

exercises a direct control over the *Crédit Foncier* by the appointment of the governor and two deputy-governors. The decisions of the elected board of directors are not valid without the approval of the governor. The *Crédit Foncier* enjoys the special privilege of issuing bonds which, in addition to the fixed interest, give a right to drawings for prizes. Each issue of bonds with a lottery requires, however, a special authorisation by the government. The *Crédit Foncier* can only lend on first mortgage, and to the amount of one-half the estimated value of houses and farms, and one-third of that of vineyards, woods, and other plantations. The commission or profit on mortgage loans cannot exceed six-tenths per cent, or an addition of 60 centimes to the rate of interest paid by the *Crédit Foncier* on its mortgage bonds of the preceding issue. The present rate (1890) for loans without amortisation is 4f. 50c. per cent, including commission. The annuity, interest and sinking fund, is 12·52 per cent for a loan to be redeemed in ten years; 7·63 per cent in twenty years; 5·04 per cent in fifty years, and 4·66 per cent in seventy-five years. Borrowers have always a right of reimbursement on specified conditions. The rates for loans to local bodies, communal or departmental, are lower, being calculated on interest at 4·20 per cent. The total amount of mortgage loans granted by the *Crédit Foncier* down to the end of 1891 was £144,004,661, of which £77,976,789 was outstanding. About one-fifth of the extinctions, amounting to £66,927,372, had been effected by the working of the sinking fund, and four-fifths by the exercise by borrowers of the right of liberation. The loans were about equally divided between property in Paris and the environs; and in the rest of France and Algeria. The communal and departmental loans amounted to £82,670,891, of which £47,285,961 remained due on the 31st December 1891. The nominal amount of foncier and communal bonds in circulation at the same date was £161,101,564, representing a realised sum of £122,376,926. The charter of the *Crédit Foncier* is now extended for a period of ninety-nine years from 1881.

[An account of the *Crédit Foncier* is given by Chas. Gide, *Principes D'Économie Politique*, Paris, 1889, pp. 331-333; see also Alph. Courtois fils, *Histoire des Banques en France*, Paris, 1881.]

T. L.

**CREDIT, LETTER OF.** A letter addressed to a banker, or some other person or firm, containing a request to make payments or give acceptances to a third person or firm for account of the writer or writers of the letter. Sometimes the letter, instead of being addressed to one particular person or firm, is directed to a number of banks, with an indication that all payments must be indorsed on it by the parties effecting them, so as to show what amount

remains unused. A letter of this kind is called a circular letter of credit. Circular letters of credit are also issued in the form of a request to the banks to whom they are addressed to purchase the holder's drafts on the bank who issued the letter, such drafts to be drawn on the forms which are handed to the holders of the letter of credit, each of these forms being marked with a fixed amount. Another class of letters of credit—commonly called confirmed letters of credit—is much used in mercantile transactions with foreign countries. These letters are addressed to the person to whom the credit is granted, and contain an authority to issue drafts up to a certain amount on the writer or writers; and also an undertaking, not only as against the drawer, but also as against all *bona fide* holders, to accept such drafts, provided they are issued within a certain time. If the credit is given for the purchase of goods there is a further condition added, according to which shipping documents of a value corresponding to the amount of the drafts must accompany or precede them.

E. S.

**CRIMINAL PROSECUTION** in Scotland is conducted by public prosecutors, and private prosecution, which cannot take place without the "concourse" or concurrence of the lord advocate, is almost unknown. When a crime has been committed, all who are supposed to be able to give evidence are called to testify before a magistrate in private: the suspected person may also make a declaration, which may at once be satisfactory and entitle him to liberation; if not, he is at once, or after further examination, committed for trial before a jury of fifteen, who acquit, condemn, or find "not proven," by a majority.

