

POLITICAL DICTIONARY;

FORMING

A WORK OF UNIVERSAL REFERENCE,

BOTH

CONSTITUTIONAL AND LEGAL;

AND EMBRACING THE TERMS

OF CIVIL ADMINISTRATION,

OF POLITICAL ECONOMY AND SOCIAL RELATIONS,

AND

OF ALL THE MORE IMPORTANT STATISTICAL DEPARTMENTS OF

FINANCE AND COMMERCE.



IN TWO VOLUMES. .

VOLUME I.

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superior judges of common law fifteen instead of twelve. But the five judges never sit all together, the full court consisting, as formerly, of four only.

During the terms, which are four periods in the year of about three weeks each, the three courts sit at Westminster for the determination of all questions of law; and twice a year fourteen of the judges make their circuits through England and Wales, to try, with the assistance of juries, all disputed questions of fact that arise in the country. Actions brought in Middlesex or London are tried in the same manner at the sittings which are held on certain days in and immediately after every term.

From each of the three courts there lies an appeal by writ of error to the Court of Exchequer Chamber. This is not a permanent court, consisting always of the same members; but from whichever of the three courts the appeal is made, it is brought before the judges of the other two. From the constitution of this tribunal, it is evident that where any considerable difference of opinion exists among the fifteen judges, it is incapable of effecting one of the chief purposes of a court of appeal—that of producing uniformity of decision; and, accordingly, a further appeal lies by writ of error to the House of Lords.

For the history of the courts, see Reeve's *History of the English Law*; Maddox's *History of the Exchequer*; Palgrave's *Progress of the English Commonwealth*; Allen's *Inquiry into the Prerogative*.

COURTS CUSTOMARY. [COPYHOLD.]

COURTS ECCLESIASTICAL. [ECCLESIASTICAL COURTS.]

COURTS OF RECORD. [COURTS.]

COVERTURE. [WIFE.]

CREDENTIALS. [AMBASSADOR.]

CREDIT, in commerce and in political economy, signifies the trusting or lending of one man's property to another. The man who trusts or lends is said to give credit, and he who is trusted is said to obtain it. The one is called a creditor, and the other a debtor.

Credit is given either in goods or in money. By the former mode goods are

supplied to a purchaser, for which the payment is deferred for some fixed period, or indefinitely, and the person who supplies them indemnifies himself for the delay by an increased price. By the latter mode, money is advanced, upon security or otherwise, and interest is charged upon the loan. [INTEREST; MORTGAGE.] Both these modes are used, in conjunction with each other, in the large transactions of commerce. A manufacturer, for example, sells to a merchant, for exportation, goods to the value of a thousand pounds. The merchant, however, is unable to pay for them until he has received remittances from abroad; and the manufacturer, aware of his solvency, is contented to receive in payment a bill of exchange, due at some future period. [EXCHANGE, BILL OF.] But in the mean time he is himself in need of money to carry on his business; and instead of waiting for the payment of the bill when it shall become due, he gets it discounted by a banker or other capitalist. Thus having given credit to one person in goods, he obtains credit from another in money. In this and other ways capital is circulated and applied to the various purposes for which it is required. But without entering further upon the practical methods by which the mercantile system of credit is conducted, it is proposed to inquire into its causes and into its economical uses and results.

There can be no system of credit until there has been a considerable accumulation of capital; for when capital first begins to be accumulated, those who possess it apply it directly in aid of their own labour. They have no superfluity which they can afford to lend to others; and they are generally engaged in some business in which their savings can be profitably employed. As a country increases in wealth, many persons acquire capital which they cannot employ in their own business, or can only employ by offering inducements to purchase in the shape of deferred payments. Others, again, inherit capital from which they wish to derive an income without the trouble of personally superintending its application. It is from these classes of persons that lenders of capital arise; and

they have no difficulty in finding borrowers. Setting aside that countless class of mankind whose maxim it is to get money or money's worth, honestly if they can, but at all events to get it—who will borrow whenever others will lend, and reckon the loan as so much money earned, most men have an instinctive perception that the next best thing to having capital of their own is to have the use of the capital of others. The efficacy of capital is very soon discovered as an instrument for the production of wealth, and those who have it are not willing to pay for its use; or, in other words, to share with a capitalist the profits of their own industry, on condition that he intrusts to them such funds as they require for making it productive. Thus as soon as a sufficient capital exists, a system of credit has a natural tendency to arise, and will continue to grow with the increase of capital, unless it be checked by a general insecurity of property, by imperfect legal securities for the payment of debts, or by a want of confidence in the integrity of the parties who desire to borrow. When the society and laws of a country are in a sound state, and capital is abundant, credit comes fully into operation.

