

The Examiner.

"THIS IS TRUE LIBERTY, WHEN FREEBORN MEN—HAVING TO ADVISE THE PUBLIC, MAY SPEAK FREE."—EURIPIDES.

Vol. I.]

CHARLOTTETOWN, P. E. ISLAND, SATURDAY, JANUARY 22, 1848.

[No. 25.]

CORRESPONDENCE.

THE CURRENCY.

TO THE EDITOR OF THE EXAMINER.

SIR;

As the time is approaching for the meeting of the Legislature, it behoves us to set forth and cultivate some defined views with respect to the measures which may be required to enable us to carry out the reformation of the Currency, so earnestly urged by Lord Grey in the Despatches recently published by order of His Excellency the Lieutenant Governor, for the general information.

Having by accidental circumstances been led to bestow some attention and study upon this matter, I trust I shall be excused if I offer my views upon it to public consideration, in the hope that it may at least induce the discussion and examination which the subject so well deserves; and thereby familiarize our minds to an investigation which, although dry and uninteresting in its details, is, nevertheless, unceasing in its influence upon the welfare of a community; and a right understanding of which is of the utmost importance to the general security.

It is a serious calamity when affairs so purely fitted for calm enquiry and patient examination, are by some unhappy mistake, drawn into the vortex of political dispute. I hope then, that I shall not be misunderstood, when I express my earnest desire that the hints and observations contained in the paper which I now send to you for insertion in your Newspaper, may be examined and judged with an impartial regard to the good or evil which might by possibility result from their adoption. That the hostility to the individual, on account of the opinions he has entertained and expressed, may not be extended to the project itself, but that it be left to its own merits. I feel assured that if this clemency be accorded, it will be brought at length to a prosperous settlement, and will exercise a beneficial influence over all our future undertakings.

The object, then, of this paper, is to obtain some defined ideas upon the proposed changes in the circulation of the Colony, from which a measure likely to receive general consent and acceptance may be constructed.

1. The first step would be the fixing the standard rate of the Currency, whether at its present depreciation.
2. By restoration to the old rate, Halifax Currency.
3. By the adoption of the Sterling.

The Right Honorable the Secretary for the Colonies expresses his opinion that the present rate should be continued, and states his reasons. The opinions I entertain upon this part of the subject are fully expressed in a letter bearing the signature "Cambiatore," published in the *Examiner* on the 1st day of January of this year, and it is, therefore, not necessary to repeat them here; suffice it that they are in conformity with Lord Grey's.

The second point is the determining as near as circumstances permit, the amount of paper circulation suitable to the demands and resources of the Island.

On this point Lord Grey seems to have assumed that as by the issue of Warrants and inconvertible Notes to the present amount, the currency has been brought down to its present rate, and has been sustained there for so long a period as twelve years without further alteration of any moment, that no great risk of excess is incurred by the adoption of an issue of Notes to their whole amount, and the making them payable on demand—provided the necessary measures are taken previously for withdrawing the Warrants entirely from the circulation by means of the loan or otherwise, spoken of in the despatch.

This is one of the particulars which will require careful enquiry before it is determined: For it should be remembered that in the place of Warrants, some of them ranging from fifty to two hundred pounds, Notes of

small amount will have to be issued; thereby substituting for a kind of paper not often changing hands, a circulation of the most active character. It would, therefore, be prudent to regulate the amount of the contemplated issue rather within than above the supposed demands of commerce.

It is a maxim with political economists that the supply of the circulating medium should be commensurate with the number of exchanges it has to perform, and these are liable to vary with the variations in the state of industry and advancement of a population. A country pursuing a widely extended and intricate commerce, will require a larger amount per head than one whose commercial engagements are of a more simple nature. In Scotland, where the arrangements for maintaining a paper circulation are perhaps more perfect, and more skilfully contrived than in any other part of the world, and where all the machinery for keeping paper afloat is thoroughly backed by the habits and affections of the people, the sum per head is stated to be 1*l.*; whereas, in England, where these arrangements are not so perfect, and where the confidence of the people in the Banks is not so complete, it is calculated at 2*l.* per head.

I have sometimes asked the question of those who are well qualified to form an opinion—What do you suppose to be the amount of the circulation of the Island? The answers have induced me to think that an issue not exceeding 35,000*l.* would not be very wide of the amount to be aimed at. Allowing the population of the Island to be about 55,000, this would be about 13 shillings per head, or a trifle less. There is no rule by which the actual amount of circulation required by any community can be accurately determined, but that of experience, and as we have not that to guide us, we must be content to feel our way—and this may be safely done, if we are careful to provide as much only as is clearly within the wants of the Island.

