CERTAIN FIXED LIMITS, THE FUTURE ISSUES ON  
CREDIT OF THE BANK OF ENGLAND, AND OF  
THE OTHER BANKING ESTABLISHMENTS  
THROUGHOUT THE COUNTRY**



---

ON THE  
REGULATION OF CURRENCIES.

ON THE  
REGULATION OF CURRENCIES;  
BEING AN  
EXAMINATION OF THE PRINCIPLES,  
ON WHICH IT IS PROPOSED TO RESTRICT, WITHIN CERTAIN FIXED LIMITS,  
THE FUTURE ISSUES ON CREDIT  
OF THE  
BANK OF ENGLAND,  
AND OF THE OTHER  
BANKING ESTABLISHMENTS  
THROUGHOUT THE COUNTRY.  
BY JOHN FULLARTON, Esq.



LONDON:  
JOHN MURRAY, ALBEMARLE STREET.  
1844.

HG 938  
F9

LONDON:  
Printed by WILLIAM CLOWES and Sons,  
Stamford Street.

GENERAL

## CONTENTS.

---

### CHAPTER I.

Introductory Remarks—(*Note*) Prevailing Misapprehension as to the effect of the Bill of 1819—Of the Doctrine which holds Convertibility to be no security against Over-issue—Mr. Tooke's Opinions—Reasons for maintaining the Metallic Basis of our Circulation—A Circulation of Convertible Notes *must* always fluctuate on the same Principles as if the Circulation were Metallic . . . Page 1

### CHAPTER II.

Controversy as to what is Money—Of Credit as a substitute for Money, and of Bank-Notes as a form of Credit—The effect of all forms of Credit, when employed as Money, is alike; but it is only when so employed that they partake at all of the Monetary Character—Credit considered as a vast and inexhaustible element of Monetary Power—Practicability of finding a Substitute for Bank-notes—Base Currency of Ireland in 1804 . . . . . 28

### CHAPTER III.

How Fluctuations in the Cost of producing the Precious Metals, or in the Quantity of a Currency of Conventional Paper, act on Prices—Bank-notes do not so act, because their quantity is governed by the demand—How Speculation affects Prices—Fluctuations of Price from the Quantity of the Currency *Nominal*; from Speculation *Real*—New Gold Coin and new Conventional Notes are issued in *Payments*, Bank-notes only on *Loan*—The regular Reflux of Notes advanced on Loan a sure Preventive of Redundance—Sir William Clay and Mr. Tooke—The Reflux is the great regulating principle of the internal Currency—Inexpediency of the State taking the Management of the Currency into its own hands . . . . . 56



## CHAPTER IV.

The Value of a Convertible Currency fluctuates only with that of the Coin—Circumstances which render the precious Metals less liable to Fluctuation of Value than other Commodities—Hoardings, their Origin, Laws, and Effects—Slow action on Prices of the discovery of the South American Mines, and of the French Assignats—Effect of the present constitution of the Bank of England, in preventing Fluctuations of the value of Gold—Possible effect of such an influx of Gold, as would displace altogether the Notes issued on credit . Page 69

## CHAPTER V.

Proofs of the Impossibility of Over-issue—Bankers have neither the power to Increase nor the will to Reduce their Issues—Effect of the establishment of Joint-Stock Banks on the Circulation—Scotch Circulation—A demand for Capital on Loan and a demand for additional Circulation are quite distinct things, and not often found associated . . . . . 81

## CHAPTER VI.

Principles on which Prices fluctuate—How the Amount of the Bank-note Circulation is affected by the Fluctuations of Price—How, where the Rise of Price is occasioned by Dearth; and how, when it originates in an Increased Demand—Speculations in Produce do not give occasion to increased Issues—Effect of an increased Issue of Notes in seasons of Commercial Revulsion—Answer to the Objections urged by the Currency Party to the Increase of the Country Issues, which takes place whenever the Prices of Corn are raised by Dearth . . . . . 98

## CHAPTER VII.

Currency Theory of Drains of Bullion—Of the distinction between Nominal and Real Exchange, and the Rationale of the Extrusion and Melting of the Coin of a Mixed Currency, where the Paper is Inconvertible and issued in excess—Limited Fluctuations of the Price of Gold, when the Currency is Convertible—Falls of the Exchange coincident generally with a low state of the Currency, and *vice versa*—All Variations of the Exchange, one class excepted, depend on the state of the Balance of Foreign Payments—Of the Employment of the Precious Metals for the Adjustment of such Balances—Doctrine as to the Necessity of contracting the Circulation in order to arrest a Drain of Bullion—Its Fallacy—Operation of the Hoards in regulating the Fluctuations of a Metallic Circulation,

and analogous Action of the Banks in regulating those of a Mixed Circulation—The Existence of a Drain does not necessarily imply any Diminution of the Internal Demand for Circulation—Of Drains through the Deposits . . . . . Page 111

## CHAPTER VIII.

Doctrines of Mr. Thornton and Mr. Loyd as to the interminable nature of Drains of Bullion for Exportation—Of the Means by which the Bank of England can check Drains of Bullion—Natural Termination of Drains, and Reflux of exported Bullion—Importance of increasing and economizing the Stock of Bullion in the Bank—Of Drains for which there can be no remedy—Of Drains which it is not desirable to check—Of Drains from extensive Purchases of Foreign Securities or from Mercantile Speculation . . . 138

## CHAPTER IX.

Plan for administering the Affairs of the Bank of England by separate Departments for Issue and Banking—Arguments adduced from Analogy in favour of this Plan answered—(Note) Feebleness of the recent Attempts of the Press to grapple with Mr. Tooke's Arguments; and Remarks on Mr. Jones Loyd's Statements as to the course adopted by the Bank of England during the Drain of Gold in 1832—Results of the Banking System of the United States of America—Insufficiency of the Circulation allotted by the Bill for the wholesome working of the System—Of the Issue of Bank-Post-Bills under the New System . . . . . 167

## CHAPTER X.

Difficulty of restraining the Excesses of Banking Credit by Legislation—Objectionable position in which the Banking Department will be placed by the effect of the New Bill, and its Dangers—Interest and Prices, how likely to be affected by the New System—Necessary Limits of the Supply of Gold—Effects of the Rule which restrains the Bank from advancing on Securities more than two-thirds of any additional Circulation which it may be called upon to supply in Substitution for Country Notes, and of the Limitation of the present Country Issues—Demand, the regulating principle of Issue—Absurdity of maintaining a Stock of Bullion which is never to be used—Unprepared state of this Country for the System about to be imposed by the New Bill, owing to the want of Private Hoards—Undesirable that the Bill should have left a discretion to Govern-

ment to Enlarge the Circulation on Credit—Minor Enactments relative to Private and Joint-Stock Banks—Of the respective Claims of Scotland and Ireland to retain the Privilege of Issuing Notes under Five Pounds—Proposal for improving the efficiency of the Direction of the Bank of England—Question as to the yearly Allowance required to be paid by the Bank to Government—Expedients suggested for Economizing the use of Gold—Conclusion. . . . . Page 185