**CRISES, COMMERCIAL AND FINANCIAL.** Times of difficulty in commercial matters are, when pressure becomes acute, termed crises. The crises of 1857 and 1866 will be described in some detail. The most important ones which have occurred since the end of the last century likewise deserve notice; those earlier than that date, though historically of interest, exhibit features which have little in common with the methods of conducting financial and commercial business at the present day. The crisis of 1792-93, of which Macpherson (*Annals of Commerce*, vol. iv. p. 266) was the historian, is described by him as having followed heavy investments "in machinery and in land navigation." The number of bankruptcies was unprecedented. "Many houses of the most extensive dealings and most established credit failed; and their fall involved vast numbers of their correspondents and connections in all parts of the country." The usual features of a panic followed. Temporary loans became almost unattainable; hoarding followed. "It was impossible to raise any money upon the security of machinery or shares of canals, for

the value of such property seemed to be annihilated in the gloomy apprehensions of the sinking state of the country, its commerce and manufactures; and those who had any money, not knowing with whom they could place it with safety, kept it unemployed and locked up in their coffers." At a meeting of some of the principal merchants and traders in the city (23rd April 1793) the government was asked to assist business houses of real substantial standing by advances of exchequer bills. To this Mr. Pitt, then prime minister, agreed: the result entirely justified his resolution. "The very first intimation of the intention of the legislature to support the merchants operated all over the country like a charm, and in a great degree superseded the necessity of the relief by an almost instantaneous restoration of mutual confidence." A similar plan to that adopted in London was pursued in Liverpool, and parliament authorised the corporation of Liverpool to issue negotiable notes to the amount of £200,000 in support of the credit of individuals. Tooke mentions (*History of Prices*, vol. iv. p. 272) that in 1792, although the bank rate of discount was not reduced below 5 per cent, the market rate had fallen to, or below, 3 per cent per annum, and the 3 per cent consols had reached 97½ in the March of that year. "This comparatively low rate of interest had been, in some degree, both a cause and an effect of the great extension of the country bank system, which about that time took place." Too heavy advances on insufficient or inconvertible securities, and an overstimulated spirit of mercantile enterprise, appear to have been the causes of this crisis.

During the year 1796, and at the commencement of 1797, a severe pressure in the money market, extensive failures of banks in the north of England, and great mercantile discredit prevailed. The difficulties experienced were very great. At a meeting held in the city, 2nd April 1796, resolutions respecting the "alarming scarcity of money" were passed, and affirming "that this scarcity proceeds chiefly, if not entirely, from an increase of the commerce of the country, and from the great diminution of mercantile discount which the Bank of England has thought proper to introduce in the conduct of that establishment during the last three months." A plan was drawn up for a board to be constituted by act of parliament for the support of credit. They were to issue promissory notes, payable six months after date, bearing interest at the rate of £1:18s. per cent per annum, upon receiving the value in gold and silver, Bank of England notes, or in bills of exchange not having more than three months to run (Tooke, *History of Prices*, vol. i. p. 201). This proposal was not carried out. The pressure was aggravated to a great extent by alarms prevalent at the time.

The next serious crisis, taken in chronological order, took place in 1810-11. A careful history of the events which led to this disturbance is found in Tooke (*History of Prices*, vol. i. p. 303). A great advance, and an enormously high range of prices in this country, in 1808, while on the continent they were low, through the operation of the same causes which made them high here (see CONTINENTAL SYSTEM), induced merchants to make great efforts to overcome or elude the obstacles to trade. Heavy importations took place, a great fall of prices followed, so great that in many instances the importer, after paying for the enormous charges on importation, was left with nothing whatever to meet the previous cost. Simultaneously a total stop was put to the exports from this country to the Baltic. Here, as Tooke remarks, all the incidents which lead to a severe crisis were present. "So many circumstances, on so large a scale, combining in the same direction, the fall of prices, the reduction of private paper, and the destruction of credit, were greater and more rapid than were before, or have since been known to have occurred within so short a space of time." In August 1810 several failures of banks, and of important business houses were reported (monthly *Commercial Report*, 1st August 1810). It is stated—"speculations in Spanish wool, an article which has fallen about 50 per cent, are considered as the origin of those unlooked-for disasters. Five Manchester houses have stopped payment in the city, and we are sorry to add, have involved numerous industrious persons, both in town and country, in their ruin. The demands upon the five houses are said to amount to two millions; but it is supposed that their real property will ultimately cover all deficiencies. Speculative exports to South America are the rock upon which these houses have split. In consequence of these unexpected events, public credit is at the present moment as low as ever it has been in the memory of man." The report continues, 1st December 1810—"A numerical evidence of the present state of trade may be deduced from the number of bankruptcies in the *London Gazette*. They amounted—