The third step to be considered, is the means by which the conversion is to be accomplished—whether by a loan or otherwise; and the amount of the loan or equivalent measure, by the working of which, specie may be supplied to the Currency Officer, to enable him to meet any demands which might be made on him for coin in exchange for the Notes when put out into circulation.

In supposing a loan to be agreed upon, it is that we may be able to judge and compare the convenience and advantage of each measure. We have only to imagine the negotiation for a loan accepted, the terms agreed to, and the specie placed to our order. Upon any instalment of it being safely lodged in the custody of the Currency Officer, or authority to which this business would have to be entrusted—he would issue to the Treasurer a certain amount of Notes payable on demand, with which Notes the Treasurer would proceed to pay off the holders of Warrants to a like amount. Allowing that the whole amount of Warrants outstanding was discharged in this manner, a loan of about 20,000*l.* sterling would be required, and the result would be that by a round about process, accompanied by considerable expense and probably some delay, the Warrants would be converted into a fixed instead of a floating debt of the same amount, or in other words, they would have been funded.

Now, looking at the present state of the money market in all parts of the world, this is no encouraging time for entering upon the negotiation of a loan of any amount, however small, and as our financial history might not give a very favorable impression to the ordinary dealers in such contracts, it may be as well to see if we cannot by management do as well or better without it.

The proceeding by loan might also prove more abrupt and disturbing than might be advisable, or generally acceptable; for suitable investments for those of the country people who have been accustomed to hold their savings in Warrants, would not be readily obtained if

the whole operation was suddenly proceeded with, and the consequences to them might be prejudicially inconvenient.

It would, I think, be more advantageous that the process of change from one system to the other should be made as gradual as possible, that no shock should be given to public confidence; and that the new measures should be introduced under the watchful control of the Executive Government. A prudent foresight and attention to precautionary arrangements is the most approved means for securing the success of any measure and should not be neglected here.

Taking, then, the Report of the Committee of Public Accounts for March 1847, as the basis of the measure, we have the following as the amount of Notes and Warrants in issue, &c.:

Dr.		Cr.	
Notes,	£11,500 0 0	Bonds,	£9,145 5 4 $\frac{1}{2}$
Warrants,	29,317 9 2 $\frac{1}{2}$	Cash,	5,486 11 0 $\frac{1}{2}$
	£40,817 9 2 $\frac{1}{2}$		£14,631 16 4 $\frac{1}{2}$

To enable the Government to enter upon the measures for making its Notes payable on demand without danger to the credit of the Island, or inflicting injury upon the present holders of Warrants, it would be necessary, as a preliminary step, to fund a certain amount of them, say 18,000. (I specify this amount because it will be seen that by working from this sum, we shall bring out a circulation of Notes in agreement with the previously expressed amount to be issued.) As the smaller Warrants influence the circulation more actively than the larger ones, and there is reason to think that more than half of those now in issue vary from two pounds up to between forty to fifty pounds, a preference might be given to the holders of small Warrants, in the first instance, provided that each parcel of them made up a sum of not less than one hundred pounds.

I have assumed that the holders of Warrants will not be unwilling to change their Warrants for an equal value of transferrable stock; but this is in the expectation that provision will be made for the payment of the interest every half year, at stated periods, and a guarantee of some sort arranged for the gradual liquidation of the debt within a certain number of years.

The particulars of the funding need not be entered into now; but supposing the funding of 18,000 to be completed, the floating account would stand thus:—

Notes	11,500 0 0	Against Bonds	9,145 5 4 $\frac{1}{2}$
Warrants,	11,317 9 2 $\frac{1}{2}$	Cash,	5,486 11 0 $\frac{1}{2}$
	£22,817 9 2 $\frac{1}{2}$		£14,631 16 4 $\frac{1}{2}$

Eleven thousand three hundred and seventeen pounds of Warrants, chiefly of large amount, could not exercise any evil influence over the circulation during the progress of the other operations intended to compass their financial discharge.

We come now to the preparations for rendering the Notes legal tender, and making them payable on demand. It will be necessary to organize an office of some kind altogether independent and separated from the Treasury, into which office all the specie brought into the Treasury will have to be transferred (except such small money as may be necessary to carry on the general business of the office) to the Currency Officer's charge. To sustain the credit of the Government Notes, an order should now be Gazetted, that the Colonial Notes and specie only would henceforth be received in payment of all dues and duties of every kind; and the various Public Officers should be instructed to carry out the order with strictness.

As soon as specie to the amount of 5,750*l.* (being half the amount in value of Notes now in circulation) had been deposited in the Currency Officer's hands, the Government might proceed to declare the Notes a legal tender payable on demand, and from this time all the specie received into the Treasury is to be immediately transferred to the Currency Office. For every hundred