

(From the Atlantic Monthly, February, 1858.)

THE GREAT FAILURE.

(Concluded.)

But it happens that this standard is not an accurate standard. It does not stand, while other things alone move, but moves itself; its value is changeable, fluctuating from time to time according to the relation of supply and demand, and from place to place according to the perturbations of the trade of the world. Moreover, its very pre-eminence of function—the universality and the durability of its worth—renders it peculiarly sensitive to accidental influences, or to influences outside of the usual workings of trade. A great war or revolution occurring anywhere, the loss by tempests or frosts of an important staple, such as wheat or cotton, the fall and reaction consequent upon some great speculative excitement, are all likely to produce enormous drains or sequestrations of this valuable material. When the revolt of 1848 broke out in Italy, every particle of specie disappeared as effectually as if it had been thrown into the Adriatic or the mouth of Vesuvius; when the corn crop failed in England in 1846, the Bank of England lost ten millions of dollars in gold in less than nine days, and the country five times that in about a month; and in our own late experiences, with three hundred millions of gold among the people, we have seen it so put away, that no charm or bait could allure it from its hiding-places.

Need we go any farther than these simple truths, to lay our finger on the primal fact which underlies all financial embarrassment and panics? The mass of the transactions in commerce rests upon credit; the solvent of that credit is gold; and gold has not only a sliding scale of value, but is apt to disappear when most wanted. While business is moving on in the ordinary way, it is more than ample for every purpose; but the moment any event arises, such as a rapidly falling market, inducing hurried sales, or a drain of specie, disturbing the general confidence, everybody gets apprehensive, everybody calls upon everybody for payment, and everybody puts everybody off,—till a feeling of *saave qui puet* becomes universal.

If there were no currency anywhere but a metallic currency, this liability to sudden revulsions would still hang over trade, provided credit and paper tokens of credit continued to be the media of exchanges; and the instinctive or experimental perception of this truth, combined with other motives, is what has led men to their various attempts to provide a money substitute for gold and silver. Lyeurgus, in Sparta, found it, as he supposed, in stamped leather; but modern wisdom has preferred paper. The degree of success attained by Lyeurgus we do not know; but of the success of the moderns we do know, by some one hundred and fifty years of recurring disaster. There are some steeds that cannot be ridden; they are so fractious and intractable, that, put whom you wish upon their back, he is thrown, and invent what snaffle or breaking-bit you may, they will not be held to an equable or moderate pace. And of this sort, judging by the past attempts, is Paper Money. All the ingenuity and efforts of the most skilful trainers of the Old World, and of the most cunning jockeys of the New, have been tasked in vain to devise an effective discipline and curb for this impatient colt. Paper Money either refuses to be ridden, and runs rampant away, or, if any one succeed in mounting him for a time, he performs a journey like that which Don Quixote took on the back of the famous Cavaino, or Winged Horse. In imagination he ascended to the enchanted regions,—but in reality he was only dragged through alternate gusts of fire and of cold winds, to find the horse himself, in the end, a mere depository of squibs and crackers.