This month in 1810 to 273	
The same month 1809 „ 130	
„ „ 1808 „ 100	
„ „ 1807 „ 97	
„ „ 1806 „ 65	
„ „ 1805 „ 87	
„ „ 1804 „ 60	

besides stoppages and compositions equal in number to half the traders in the kingdom! These failures throughout the kingdom have wonderfully affected the manufacture of every description of goods; and a general want of confidence exists between the manufacturer and the export merchant" (1st January 1811). "In our last report we stated the vast increase

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we regret to say the  
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of bankruptcies within the last month compared with similar months for seven years back ; and we regret to say that they still continue to increase in number, and that confidence in the mercantile world seems nearly at an end. . . . In Lancashire the cotton manufacturers appear, by the late gazettes, as well as by private information, to be greatly distressed, and business quite at a stand. In Manchester and other places houses stop not only every day but every hour. Cotton wool is in no demand at any price, and no export of the manufactured goods, except a few fine sorts to Rio, etc. The trade of Birmingham, Sheffield, etc., quite at a stand, and no orders for execution there, except a few for our home consumption." A reference to the parliamentary debates in the spring of 1811 will show that this is no exaggerated description. A select committee of the House of Commons made inquiries into the state of commercial credit, and reported that the statements as to the great embarrassment and distress were founded on fact, and that it "had arisen out of great and extensive speculations, which commenced upon the opening of the South American market in the Brazils and elsewhere, to the adventures of British merchants." The chancellor of the exchequer (Hon. S. Perceval) referred to the subject in his speech during the debate on the Commercial Credit Bill ; and after mentioning the report of the select committee, he continued, "the distress, originating with the merchant, and disabling him from paying the manufacturer, was felt most severely by the manufacturer and those employed by him. All the principal manufacturers had been compelled to contract, and some wholly to suspend, their works. It appeared by the report that there was scarcely a cotton manufacturer in the kingdom who had not diminished by one half the number of persons employed in his mills ; and that many of the smaller manufacturers had discharged their people altogether." Those employed by the manufacturers who still carried on business were retained at lower wages, and "the most calamitous distress" is described as prevailing in many of the manufacturers' districts. The commercial troubles of the time were not confined to the United Kingdom ; the condition of trade in the United States was fully as bad. Tooke quotes a letter from New York, dated 11th February 1811, which states that : "Such times for money were never known, and all confidence among merchants is totally, and indeed very justly, destroyed." This crisis appears to have been one of great severity ; in reference to it and to the further and even heavier troubles of 1825 the very artificial conditions of business induced by the restrictions on trade imposed by the great war waged at the commencement of the century in Europe, must be borne in mind. Tooke gives (*History of Prices*, vol. i. pp. 308-314) many details of the heavy charges which

had to be paid by merchants. Thus the freight and insurance on hemp from the Baltic to London was, 1809, in some instances from £40 to £50 per ton. The charge of conveyance of silk from Italy to Havre amounted nearly to £150 per bale of 240 lb. The following cases referred to, occurring between 1809 and 1812, are even more extraordinary. "The charges of freights and French licence on a vessel of little more than 100 tons burden, have been known to amount to £50,000 for the voyage merely from Calais to London and back ; this made the proportion of freight on indigo amount to 4s. 6d. per pound. A ship, of which the whole cost and outfit did not amount to £4000, earned a gross freight of £80,000 on a voyage from Bordeaux to London and back." Tooke says of this period (*History of Prices*, vol. iv. p. 273), "the commercial distress and banking discredit of 1810-11 nearly equalled, in point of intensity, those of 1792 and 1825 ; and the losses caused by the fall of prices in 1810 were, I am inclined to think, greater than they had been at any former period. In the still more violent fluctuation of prices which took place between 1812 and the close of 1815, it is possible that the losses were greater ; but there was not then any such sudden and extensive revulsion of credit and commercial distress as occurred in 1810-11."