The precise use of credit as an agent in the production of wealth is that it gives circulation to capital, and renders it available wherever it can be most profitably employed. It does for capital what division of employments does for labour. Without augmenting its quantity it increases its utility and productiveness. Credit, in fact, may be best understood by regarding it as one of the many forms in which the division of employments facilitates the production of wealth. Without the aid of capital, the labour of man is comparatively ineffectual; and credit, by circulating capital among those who are engaged in the productive employment of labour, promotes the most essential of all divisions of industry—that which uses and makes effective the ingenuity of men in those pursuits for which they are adapted. [DIVISION OF EMPLOYMENTS.]

To employ capital productively is a business requiring great knowledge, skill, and industry; and is rendered more effec-

tive by a division of superintendence, as manual labour is facilitated by a judicious distribution of employments among several hands. Every man who borrows money for the legitimate purposes of industry, and applies it with judgment, is really the agent of the capitalist, in executing duties which the capitalist himself would be unable to perform. A man's capital would be comparatively useless without an active superintendence, and a union of skill and industry in a particular business. These qualities are placed at his disposal by the system of credit, and stimulated to exertion by a share in the profits arising from the use of his capital. If the capitalist should trust persons improvidently, these useful results will not follow; but it is his peculiar province, as it is his interest, to exercise caution and judgment in the investment of his own capital; and if he fail to do this, his fortune will suffer in precisely the same manner as if he superintended a factory himself without understanding the business, and employed idle and ignorant foremen and unskilled operatives.

These illustrations will suffice to explain the nature and uses of credit: but it must always be borne in mind that in circulating capital and making it available in aid of industry, it calls no new capital into existence. It makes the existing capital of a country more productive, and consequently accelerates the accumulation of fresh capital; but credit cannot be, in itself, a substitute for capital. A man without any capital of his own may carry on business by the aid of credit; but he is merely using the capital of another. No man can lend his money, and still use it himself. It is not ubiquitous—nor can it serve two purposes at once. If a man does not use his own capital, he may lend it to another to use; but it is impossible that he can both use it himself and allow another to use it at the same time. He cannot use it in person and by proxy.

Stated in this manner, the truth of these principles is obvious; yet so great is the influence of credit in stimulating enterprise, that it is constantly mistaken for a distinct productive agency. Thus it is said, for example, that wherever credit is freely obtained in a country, great pro-

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sperity is the result; and it is undeniable that facilities in obtaining credit and prosperity are ordinary concomitants; but they are both equally the results of an abundance of capital seeking employment, under circumstances favourable for its profitable use. If credit be granted too freely for the amount of capital by which it is supported, or if it be forced beyond the natural demands of trade, speculations and improvidence are encouraged which are ruinous to the parties concerned, and deeply injurious to society. An apparent prosperity exists for a time, but when the day of reckoning arrives, it is discovered that credit, instead of creating capital, has merely diverted it from one investment to another more speculative and hazardous, which at best can only be made ultimately profitable by a continuance of the credit by which it was encouraged. But if this credit be limited or withdrawn, what becomes of the fictitious capital upon which so much reliance had been placed? Without any failure of the enterprise, the capital by which it was conducted is gone at once. This could not happen if credit created capital; but it is perfectly accounted for when it is understood that capital, however it may be circulated and made accessible by credit, in order to be applied to any new object must have been withdrawn from another, to which it is liable to revert. As one of the forms in which capital is distributed, a system of credit is of the highest value; but if relied on as an independent equivalent of capital, it is delusive or fraudulent. [MONEY.]

As yet that description of credit which consists in defined payments for goods has only been generally adverted to; but we cannot close this article without a special notice of its peculiar character and effects. This system of credit is generally resorted to by tradesmen to increase their business; and it is undeniable that deferred payments offer a strong temptation to purchase. We are always eager to possess, and the cost of possession appears small in remote perspective. When a customer buys an article for which he is not to pay for twelve months, he becomes indebted for