Paper money has been issued, for the most part, on the one or the other of two conditions, namely: as irredeemable, when it has been made to rest on the vague obligation of some government to pay it some time or other in property; or as convertible into gold and silver on demand. But under both conditions it seems to have been impossible to preserve it from excess and consequent depreciation. Nothing would appear to be safer and sounder, on the face of it, than a money-obligation backed by all the responsibility and property of a government; and yet we do not recall a single instance in which an irredeemable government-money has been issued, where it did not sooner or later swamp the government beyond all hope of its redemption. No virtue of statesmanship is proof against the temptation of creating money at will. Even where there has been a nominal convertibility on demand of the bills of government banks, they have worked badly in practice. In 1657, for instance, the monarch of Sweden established the Bank of Stockholm; yet in a little while its issues amounted to forty-eight millions of roubles, and their depreciation to ninety-six per cent. In 1736, Denmark erected the Bank of Copenhagen; but within nine years from its foundation it suspended redemptions altogether, and its notes were depreciated forty-six per cent. We need not refer to the extraordinary issues of French assignats, or of American continental money,—nor to the deluges of paper which have fallen upon Russia and Austria. During all these experiments, the sufferings of the people, according to the different historians, were absolutely appalling. One of these experiments of paper money, however, begun under the most promising auspices, and on a professed basis of convertibility, was yet so stupendous and awful in its effects, that it has taken its place as a Pharos in History, and is never to be forgotten. We refer, of course, to the banking prodigality of the Regency of France, undertaken in connection with the scheme known as Law's Mississippi Bubble,—although the Bank and the Bubble were not essentially connected. We presume that our readers are acquainted with the incidents, because all the modern historians have described them, and because the more philosophical impute to them an active agency in the origination of that moral corruption and lack of political principle which hastened the advent of the great Revolution. Louis XIV. having left behind him, as the price of his glory, a debt of about a thousand millions of dollars, the French ministry, with a view to reduce it, ordered a recoinage of the louis-d'or. An edict was promulgated, calling in the coin at sixteen livres, to be issued again at twenty; but Law, an acute and enterprising Scotchman, suggested that the end might be more happily accomplished by a project for a bank, which he carried in his pocket. He proposed to buy up the old coin at a higher rate than the mint allowed, and to pay for it in bank-notes. This project was so successful that the Regent took it into his own hands, and then began an issue of bills which literally intoxicated the whole of France. No scenes of stock-jobbing, of gambling, of frenzied speculation, of reckless excitement and licentiousness ever surpassed the scenes daily enacted in the Rue Quincampoix; and when the bubble burst, the distress was universal, heart-rending, and frightful. With millions in their pockets, says a contemporary memoir, many did not know where to get a dinner; complaints and imprecations resounded on every side; some, utterly ruined, killed themselves in despair; and mysterious rumors of popular risings spread throughout Paris the terror of another expected St. Bartholomew.

In this case the phenomena were the more striking because they were gathered within a short compass of time, and took place among a people proverbial for the versatility and extravagance of their impressions. The French are an excitable race, who carry whatever they do or suffer to the last extreme of theatrical effect; and for that reason it might be supposed that the tremendous revulsions we have alluded to were owing in part to national temperament. But similar effects have been wrought, by similar causes, among the slower and cooler English, with whom commercial disturbances have been as numerous and as disastrous as among

the French, only they have been distributed over wider spaces of time, and controlled by the more sluggish and conservative habits of the nation. Some twenty years before Law made his approaches to the French Regent, another Scotchman, William Patterson, had got the ear of Macaulay's hero, William Pitt, and laid the foundation of the great Bank of England. It was chartered in 1694, on advances made to the government; and gradually, under its auspices, the vast system of English banking, which gives tone to that of the world, grew up. Let us see with what results; they may be expressed in a few words: every ten or fifteen years, a terrific commercial overturn, with intermediate epochs of speculation, panic, and bankruptcy.

We cannot here go into a history of this bank, nor of the various causes of its reverses; but we select from a brief chronological table, in its own words, some of the principal events, which are also the events of British trade and finance.

1694. The Bank went into operation.

1696. Bank suspended specie payments. Panic and failures.

1707. Threatened invasions of the Pretender. Run upon the Bank,—panic. Government helped it through, by guaranteeing its bills at six per cent.

1714. The Pretender proclaimed in Scotland. Run upon the Bank,—panic.

1718-20. Time of the South-Sea Bubble. Reaction,—demand for money,—Bank of England nearly swept away,—trade suspended,—nation involved in suffering.

1744. Charles Edward sails for Scotland, and marches upon Derby. Panic. Run upon the Bank,—is obliged to pay in sixpences, and to block its doors, in order to gain time.

1772. Extensive failures and a monetary panic. The Bank maintains the convertibility of its notes for several years, at an annual expense of £850,000.

1793. War with France,—drain of gold,—Bank contracts,—panic,—failures throughout the country,—universal hoarding,—one hundred country banks stop,—notes as low as five pence first issued,—general fall of prices.

1796. An Order in Council suspends specie payment by the Bank.

1799. Numerous failures,—chiefly on the Continent. The pressure in England relieved by an issue of Exchequer bills.

1807-9. Great speculations in flax, hemp, silk, wool, etc.