The next serious crisis occurred in 1825, one of the most severe through which the commercial and banking systems of the country had ever passed. At this date speculation ran very high, for the most part in loans and mining adventures, and other investments abroad. The foreign exchanges were so much depressed as to be the cause of a nearly continuous drain on the bullion of the bank. This foreign drain, Tooke remarks, was not counteracted by any operation of the bank ; it was suffered, he observed, to run its course, till it ceased of its own accord, that is by simple efflux, towards the close of the summer. Many and heavy banking failures, and a state of commercial discredit, preceded and formed the earlier stage of the panic. The tendency to speculation, and the undue extension of credit, was preceded, probably caused, and certainly favoured and promoted, by the low rate of interest which had existed for some time previously ; and this low rate of interest was apparently prolonged by the operations of the Bank of England. Facility of banking accommodation which had existed for some time previously, favoured undue extension of credit.

This gradually led on to the great difficulties of the year.

In the summer of 1822 the bank reduced its rate of discount from 5 to 4 per cent. The course of the rate of interest is marked by the following statement of the price of the 3 per cent public funds.

1823.	3rd April	73½
"	1st July	80½
"	3rd October	82½
1824.	1st January	86
"	2nd April	94½
"	28th "	97½ (the highest)
"	November	96½
1825.	January	94½
1826.	14th February	73½ (the lowest)

The great severity of the pressure extended over a very short time, hardly more than three weeks. Some banking failures, principally in the provinces, in the month of December, were followed by the failure of several banks in London. A severe drain on the resources of the bank of England took place—"the lowest amount of the bank treasure was on the 24th of December, viz.,

Coin	£426,000
Bullion	601,000
	£1,027,000

"The accidental discovery, for such it was said by Mr. Harman, in his evidence in 1832 (Bank Charter Report, 1832) to have been, of an amount of £1 notes which had been put away in the bank was, doubtless, a fortunate circumstance; for, although the sum was not large (between £700,000 and £800,000), it served to meet the peculiar difficulty of that time, which consisted in an extensive discredit of the small note country circulation. And it is probable that it had an immediate and very great effect in stopping the demand from the provinces for gold" (Tooke, *History of Prices*, vol. iv. p. 343). Though the period of pressure in 1825 was so short, it had been preceded by considerable and extravagant speculations in foreign loans and shares of companies, mining and commercial. Besides several mining companies for operation in Mexico, Chili, Brazil, Peru, and the provinces of Rio de la Plata, "so great was the rage for speculation that, in the course of a very few weeks, in the early part of the year (1824), the following undertakings, among others, were brought forward in London, and found subscriptions court- ing their acceptance:—The Alliance Fire and Life Insurance Company, with a capital of £4,000,000; the Palladium Fire and Life Insurance Company, with a capital of £2,000,000; the British Annuity Company, whose capital was £3,000,000; the Metropolitan Investment Company, with a capital of £1,000,000; the Thames and Isis Navigation Company, with a capital of £120,000; an Ale Brewery Association, with a capital of £200,000; a company for obtaining from government a grant of a million of acres in New South Wales, and for improving the growth of wool; an association for the cutting a canal across the Isthmus of Darien" [a curious anticipation of the attempt made to join the Atlantic and

Pacific oceans by the recent Panama canal]. More than thirty private acts were brought forward in the House of Commons to give effect to these projects. "In all these speculations, only a small instalment, seldom exceeding five per cent, was paid at first; so that a very moderate rise on the prices of the shares produced a large profit on the sum actually invested." Tooke describes the spirit of speculation aroused as follows. "This possibility of enormous profit by risking a small sum was a bait too tempting to be resisted; all the gambling propensities of human nature were constantly solicited into action; and crowds of individuals of every description—the credulous and the suspicious, the crafty and the bold, the raw and the experienced, the intelligent and the ignorant; princes, nobles, politicians, placemen, patriots, lawyers, physicians, divines, philosophers, poets, intermingled with women of all ranks and degrees (spinsters, wives, and widows)—hastened to venture some portion of their property in schemes of which scarcely anything was known except the names."

The extent of the speculative rise in prices is well shown by the following instances of the upward movement in market prices of five of the principal mining companies.