its value, and he has also, in fact, borrowed that amount of the tradesman, to whom he must ultimately repay—1st, the cost price of the article; 2ndly, the profit upon the sale; and, 3rdly, the year's interest upon the amount advanced. The tradesman, if he have capital, and can rely upon ultimate payment, is very glad to encourage purchases, and not only to sell his goods, but to charge a high rate of interest for deferred payments. If he have not a sufficient capital, he must borrow money from others to enable him to give credit; and, of course, he will charge to his customers a higher interest than he has paid himself. In either case he runs considerable risk, for the debts contracted in this manner are devoid of all security. The goods are supplied and consumed; and if the parties fail in payment, there can be no restitution or compensation. When the system is fully established, many persons avail themselves of it dishonestly; others are improvident, and without intentional fraud, exceed their means, and become insolvent; and various accidental circumstances may prevent the tradesman from recovering his debts. His risk, therefore, is exceedingly great; and in charging interest for his loans, he must cover all his losses. He consequently charges not only a reasonable interest for the risk which he runs in each case, but also an insurance against all the losses which he may incur in his business. Thus a customer pays the price of his own purchases, a high rate of interest for his loans, and a portion of the unpaid debts of other people. Nor can any check be placed upon the creditor, as in other forms of credit. No specific sum is advanced with a stipulated interest; but a gross amount is due, in which the rate of interest is concealed. It may be exorbitant, and out of all proportion to the value of the article supplied, and the accommodation given; but it is not separable from the delusive price. This circumstance is an obvious encouragement to fraud; and it has a tendency to raise prices injuriously to the consumer; an evil which even extends itself, in a great measure, to purchases paid for in ready money.

It is the abuse, however, or the excess-

sive use of this form of credit, which is mischievous. If properly used, and within reasonable limits, it is as useful as credit in any other form. A few examples will suffice to illustrate this position. The receipts of different consumers are irregular; their consumption constant. Within the year their receipts and expenditure may be about the same; but in point of time, they cannot be accurately balanced and adjusted one to the other. This system of credit enables them to provide for themselves and their families without privation, and at the cost of no one else. By an operation scarcely perceptible, their receipts and expenses are adjusted. If, instead of satisfying their wants, they had suffered privation, trade would have been injured and capital employed less fully. Again, a man who pays for everything he consumes a year hence practically adds to his capital a sum equal to the value of his consumption. He gains a whole year's of productive industry in advance of his own subsistence. It is true that he will ultimately have to pay for it, together with a high interest; but if he has been able, in the meantime, to apply this additional capital so productively as to leave a balance in his favour, he has enriched himself and the community. The tradesmen who have trusted him, and the capitalists by whom they have been aided, will have made a profit upon his consumption, and have realized the interest upon their loans; while he will have given more employment to capital and to labour than he would have been able to give if he had been compelled to pay for his own subsistence from day to day.

In various other ways credit, in this form, is a valuable auxiliary to capital and industry; but whenever it is injudiciously given or accepted it becomes injurious. In this respect it does not differ from other forms of credit. The precise uses of credit in general have been already explained. In whatever form it is judiciously and honestly applied it is an efficient agent in the circulation and productive use of capital; but whenever it is used without judgment or fraudulently abused, it becomes injurious, and wastes capital instead of encouraging its growth. All great means conducive to social good

are, unhappily, liable to perversion and abuse. The public credit of nations and mercantile credit have too often been abused, as recently, in the most signal manner, by the Americans; and the system of tradesmen's credit has also been shamefully perverted; but all alike are conditions inseparable from the application of capital to the infinite purposes for which it is required. The advantages of credit are so great that it will always be extensively used in every form of which it is susceptible; but its evils may be mitigated by the judgment and experience of capitalists, and by improved laws for adjusting the relations between debtor and creditor. [DEBTOR AND CREDITOR; NATIONAL DEBT.]

CREDIT, LETTER OF, is an order given by bankers or others at one place, to enable a person to receive money from their agents at another place. The person who obtains a Letter of Credit may proceed to a particular place, and need only to carry with him a sum sufficient to defray his expenses; and it gives him some of the advantages of a banking account when he reaches his destination, as he may avail himself of it only for part of the sum named in it. If it were not for the convenience which a Letter of Credit affords, a person who was intending to make a tour on the Continent, for example, would be under the necessity either of taking with him the whole of the sum which he would require during his absence, or of receiving remittances from home, addressed to him at particular places.

A Letter of Credit is not transferable. By a strict interpretation of a clause in the Stamp Act (55 Geo. III. c. 184), an instrument of this nature would seem to be liable to the same duty as on a bill of exchange payable to bearer or order; but in practice the duty is openly evaded. If the law were more stringently acted upon, evasion of the duty could be easily practised, as a banker, instead of granting a written instrument, could advise his agent privately to pay certain sums to certain parties, according as the agent might be advised.

CRIME AND PUNISHMENT.
[TRANSPORTATION.]

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