1810. Recoil of speculation,—extensive failures, and great demand for money.

1811. Parliament adopts a resolution declaring a one-pound note and a shilling legal tender for a guinea.

1814-16. Heavy losses and bankruptcies,—failure of two hundred and forty country banks,—the distress and suffering of the people compared to that in France after the bursting of the Mississippi Scheme.

1819. Law passed for the resumption of specie payments in 1823,—after a suspension of twenty-seven years.

1822. Great commercial depression throughout Europe,—agricultural distress,—famine in Ireland.

1824. Speculations in scrips and shares of foreign loans and new companies, to a fabulous amount.

1825. Recoil of the speculations,—run upon the banks,—seventy banks stop,—a drain of gold exhausts the bullion of the Bank.

1826. Depression of trade,—government advances Exchequer bills to the Bank.

1832. A run for gold,—bullion in the Bank again alarmingly reduced.

1834-7. Jackson vs. Biddle in America produces considerable derangements in England,—drain of gold,—great alternate contractions and expansions,—severe mercantile distress.

1844. Renewal of the Bank Charter, limiting its issues,—great speculations in railroad shares, to the amount of £500,000,000.

1845. Recoil of the speculations,—immense sacrifice of property.

1846. Drain of gold,—large importations of corn,—alarm.

1847. Drain of gold continues,—panic and universal mercantile depression,—Bank refuses discounts,—forced sales of all kinds of property,—the Bank Charter suspended.

1857. The experience of 1847 repeated on a more injurious scale, with another suspension of the Bank Charter Act.

Now this record does not show a brilliant success in banking; it does not encourage the hopes of those who place great hopes in a national institution; for the Bank of England is the highest result of the financial sagacity and political wisdom of the first commercial nation of the globe. A recognized ally of the government,—at the very centre of the world's trade,—enjoying a large freedom of movement within its sphere,—conducted by the most eminent merchants of the metropolis, assisted by the advice of the most accomplished political economists,—sanctioned and amended, from time to time, by the greatest ministers, from Walpole to Peel,—it has had, from its position, its power, and the talent at its command, every opportunity for doing the best things that a bank could do; and yet behold this record of periodical impotence! Its periodical mischiefs we leave out of the account.

In the United States, we have suffered from similarly recurring attacks of financial epilepsy; we have tried every expedient, and we have failed in each one; we have had three national banks; we have had thousands of chartered banks, under an infinity of regulations and restrictions against excesses and frauds; and we have had, as the appropriate commentary, three tremendous cataclysms, in which the whole continent was submerged in commercial ruin, besides a dozen lesser epochs of trying vicissitude. The history of our trade has been that of an incessant round of irruptions and ebb-tides; and the amount of rascality and fraud perpetrated in connection with the banks, in order to defeat the restrictions upon them, has no parallel but in the sponging-houses. A Belgian philosopher, from the study of statistics, has deduced a certain order in disorder,—or a law of periodicity in the recurrence of murders, suicides, crimes, and illegitimate births; and it appears that a similar regularity of irregularity might be easily detected in our cyclic bank explosions.

With the sad experiences of other nations before us,—with the rocks of danger standing high out of the water, and covered all over with the fragments of former wrecks, we have yet persisted in following the old wretched way. What a humiliating confession! what a comment on the alleged practical discernment of this practical people! what a text for radicals, socialists, and all sorts of Utopian dreamers! If the mischiefs of these monetary aberrations were confined to a mere loss of wealth,\* which is proverbial for its winged uncertainty, we might regard them as a seeming admonition of Providence against putting too much trust in riches; but they are to be considered as something infinitely worse than mere reverses of fortune: the disorders they generate shake the very foundations of morals; and while shattering the industry, they undermine the economy and frugality and rend the integrity of mankind. We doubt whether any of the great forms of evil incident to our imperfect civilization—the slave-trade, debauchery, pauperism—cause more individual anguish or more public detriment than these incessant revolutions in the value and tenure of property. Those afflict limited classes alone, but these every class; they relax and pervert the whole moral regimen of society; and if, as it is sometimes alleged, the present age is more profoundly steeped in materialism than any before,—if its

\* Yet this is not to be lightly estimated. Seaman, in his Progress of Nations, says the direct losses by paper money, within the last century and a half, have equalled \$2,000,000,000.

enterprise is not simply more bold, but more reckless and prodigal,—if the admonitions of conscience have lost their force in practical affairs, and the dictates of religion and honor alike their sanctity, it is because of the uncertain principle, the gambling spirit, the feverish eagerness, and the insane extravagance, which beset the ways of traffic. Living in a world in which days of golden and delusive dreams are rapidly succeeded by nights of monstrous nightmares and miseries, society loses its grasp upon the realities of life, and goes staggering blindly on towards a fatal degeneracy and dissolution.