	10th December 1824.			11th January 1825.		
	£	sh.	pd.	£	sh.	pd.
Anglo-Mexican	100	sh.	10 pd.	158	115	125
Brazilian	100	10	10s. dis.	66	70	44 pr.
Columbian	100	10	19 pr.	82	62	59
Real del Monte	400	70	550	—	1350	
United Mexican	40	10	35	—	155	115 125

The recoil from these speculations was inevitable. The country banks, whose advances and whose issues of notes had both exceeded the limit of prudence, were among the principal sufferers. Several London banks likewise failed. A remark made by Mr. Huskisson, "that we were within a few hours of a state of barter," has often been quoted as showing the severity of the trial the country passed through. The turning point appears to have been in the week ending Saturday 17th December 1825. On that day, according to a statement made by Mr. Richards, then deputy governor of the bank, "whether from fatigue, or whether from being satisfied, the public mind had yielded to circumstances, and the tide turned at the moment on that Saturday night." The greater part of 1826 was a time of considerable depression, but by 1827 the trade and manufactures of the country had resumed their usual and steady course.

The monetary disturbances of 1836-37 are not included by Tooke among the memorable commercial crises (*History of Prices*, iv. p. 269). "It was confined in a great measure to two branches of trade, the American and East Indian including China. The bank raised its rate of discount to 5 per cent, and laid some restriction upon the bills of the American houses, who were notoriously overtrading. But for purposes

of trade general modulation; and of was 6 and 7 of moderate le above mention prices of produ in 1836-37, as have been bu

Of a far of the year the crisis of period of sp low rate for Another circu brnk act of 2nd Septemb ment for the r which that ac directors alik for the "reg this consisted bility being which a fixe was usually c demand for n time, a charg was, had ke market. On lowered to 2 not more th 3 per cent f rate was pla and notes, a viously charg for the first i minimum ran has been cor the bank con time, with t was a very i became a la exercised a g while sever the stringenc Such causes which have previously. considerable interest paid 1825 the eff foreign inves chiefly direct and other im and financial far surpass th creation of t tributed larg isties." Prof. 1892, bk. ii. progress had The amount railway comp Progress of the



of trade generally there was no want of accommodation; and the utmost rate that was heard of was 6 and 7 per cent for fair commercial bills of moderate length. And, with the exception above mentioned, there was depression in the prices of produce." The derangement of trade in 1836-37, as well as that of 1839, appears to have been but slight.

Of a far different character was the crisis of the year 1847. As was the case before the crisis of 1825 came on, a considerable period of speculative activity, fostered by a low rate for money, preceded this crisis also. Another circumstance has to be noticed. The bank act of Sir R. Peel came into operation 2nd September 1844. The automatic arrangement for the management of the note circulation which that act introduced took away from the directors alike any power or any responsibility for the "regulation of the currency" so far as this consisted of their notes. This responsibility being removed, the old arrangement by which a fixed or nearly fixed rate of discount was usually charged passed away as well. The demand for money being extremely slack at the time, a charge of 4 per cent, as their rate then was, had kept the bank entirely out of the market. On 5th September 1844 the rate was lowered to 2½ per cent for first-class bills, with not more than ninety-five days to run, and to 3 per cent for notes. 13th March 1845, the rate was placed at 2½ per cent, both for bills and notes, a lower rate than had ever been previously charged. The published rate was also for the first time stated (March 1845) to be the minimum rate, and this form of announcement has been continued ever since. The fact that the bank competed now, practically for the first time, with the bill brokers in the open market was a very important factor. The bank soon became a large holder of commercial bills, and exercised a great influence accordingly. Meanwhile several other causes had contributed to the stringency of affairs which deserve attention. Such causes are usually to be traced to reasons which have been in existence for some time previously. Previously, both in 1825 and 1847, considerable reductions had been made in the interest paid on the public funds. This had in 1825 the effect of turning people's minds to foreign investments. In 1847 speculation was chiefly directed to the development of railways and other improvements at home. "In social and financial interest and importance railways far surpass the other agencies of transport. The creation of the present century, they have contributed largely to promote its special characteristics." Prof. Bastable, *Public Finance*, London, 1892, bk. ii. ch. iii. § 12. Up to 1846 their progress had been slow.

