

**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 9780649662883

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

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Cover @ 2017

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ON THE

REGULATION OF CURRENCIES ;

BEING AN

*J<sup>m</sup> Hume Blake*  
*London 1847*

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.  
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SECOND EDITION,

WITH CORRECTIONS AND ADDITIONS.

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LONDON:

JOHN MURRAY, ALBEMARLE STREET.

1845.

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

# P R E F A C E

TO

## THE SECOND EDITION.

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WHEN the first edition of this Treatise was sent to the press in the month of August last, all questions relating to the currency seemed for the time so entirely to have lost their interest, and the disposition to acquiesce in the provisions of the new Bank Bill, as a settlement of all the great points in controversy, and an efficient and permanent remedy for the various evils which the public had been taught to ascribe to the mismanagement of the bank-note circulation, appeared to be so nearly universal, that any attempt to revive the discussion, or to turn the current of public opinion, had become an enterprise peculiarly hopeless; and I certainly had very little encouragement to expect, that it would be possible even to obtain a hearing for a new argument on the subject, and especially for an argument presenting itself in a shape so singularly uninviting as that of a close printed octavo of more than fourteen sheets of letter-press. On my recent return, however, from abroad, after an absence of some months from this country, I found the state of things considerably changed. I learned, that, since the bill had passed into a law, upon a trifling rise of the market rate of

interest, originating in various temporary causes, and accompanied by some reduction of the Bank's treasure, which had shown itself in the months of September and October, and had not yet entirely subsided, there had spread abroad a very premature alarm of an approaching pressure on the money market, which had been disquieting the minds of many, and inducing them to consider what, in the event of a crisis, might be the probable operation of this new limitation of the future issues of the Bank. Very considerable ferment, it also appeared, had been excited throughout Scotland, by the avowal on the part of Government, of an intention to propose in the ensuing session of Parliament some measure for the future regulation of the Scotch and Irish currencies. The menace was supposed to imply a design against the circulation of small notes in Scotland; and meetings of the gentry had been held and resolutions passed in almost every county of that division of the United Kingdom, deprecating in the strongest terms any such interference with their local affairs. These concurrent circumstances had contributed to rekindle at a much earlier period than could have been hoped for, the spirit of inquiry into these subjects, and to suggest doubts, even among some who had not doubted before, of the soundness of the principles on which our recent legislation in respect to banks and banking has been framed. That, moreover, under the influence of this excitement, the doctrines advocated in these pages had been attracting some small share of attention, and that in quarters where they were most likely to be judiciously appreciated, I am encouraged



by various testimonies to believe, and among others by this early call for a second edition of the work. If I have succeeded at all in eliciting *discussion*, I have succeeded to the utmost of my present views and wishes. That object gained, the ultimate issue must now be determined by the predominant force of argument, and I ought neither to expect nor desire that it should be in any respect prejudged.

I have very gladly availed myself of the opportunity afforded by this republication, to correct various inaccuracies and supply some omissions in the former impression. Though I had employed a good deal of time and care in collecting the materials from which my argument was drawn, and the bulk of my conclusions had not been formed without considerable deliberation, the actual publication was got up under circumstances of more than usual haste, partly incident to my personal avocations, and partly arising from an anxiety, which in the end proved fruitless, to overtake, if possible, the course of proceedings in Parliament. Of this precipitation I fear my readers may have discovered not unfrequent traces. On one subject, namely, the effect, under certain circumstances, of the Bank of England's purchases of gold, I have unwarily given insertion to statements, which had never been properly considered, and which, in some particulars, I am now satisfied, cannot be maintained; and I have thought it necessary in consequence to rewrite all the latter portion of the fourth chapter, commencing from p. 76.

The other corrections introduced into the present edition are for the most part too minute to require

notice in detail. The object of their introduction has, in almost every instance, been additional clearness and precision, and nothing more. In one case I found, that a mere clerical error had been sufficient to falsify an important statement; see p. 90,\* where the remarkable reduction of the bank-note circulation of England and Wales, which took place between 1833 and 1842, in coincidence with the establishment of the joint-stock banks, and with an advance of ten per cent. in the numbers of the population, was represented as having occurred between 1833 and 1835. In another case, a proposition of some consequence to the main issue had been left open to misconstruction, simply through an incidental negligence of composition; see p. 181,† where the whole force of the contrast between the easy working of the scheme for the separation of the departments of the Bank of England with a reserve of *eight* millions in the banking department, and the embarrassment which might be expected to ensue, in case of the whole stock of bullion in *both* departments being reduced to *seven* millions, was nearly lost, in consequence of my having omitted to distinguish the particular depôt or depôts of bullion to which these sums of “eight millions” and “seven millions” were respectively meant to refer. These and similar blemishes I have endeavoured to remove; and whatever may be the intrinsic merits or demerits of my argument, I would fain hope that by those it may now be judged, and that it is no longer in any peculiar danger of failing from being misinterpreted or misunderstood.

By that portion of the periodical press which has

\* Page 91 in the present edition.

† Page 188, do.

hitherto condescended to notice these lucubrations, they have been received with a degree of indulgence, for which I cannot sufficiently express my acknowledgments. The only adverse criticism which I have met with, requiring any particular animadversion, is contained in an article which appeared in the Morning Chronicle of the 20th of August, and of that I should not have a word of complaint to offer, but that it imputes to me a misstatement of facts. To this charge I have thought it necessary to reply at some length, in a note appended to p. 123.

Besides this controversial interpolation, and the necessary emendations of the text above referred to, I have taken advantage of the occasion to canvass one or two additional topics, intimately bearing on the main questions which I have undertaken to elucidate. In particular, I have thought that a few observations might not be mistimed, on a question affecting the case of the Scotch small-note issues, which has been raised into rather prominent notice by some recent proceedings, and has been the means of spreading, on this branch of the subject, a very unnecessary amount of groundless prejudice. It has been argued, as if the continuance of those issues would be a positive injustice to the body of English bankers, and even to the English nation itself; a notion which could only have originated in the most utter misapprehension of the facts of the case. This misapprehension I have endeavoured accordingly to correct, and to place the question in its true light, in a note subjoined to my remarks on the present position of the Scotch banking system, at p. 223. I have likewise,