The question, then, is, whether this melancholy march of things should be allowed to proceed, or whether we should strive to do better. Our good sense, our moral sense, our progressive instincts, conspire with our interests in proclaiming that we ought to do better; but how shall we do better? "Why," reply the great Democratic doctors—Mr. Buchanan, the President, and Mr. Benton, the Nestor of the people—"suppress the issue of small bank-notes!" Well, that nostrum is not to be despised; there would be some advantages in such a measure; it would, to a certain extent, operate as a check upon the issues of the banks; it would enlarge the specie basis, by confining the note circulation to the larger dealers, and so exempt the poorer and laboring classes from the chances of bank failures and suspensions. But if these gentlemen suppose that the extrusion of small notes would be in any degree a remedy for overtrading, or moderate in any degree the disastrous fluctuations of which everybody complains, they have read the history of commerce only in the most superficial manner. Speculations, overtrading panics, money convulsions, occur in countries where small notes are not tolerated, just as they do in countries where they are; and they occur in both without our being able to trace them always to the state of the currency. The truth is, indeed, that nearly all the great catastrophes of trade have occurred in times and places when and where there were no small notes. Every one has heard of the tulip-mania of Holland,—when the Dutchmen, nobles, farmers, mechanics, sailors, maid-servants, and even chimney-sweeps and old-clothes-women, dabbled in bulbs,—when immense fortunes were staked upon the growth of a root, and the whole nation went mad about it, although there was never a bank nor a paper florin yet in existence.\* Every one has heard of the great South-Sea Bubble in England, in 1719, when the stock of a company, chartered simply to trade in the South Seas, rose in the course of a few weeks to the extraordinary height of eight hundred and ninety per cent., and filled all England with an epidemic frenzy of gambling, so that the recoil ruined thousands upon thousands of persons, who dragged down with them vast companies and institutions.† Yet there was not a bank-note in England, at that time, for less than twenty pounds, or nearly a hundred dollars.

More recent revulsions are still more to the point. In 1825, in England, there were enormous speculations in joint-stock enterprises and foreign loans. Some five hundred and thirty-two new companies were formed, with a nominal capital of about \$2,200,000,000, and Greek, Austrian, and South American loans were negotiated, to the extent of \$275,000,000. Scarcely one of these companies or of these loans ever paid a dividend; and the consequence was a general destruction of credit and property, and a degree of distress which was compared to the terrible sufferings inflicted by the Mississippi and the South-Sea Bubbles. Yet there were no bank-notes circulated in England under five pounds, or twenty-five dollars. Again, our readers may recall the monstrous overtrading in railroad shares in the years 1845-6. Projects involving the investment of £500,000,000 were set on foot in a very little while; the contagion of purchasing spread to all the provincial towns; the traditionally staid and sober Englishman got as mad as a March hare about them; Mr. Murdle reigned triumphant; and, in the end, the nation had to pay for its delirium with another season of panic, misery, and ruin. Yet during all this excitement there were not only no small notes in circulation, but, what is most remarkable, there was no unusual increase in the issues of the banks, of any kind.

Let us not hope too much, therefore, from the suppression of small notes, should that scheme be carried into effect; let us not delude ourselves with the expectation that it will prove a satisfactory remedy, in any sense, for the periodical disease of the currency; for its benefits, though probable, must be limited.‡ It is a remedy which merely plays round the extremities of the disorder, without invading the seat of it at all.