The amounts which parliament had authorised railway companies to raise are given in Porter's *Progress of the Nation*, p. 327, as follows—

Railway Capital.		Yearly Average.
		£
In four years	1826-29	3,267,000
" "	1830-33	8,529,000
" "	1834-37	43,522,000
" "	1838-41	14,458,000
In two years	1842-43	9,173,000
In one year	1844	17,870,000
" "	1845	60,824,000
" "	1846	132,096,000

The enormous increase in this class of expenditure, after 1841-43, explains of itself great part of the monetary difficulties which succeeded. Tooke gives (*History of Prices*, vol. iv. p. 314) an estimate of the actual outlay on labour and materials of railways about this period which is very instructive.

Estimated Outlay on Labour and Materials  
(Railways).

1841	£1,176,000
1842	2,384,000
1843	3,548,000
1844	4,880,000
1845	11,280,000
1846	29,188,000
1847, first half-year	20,560,000

After an outlay which in the first half of 1847 had been nearly two-thirds of the whole of that in 1846, this class of expenditure was sharply arrested. The effect of these different operations—(1) a sudden immensely increased outlay of capital on fixed investments; then (2) an even more sudden and sharp stop put to this outlay—on the business of the country may be well understood. Meanwhile, simultaneously with this double derangement to the ordinary course of transactions, a wild speculation in railway stocks went on.

Some idea of this may be obtained from a very careful paper read before a meeting of the Statistical Society, January 1847, by Mr. Dawson.

"Between March and September 1845 joint-stock speculations for the immediate investment of capital were set on foot, involving a larger aggregate amount than had ever before been so involved in this country. The amount to raise which, for railways alone, the sanction of parliament was actually applied for in the following session, exceeded £340,000,000 sterling. And if we include all the new schemes in which scrip, or letters of allotment, were actually selling in the market at a premium in July, August, and September 1845, the amount cannot be estimated at less than £500,000,000.

"Many of the schemes of 1845 reached a high premium within a few weeks after their issue; and all those first in the market, and having any substantial merit, were raised considerably above their true value. For instance, the Leeds and Thirsk Railway—£50 shares, with only a deposit of £2:10s. paid—were selling in March at £3:10s., in September at £23:15s., and in November at £4:15s. per share. Again,

the Bolton, Wigan, and Liverpool—£40 shares with £4 paid—were selling in January 1845 at £4:10s.; in September at £42:15s.; and in December, when £9 had been paid, at £20 per share. If we assume an average premium of £10 per cent upon the schemes then in the market, the property temporarily created by these speculations (and the repeated purchase and sale of which, on commission, furnished profitable employment to some thousands of brokers) must have been at least £50,000,000.

"And to this there is to be added an increased value, during the same period, of the shares in the established lines of railway. For instance:

"The Midland stock—amount £4,180,000—was selling in January 1845 at 114 per cent, and in July at 188 per cent; showing a rise of 74 per cent, and an increase in the aggregate value of the stock of £3,098,000.

"The Great Western—share capital issued £8,100,000—£100 shares selling in January 1845 at £156; and in July at £228; and (allowing for a call at £5 per share in the interim), showing a rise of 67 per cent, and an increase in the aggregate value of the shares of £5,467,000.

"The Manchester and Leeds—share capital £4,660,000—£100 shares selling in January 1845 at £126; and in August at £215; showing a rise of 89 per cent, and an increased value in the aggregate of £4,147,000.

"The average increase in the value of £100 shares in these three lines was £76; and the total increase of value in August and September was upwards of £12,000,000."

Mr. Dawson continues: "It will be seen, on reference to the tables, that during those months in which the purchases and sales of railway property were most numerous and extensive, while everybody was buying and selling shares, and the current rate of interest was only  $2\frac{1}{2}$  per cent, that portion of the circulating medium which consisted of Bank of England notes was but very slightly, if at all, increased; and that it reached its greatest amount when the prices of shares were lowest—when the number and amount of current transactions were reduced to the lowest point by discredit, and when the current rate of interest for first-class bills had risen from  $2\frac{1}{2}$  to  $4\frac{1}{2}$  per cent."

