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(10th) That on account of changes in the price of flour being generally less than 4s. per sack, above or below a fixed point, the tendency is for bread to remain constantly at one price in spite of small changes in price of flour.

(11th) That there are very many varieties of wheat, and many mill products from each grist. That a 'straight run' flour consists of about 72 per cent. of the weight of wheat used to make it.

(12th) That an alteration of 1s. per quarter on wheat would be met by an alteration of about 6½d. per sack on flour : that therefore to produce an alteration of 4s. in the price of flour per sack, the price of wheat would need to change by about 7s. per quarter.

(13th) That the relative prices of wheat and flour are more constant than those of flour and bread.

(14th) That stress of foreign competition frequently forces millers to sell flour under its value as compared with price of wheat.

(15th) That while bread naturally changes by one farthing per 2-lb. loaf when wheat falls in price by 7s. per quarter or rises by 3s. or 3s. 6d. per quarter, the effects of the price of flour are the more immediate and more important on the price of bread.

(16th) That the table of comparative prices here given does not show that there is any well-defined rule by which bread prices alter in sympathy with wheat, but it shows that wheat, flour, and bread, have a *tendency* to alter together.

(17th) That small and temporary alterations in the price of wheat or flour, do not necessarily affect the price of bread, but that large alterations, even though temporary, or small alterations, when permanent, or long persistent, produce corresponding alterations in the price of bread.

(18th) That the relations of prices as enumerated are probably normal in all countries where bread is sold under the same conditions as in this country, and are not the consequences of special dishonesty on the part of one or another set of merchants or traders.

J. KIRKLAND

MUNICIPAL BANK NOTES IN LIVERPOOL. 1793-5.

THE history of experiments in paper issues is always interesting. Such an experiment by the Corporation of Liverpool in 1793 is of more than usual importance, as it is, so far as I know, the one instance in modern times of the issue of municipal notes in England.

In 1793, partly in consequence of general difficulties in the country and partly owing to particular causes, the commerce of Liverpool was in a somewhat serious and threatening position. On March 20, the Mayor reported to the City Council that there was great distress and apprehension in Liverpool owing to the failure of an old and important

banking house, consequent on the failures in London. He was led to take this step by a requisition from a meeting of leading merchants, and signed by fifty-eight of their number, which requested him to summon a Council, for the purpose of laying before it a proposal on which they were agreed. The requisition asked whether the Corporation should not endeavour, under pledge of its seal, to obtain from the Bank of England a loan of money sufficient to avert the calamities feared. In consequence of this appeal the City Council appointed a committee which, with the Mayor, was to confer with a committee of the merchants, and to report at a special Council meeting to be held the evening of the ensuing day.

The report of the committee, which was duly accepted and endorsed by the Council, was in favour of approaching the Bank of England with a request for £100,000 for fifteen months. This loan it was proposed to administer by means of a special committee, which should make advances on due security.

The efforts of the delegates sent to London by the Council for this purpose were unsuccessful so far as the original proposal was concerned. In other directions they seemed likely to meet with more success, and on April 15 the Mayor was able to inform the Council that, on the failure of negotiations with the Bank of England, the delegates had petitioned Parliament for an Act to grant them power to issue negotiable notes up to a certain amount. Their action was ratified, and the seal of the town was affixed to a petition which set out this request, the preamble stating that this power was sought on account of temporary difficulties which had beset the rapidly growing prosperity of the town. Owing, no doubt, to the influence which Liverpool was able to command and to the pressing nature of the difficulty, a short local Act was passed with really startling rapidity. This Act, entitled '*An Act to enable the Common Council of the Town of Liverpool in the County of Lancaster on behalf of and on account of the Corporation of the said Town to issue negotiable notes for a limited time and to a limited amount,*' contained very interesting provisions. By it the Council was empowered to issue, *for value received or other due security*, notes of £100 and £50, with interest not exceeding the lawful rate and at twelve months' date. Such notes could be issued for two years from May 25, 1793. After the expiration of such time, interest-bearing notes of the same nature might be issued, but not at twelve months' date. There was, further, power to issue on security notes of value of £5 and £10, not at twelve months' date. These latter notes were not to be suable till expiration of *three years* from May 25, 1793. The Corporation could exchange interest-bearing notes for the non-interest-bearing £5 or £10 notes. The total issue was at no time to exceed £300,000.