We have endeavored, in the foregoing remarks, to point out (for our limits do not allow us to expound) two things: first, that in the universal modern use of credit as the medium of exchange,—which credit refers to a standard in itself fluctuating,—there is a liability to certain critical derangements, when the machinery will be thrown out of gear, if we may so speak, or when credit will dissolve in a vain longing for cash; and, second, that in the paper-money substitutes which men have devised as a provision against the consequences of this liability, they have enormously aggravated, instead of counteracting or alleviating the danger. But if these views be correct, the questions to be determined by society are also two, namely: whether it be possible to get rid of these aggravations; and whether credit itself may not be so organized as to be self-sufficient and self-supporting, whatever the vagaries of the standard. The suppression of small notes might have a perceptible effect in lessening the aggravations of paper, but it would not touch the more fundamental point, as to a stable organization of credit. Yet it is in this direction, we are persuaded, that all reformatory efforts must turn. Credit is the new principle of trade,—the *nexus* of modern society; but it has scarcely yet been properly considered. While it has been shamefully exploited, as the French say, it has never been scientifically constituted.

Neither will it be, under the influence of the old methods,—not until legislators and politicians give over the business of tampering with the currency,—till they give over the vain hope of "hedging the cuckoo," to use Locke's figure,—and the principle of FREEDOM be allowed to adjust this, as it has already adjusted equally important matters. Let the governments adhere to their task of supplying a pure standard of the precious metals, and of exacting it in the discharge of what is due to them, if they please; but let them leave to the good sense the sagacity, and the self-interest of Commerce, under the guardianship of just and equal laws, the task of using and regulating its own tokens of credit. Our past experiments in the way of providing an artificial currency are flagrant and undeniable failures; but as it is still possible to deduce from them, as we believe, ample proof of the principle, that the security, the economy, and the regularity of the circulation have improved just in the degree in which the entire money business has been opened to the healthful influences of unobstructed trade,—so we infer that a still larger liberty would insure a still more wholesome action of the system. The currency is rightly named the *circulation*, and, like the great movements of blood in the human body, depends upon a free inspiration of the air.

Under a larger freedom, we should expect Credit to be organized on a basis of MUTUAL RESPONSIBILITY AND GUARANTEE, which would afford a stable and beautiful support to the great systolic and diastolic movements of trade; that it would reduce all paper emissions to their legitimate character as mere mercantile tokens, and liberate humanity from the fearful debaucheries of a fictitious money; and that Commerce, which has been compelled hitherto to sit in the mar-

\* Mackay's History of Popular Delusions. † Doubleday's Financial History of England, p. 93. ‡ It is very curious, that, while our leaders are in favor of exercising small notes, many of the French and English Liberals are calling for an issue of them!

kets of the world, like a courtesan at the gaming-table, with hot eye and panting chest and painted cheeks, would be regenerated and improved, until it should become, what it was meant to be, a beneficent goddess, pouring out to all the nations from her horns of plenty the grateful harvests of the earth.

For Sale,

A FREEHOLD PROPERTY, thirteen miles from Charlottetown, the most eligible situation for country business on the Island, situated at Vernon River Bridge, Lot 50—where vessels drawing ten feet of water can load at the Bridge—the public road from south side of the Island running close by the shop door. There are on the premises a DWELLING-HOUSE, in good repair, containing on the lower floor a Dining-room, Drawing-room, two Bed-rooms and Kitchen, also a Shop 24 x 20, on the upper floor two Bed-rooms; a two-story GRANARY 40 x 25, with double floors; a new SHED 48 x 20; a Store-house, Stable and Coach-house, and a good Well of water close to the house. For further particulars apply in Charlottetown to BENJ. DAVIES, Esquire, or on the premises to the proprietor, October 5, 1857. ROBERT BARKER.

For Sale,

LOTS suitable for Villa Residences, situate on the western moiety of "Spring Park" Estate—within a few minutes walk of the Province Building. For further particulars, plan, &c., apply to THOS. DESBRISAY, or to the subscriber, May 18, 1857. W. H. POPE.

Valuable Leasehold Property for Sale.

THE undersigned offers for sale his FARM at Barrott's Cross, Lot 19, containing 114 acres of excellent Land, at the annual rent of 1s. per acre, for 999 years; forty acres of which are under a high state of cultivation, and the remainder is covered with the best quality of hard wood timber and fencing poles. It has a front of nineteen chains on the Main Western and Bedouque Road, and is within nine miles of the flourishing Town of Summerside. There are on the premises a very excellent DWELLING-HOUSE, together with a DISTILLERY, COACH-HOUSE, STABLES, &c.; two excellent Wells of water are within a few yards of the door, and every other accommodation besides. A portion of the purchase money may remain on interest for such time as may be agreed on. Barrott's Cross, Lot 19, Oct. 5. PETER MULLIN.