These last remarks of Mr. Dawson's refer to an important point connected with this crisis—the first authoritative suspension of the bank act of 1844, and also, incidentally, to the question of the connection between the circulation of notes and periods of commercial crisis. Reference will be made to this further on. Meanwhile other complications occurred.

The failure of the potato crop in 1846 caused the need for a heavy importation of corn. "The price of corn was very high in 1847, the average in May being 92s. 10d. per

quarter, but the imports rose in proportion. In the three years from 1845 to 1847 they were as follows:

	1845	1846	1847
	Cwts.	Cwts.	Cwts.
Wheat .....	3,777,140	6,207,894	11,611,805
Wheatmeal and Flour .....	945,864	3,190,429	6,329,658
Maize .....	241,667	3,024,883	15,464,194

The corn merchants, who for some time had great difficulty in obtaining advances upon cargoes in consequence of the high rate of discount, lost immense sums from the great fall in prices which took place, owing to the prospect of an abundant harvest. And the result was the failure of many houses in the corn trade, which became the signal for other heavy bankruptcies. Several banks succumbed, and credit was severely shaken" (L. Levi, *History of British Commerce*, p. 310).

The fluctuations in the rate charged by the bank were very considerable, and were the more noticed at the time as nothing exactly similar had ever occurred before.

On 1st January 1847 the notice of 27th August 1846, fixing the minimum rate at 3 per cent per annum on 95 days bills, was still in force.

	1847.	Per cent.
14th Jan.	3½	minimum on 95 days bills.
21st "	4	"
8th April	5	"
15th "	5	omitting all stipulation as to the term of the paper.
2nd Aug.	5	on 1 month bills; 5½ on 2 months; 6 per cent above 2 months.
5th "	5½	minimum rate.
2nd Sept.	5	on loans till 14th Oct.
23rd "	5½	on 2 months bills; 6 per cent on 3 months.
1st Oct.	5½	on everything falling due before 14th Oct., and total refusal to advance on public securities.
25th "	8	minimum rate under authority of the government letter of this date.
22nd Nov.	7	minimum rate.
2nd Dec.	6	"
23rd "	5	"
1848.		
27th Jan.	4	"

The announcement of 1st October that no advances would be made on public securities produced (see *Economist*, 9th October 1847) a severe panic on the stock exchange. There was no failure of a bank, however, except that of Cockburns and Co. of Whitehall, till 13th October, when Knapp and Co. of Abingdon suspended payment. On 18th October the Royal Bank of Liverpool stopped; before 23rd October other important banking failures took place at Liverpool, Manchester, Newcastle, and in the West of England. 3 per cent consols, which had stood at 84½ on 5th October, were

by this time 77½, suspension of all business imminent. The result was a very low ebb.

1847.  
16th Oct.  
23rd "  
30th "

Meanwhile the were causing a bank notes, and that the banking England might while there was in the issue department (Sir C. was urged by instances to relax. At last, on 22nd leading city bank the prime minister Russell), and on of the position, the official letter "the directors of present emergency their discounts security." A charged, to keep able limits; a bill the arrangement. The extra profit fit of the public has ever been unless it is supported the bank unduly long.

The effect of ing the panic was to obtaining bank the immediate. Speaking in the debate of 30th chancellor of stated that the those who applied notes" . . . "the notes, because only tell us that at once restore

The space which subject does not given. It shows crises than the 1847, were all highly artificial credit, caused by commencement of the drawn from the inapplicable to the present time. that period, incl



by this time 77½, the lowest point, and a total suspension of all business and all payments was imminent. The reserve of the bank was reduced to a very low ebb.

1847.	Reserve of Specie.
16th Oct. . . . .	£3,070,000
23rd „ . . . . .	1,990,000
30th „ . . . . .	1,600,000

Meanwhile the anxiety and alarm prevailing were causing a general hoarding of coin and bank notes, and it really appeared not unlikely that the banking department of the Bank of England might be compelled to stop payment while there was more than £6,000,000 of specie in the issue department. The chancellor of the exchequer (Sir C. Wood, afterwards Lord Halifax) was urged by many deputations and remonstrances to relax the bank act, but he declined. At last, on 22nd or 23rd October, some of the leading city bankers had an interview with the prime minister (Lord John, afterwards Earl Russell), and on their explaining the necessities of the position, the desired relaxation was given. The official letter (25th October) recommended "the directors of the Bank of England, in the present emergency, to enlarge the amount of their discounts and advances, upon approved security." A high rate, 8 per cent, was to be charged, to keep these operations within reasonable limits; a bill of indemnity was promised if the arrangement led to a breach of the law. The extra profit derived was to be for the benefit of the public. No really adequate reason has ever been given for this last stipulation, unless it is supposed to have been made to prevent the bank from maintaining the extra rate unduly long.