In order that no time might be lost, the method of working this Act was taken into consideration at a special meeting of the Council con-

vened as soon as possible after its due confirmation, and on return of the delegates from London. At this meeting, held May 18, a special committee was appointed which set to work at once to draft a Report which was sent up to the Council and adopted at another special meeting held May 27. Sundry general matters dealt with in this Report, as the number of officials required, the procedure at meetings of the Committee, the need of due advertisement among merchants, are of little interest; but this is not so with regard to the more important regulations touching the deposit of security and the issue of the notes. These provide that

1. There shall be a daily meeting of the Committee.

2. Loans may be made on security as follows; to the extent of two-thirds of the value of goods, wares, and merchandize, legally secured from fire and conveyed, and also on bills of exchange of not longer than nine months; to the extent of one-half on ships in docks duly insured. The question of issuing loans on real security was *to be taken into due consideration*.

3. No one was to have loans to a larger extent than £3,000.

4. Loans were to be at the rate of 5 per cent., and notes were to bear interest at £4 11s. 3d. per annum, or 3d. per centum daily.

This Report, which gives a good general outline of the method adopted, was communicated in its main features to the trading community, who were requested in the public advertisement to receive such note 'in discharge of all your simple contract debts.' As time went on, and as practice familiarized the Committee with the difficulties and dangers most likely to be encountered, certain changes were introduced. The nature of the security was extended. On June 25, 1793, it was resolved to take real security and to issue notes on mortgage up to one-half of the value. Ships on the stocks were included on June 7. The limitation of loans to any individual to £3,000 was withdrawn July 18. In order to give a wider utility to the notes, London correspondents (in the first instance Messrs. Denison) were appointed, and a large number were made payable in London, where it was found possible to sell them at a fair discount rate. This provision was of great service on several occasions, but more particularly when the Corporation itself applied to the Committee for a large loan of £50,000 (September 30, 1793).

Though the notes passed into circulation to a certain extent, and seem to have been freely accepted in ordinary transactions, part of the usefulness of the issue lay, no doubt, in the provision which it made of ready credit. The mere knowledge that money, or instruments equal in acceptability to money, could be obtained by those who had sound security, served no doubt, on this as on other occasions, to remove apprehension. The limit of £300,000 was never approached. Ac-

No. Liverpool

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I promise to pay to
or Bearer on the twenty-fifth day of May 1796
One Hundred Pounds with Interest for the same after
the rate of Lent by the Year

For the CORPORATION of LIVERPOOL.

One Hundred
Lent.

According to the return forwarded April 23, 1794, to the House of Commons—

The notes issued to date were...	...	£115,465	0	0
Value of goods, etc., on security	...	130,128	11	8
Notes in circulation at date	...	52,985	0	0

According to the return of 1795—

Notes issued to February 28, 1795	...	£140,390	0	0
Value of security	...	155,907	16	6
Notes in circulation	...	35,315	0	0

The smaller amount of notes in circulation, which nearly coincides with that of December 31, 1794 (£37,140), pointed, without doubt, to the revival of confidence in the trade of the city, in its turn partly due to the courageous expedient adopted by the Corporation in issuing notes. It was determined, indeed, to apply for an extension of the Act; but the request, though forwarded, was not hotly pressed, and its refusal neither excited resentment nor led to any serious consequences.

The security on which advances were made was very various. It ranged from such commodities as cotton, flax, silk, tallow, wine, timber, mahogany, pimento, iron, pot ashes, coffee, hops, lead, whale oil, tar, copal, to bills of exchange, business premises, ships on the stocks, and the security of the Alt rates. Many offers, of course, had to be refused. Thus the request of Mr. David Paton and others for a loan on the Scotch Kirk was deemed inadmissible. In other instances, the instability of the value of some goods was given as a reason for restricting advances. In one instance the loan made on hops was limited to one-half of the value.

An experiment such as that which has been narrated is not without its useful lessons. In the first place, it shows the position which a Corporation, even at the end of the eighteenth century, was willing to assume on behalf of the welfare of its citizens. In the second place, it is an instance of a trade enterprise undertaken, and both soundly and economically conducted, by a local public body. And in the third place it enforces the lesson, taught by the events attending the suspensions of the Bank Act, that in a time of panic and commercial uncertainty the possibility of advances often renders unnecessary the advances themselves—that, in other words, an exhibition of stability and confidence on the part of some one authority is the great remedy for a general want of confidence.¹

E. C. K. GONNER

¹ By the courtesy of the Liverpool Corporation we are enabled to present our readers with an illustration of the Banknote from the original plate.