From Liverpool.

THE fast-sailing first class Ship "MAJESTIC," 500 tons burthen, EDWARD NOWLAN, Commander, will sail from the above Port for Ch. Town, on the 21st of APRIL. For Freight or Passage please apply to W. W. LORD & Co., Charlottetown; or, to the Agents of the Ship, Messrs. DAVID CANNON, SONS & Co., 52 South John-street, Liverpool.

All Goods forwarded by this Ship for any Port, from Pictou, Nova Scotia, to Miramichi, will be forwarded immediately on the arrival of the Ship at the owner's expense, but at the shipper's risk. Ch. Town, Jan. 18, 1858.

Prince Edward Island Regular Trader!

THE fast-sailing ship "ISABEL," 700 tons burthen, A. I. at Lloyd's, coppered and copper fastened, commanded by ALEXANDER McDONALD, an experienced person in the trade, will sail from Liverpool, England, for this port direct, early in April next. She has always landed her cargoes in good condition, and performed her trips with regularity. There has never been any cause for claim on the underwriters for Goods shipped by this vessel. Persons intending to forward by this conveyance will please have their Goods alongside at an early date. For further particulars respecting Freight or Passage, apply to ANDREW DUNCAN, Esq., 12 Baltic Buildings, Liverpool, or to DUNCAN, MASON & CO. Charlottetown, P. E. I., Jan. 25, 1858. 61.

To sail direct for the Gold Diggings, Nelson, New Zealand.

THE new first class Brigantine "SNOW DRIFT," DONALD MCKAY, Commander, will sail for the above Port from Charlottetown, on or about the 20th JULY next—is now fitting up expressly for a limited number of PASSENGERS. Passage money, including good and substantial provisions, £33 Sterling. The owner—a medical man—accompanies the Ship, with his family, and will pay every attention to the health and comfort of the Passengers.

For Passage or Freight apply to the Captain, Post Office, Charlottetown, (if by letter, post-paid); or to Mr. JAMES MORRIS, Merchant, Charlottetown.

A few hands capable of working their passage as seamen, or a Cook and Steward, will be taken on such terms. February 1, 1858.

Removal.

THE Subscriber has REMOVED to JAMES PEAKE ESQ'S., BRICK BUILDING, next door to the Bank. GEORGE F. C. LOWDEN. Charlottetown, Dec. 24, 1857. 2m

Notice of Co-Partnership.

THE subscriber having taken into partnership Mr. THOS. MORRIS, the business in future will be conducted under the firm of "J. & T. MORRIS." JAMES MORRIS. Feb. 8, 1858. Mon Isl & Jour 3m

J. & T. MORRIS, Commission Merchants, General Agents and Auctioneers, CORNER OF QUEEN AND WATER STREETS, CHARLOTTETOWN, PRINCE EDWARD ISLAND. February 8, 1858. (Fri Mon & Jour) 3m

Moncton and Shediac Railway.

UNTIL further notice Trains will run between Shediac and Moncton every lawful day, leaving Shediac at 7 1/2 a. m., and 4 1/2 p. m.; leaving Moncton at 9 a. m., and 6 p. m. Fare 2s. 6d. Children under 12 years, half price. Freight at the following rates, viz:— Flour.....6d. per barrel. Fish.....7d. do. Pork.....9d. do. Oats.....14d. per bushel. Barley.....2d. do. Other goods in proportion. All goods delivered at the stations. The "Maid of Erin" connects with Saint John twice a week, leaving Saint John on Tuesday and Friday evenings and arriving at Moncton at high water next morning. There is also communication with Saint John three times a week by stage coaches. The steamers "Westmorland" and "Rosebud" connect with Prince Edward Island on Wednesdays and Saturdays. R. JARDINE, Chairman Railway Board. Saint John, August 31, 1857. 4f



"Alliance Life and Fire Insurance Company" of LONDON ESTABLISHED BY ACT OF PARLIAMENT 1824. Capital, Five Millions Sterling. April 14. CHARLES YOUNG, Agent for P. E. I.

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