The effect of the government letter in allaying the panic was complete. When anxiety as to obtaining bank notes or gold was removed, the immediate pressure shortly disappeared. Speaking in the House of Commons, during the debate of 30th November on this subject, the chancellor of the exchequer (Sir C. Wood) stated that the tenor of the remarks made by those who applied to him was "Let us have notes" . . . "We don't mean indeed to take the notes, because we shall not want them; only tell us that we can get them, and this will at once restore confidence."

The space which can be allowed here to this subject does not permit further details being given. It should be observed that the earlier crises than the last one mentioned here, that of 1847, were all so greatly influenced by the highly artificial condition both of trade and credit, caused by the terrible wars of the commencement of the century, that the lessons to be drawn from them are, comparatively speaking, inapplicable to the business circumstances of the present time. The commercial histories of that period, including the admirable one con-

tained in Tooke and Newmarch's *History of Prices*, are full of remarks on the questions how far the crises were brought on, or increased in severity, by the issues of notes made by the country bankers at that period. That those banks employed their own credit frequently unwisely there is no doubt, and equally that they frequently gave credit unwisely to traders on inadequate security. Notes were at that date the recognised medium in which advances were made; and that there was by all banks, including the Bank of England, at times an over-issue of the circulating medium may be conceded. It is, however, matter for fair discussion whether any statesman nowadays would have arranged the bank act of 1844 on the principles of Peel, or whether it is advisable to concentrate the whole of the issues on one bank, however powerful and well-organised.

Commercial crises may take place without any reference to the circulating medium, as has been exemplified in Hamburg and elsewhere. They can only be averted or mitigated by the judgment of those with whom the guidance of commercial affairs and of the banking institutions of the country rests at the time.

[The periodicity of crises has frequently been noticed. Mr. Wm. Langton, in his paper "Observations on a Table showing the Balance of Account between the Mercantile Public and the Bank of England," *Transactions of Manchester Statistical Society*, 1857-58 (reprinted also in the *Transactions*, 1875-76, Appendix), has made valuable remarks on the subject.—Mr. John Mills ("Paper on Credit Cycles," *Transactions of the Manchester Statistical Society*, 1867-68), has shown the connection between these periods and the variations of personal feeling.—Also paper by H. Chubb (*Statistical Society Journal*, June 1872), "Bank Act and Crisis of 1866.—Prof. Jevons (*Investigations in Currency and Finance*, pp. 153, 203-8), has shown, with his customary ingenuity of research, that the period of credit cycles and of the solar cycles of maximum intensity correspond with considerable exactness. The frequent recurrence of periods of excitement and depression in monetary and commercial matters is likewise referred to by Mr. James Wilson, *Fluctuations of Currency, Commerce, and Manufacture, referable to the Corn Laws*. We must be careful not to yield to the belief that *post hoc* is identical with *propter hoc* in these matters; but this subject is eminently one in which careful historical investigation may be expected to produce useful and practical results. For earlier history, Macpherson, *Annals of Commerce* (4 vols. London, 1805).—Anderson, *Origin of Commerce* (4 vols. London, 1801).—*Select Tracts on Commerce and Early Tracts on Commerce*, reprinted and edited by J. R. McCulloch, 1856-1859, may also be consulted.—Max Wirth, *Geschichte der Handelskrisen*, Frankfurt am Main, 1891.—D. Morier Evans, *Commercial Crisis*, 1847-48 (published 1848).—D. Morier Evans, *Commercial Crisis*, 1857-58 (published 1859).—C. Juglar, *Des Crises Commerciales*, Paris, 1889.]