

HARRIET MARTIENAU

ILLUSTRATIONS OF POLITICAL ECONOMY

BERKELEY THE BANKER, part 1

Chapter 4: Wine and Wisdom

A change was indeed inevitable, as Mr. Cavendish well knew; and to prepare for it had been the great object of his life for some time past. To make the most of his credit, while the credit of bankers was high, was what he talked of to his wife as the duty of a family man; and she fully agreed in it, as she well might, since she had brought him a little fortune, which had long ago been lost, partly through speculation, and partly through the extravagance which had marked the beginning of their married life. Mrs. Cavendish had not the least objection to getting this money back again, if it could be obtained by her husband's credit; and she spared no pains to lessen the family expenses, and increase, by her influence, the disposable means of the bank, on the understanding that, as soon as the profits should amount to a sufficient sum, they should be applied to the purchase of an estate, which was to be settled upon herself. Thus she would not only regain her due, but some resource would be secured in case of the very probable chance of a crash before all Mr. Cavendish's objects were attained. Economy was therefore secretly practised by both in their respective departments, while they kept up a show of opulence; and the activity of the gentleman in his various concerns procured him the name of Jack of all trades. Nobody could justly say, however, that he was master of none; for in the art of trading with other people's money he was an adept.

When he opened his bank, his disposable means were somewhat short of those with which bankers generally set up business. He had, like others, the deposits lodged by customers, which immediately amounted to a considerable sum, as he did not disdain to receive the smallest deposits, used no ceremony in asking for them from all the simple folks who came in his way, and offered a larger interest than common upon them. He had also the advantage of lodgments of money to be transmitted to some distant place, or paid at some future time; and he could occasionally make these payments in the paper of his bank. Again, he had his own notes, which he circulated very

extensively, without being particularly scrupulous as to whether he should be able to answer the demands they might bring upon him. One class of disposable means, however, he managed to begin discounting of bills, the advancement of money in overdrawn accounts, and the investment in government securities, does yield interest, bankers are naturally desirous of keeping as small a sum as possible in this unproductive state; and never banker ventured to reduce his cash in hand to a smaller amount than Cavendish. His wife perpetually asked him how he was prepared for the run of a single hour upon his bank, if such a thing should happen? to which he as often replied by asking when he had ever pretended to be so prepared? and, moreover, what occasion there was to be so prepared, when nobody was dreaming of a run, and when she knew perfectly well that the best thing he could do would be to stop payment at the very commencement of a panic, having before-hand placed all his property out of the reach of his creditors.

Such were his means., and such the principles of his profits; means which could be successfully employed, principles which could be plausibly acted upon, only in the times of banking run mad, when, the currency having been desperately tampered with, the door was opened to abuses of every sort; and the imprudence of some parties encouraged the knavery of others, to the permanent injury of every class of society in turn.

As for the expanses of the Haleham hank, they were easily met. The owner of the house took out the rent and repairs in coals; and Enoch Pye was, paid in the same way for the necessary stationery, stamps, &c.; so that there remained only the taxes, and the salaries of the people employed—a part of the latter being detained as deposits. Thus Mr. Cavendish achieved his policy of having as many incomings and as few outgoings, except his own notes, as possible.

It is not to be supposed but that Cavendish suffered much from apprehension of his credit being shaken, not by any circumstances which should suggest the idea of a run to his confiding neighbours, but through the watchfulness of other banking firms. As it is for the interest of all banks that banking credit should be preserved, a jealous observation is naturally exercised by the fraternity, the consciousness of which must be extremely irksome to the unsound. The neighbourhood of the Berkeley family was very

unpleasant to the Cavendishes, though no people could be more unsuspecting or less prying: such, at least, was the character of the ladies; and Mr. Berkeley was, though a shrewd man, so open in his manner, and, notwithstanding a strong tinge of illegible so simple in his ways of thinking and acting, that even Mr. Cavendish would have had no fear of him, but for the fact of his having a son of high reputation at a man of business in a bank in London. Cavendish could not bear to hear of Horace; and dreaded, above all things, the occasional visits of the young man to his family. Never, since he settled at Haleham, had he been so panic-struck, as on learning, in the next spring, that Horace had been seen alighting at his father's gate from the stage-coach from London.

Horace's sisters were little more prepared for his arrival than Mr. Cavendish. There was some mystery in his visit, as they judged from the shortness of the notice he gave them, from its being an unusual time of year for him to take holiday, and from their father's alternations of mood. Yet it seemed as if Horace had never been so much wanted. Fanny, especially, needed his support in her rejection of Mr. Longe, whom her father was disposed not only to favour, but almost to force upon her. In his banking without, —and that was, capital of his own. The little that he had, and what he had been able to borrow, were invested in the corn, coal, and timber concern; and upon this concern the bank wholly depended. He undersold all the corn, coal, and timber merchants in the county, which it was less immediately ruinous to do when prices were at the highest than either before or after; and, by thus driving a trade, he raised money enough to meet the first return of his notes. This nervous beginning being got over, he went on flourishingly, getting his paper out in all directions, and always contriving to extend his other business in proportion, by a greater or less degree of underselling, till he began to grow so sanguine, that his wife took upon herself the task of watching whether he kept cash enough in the bank to meet any unexpected demand. The money thus kept in hand yielding no interest, while every other employment of banker's capital,—the gloomy moods, he told her that she little knew what she was about in refusing such an establishment, and recurred to the old intimation, that his daughters had better prepare themselves for a reverse of fortune. When in high spirits, he wearied Fanny with jests on Mr. Longe's devotion to her, and with exhibitions of all his

accomplishments; and when prevailed upon to quit the subject, he let her see, in the midst of all his professions about leaving perfect liberty of choice to his children, that he meant never to forgive Mr. Longe's final rejection. Melea, and even Mrs. Berkeley, could do nothing- but sympathise and hope: Horace was the only one who could effectually interfere. Did he come for this purpose? the sisters asked one another; or was it, could it be, to interfere with some one else, who was as much less acceptable than Mr. Longe to their father, as he was more so to themselves? Could Horace be come, Melea wondered, to call Henry Craig to account for being at the house so often?

It was a great relief to her to find Horace's head so full of business as it appeared to be. She would have complained of this, if such had been his mood during his last visit; but now she had no objection to see him turn from his favourite bed of hepaticas and jonquils, to answer with animation, some question of his father's about the price of gold; and when, for the first time in her life, she had dreaded riding with him between the hawthorn hedges, and over the breezy downs which they used to haunt as children, her spirits actually rose, because, at the most interesting point of the ride, he woke out of a reverie to ask what proportion of Cavendish's notes, in comparison with other kinds of money, she supposed to be in the hands of the poorer sort of her acquaintance in the town.

In fact, nothing was further from Horace's thoughts, when he came down, than any intervention in favour of or against either of the clergymen, however much interest he felt in his sister's concerns, when he became a witness of what was passing. The reason of his journey was, that he wished to communicate with his father on certain suspicious appearances, which seemed to indicate that all was not going on right at Cavendish's; and also to give his opinion to the partners of the D——bank as to what steps they should take respecting some forged notes, for which payment had lately been demanded of them. When two or three excursions to D——had been made by the father and son, and when, on three successive days, they had remained in the dining-room for hours after tea was announced, the ladies began to grow extremely uneasy as to the cause of all this consultation, of their father's gravity and Horace's reveries. Horace perceived this, and urged his father to take the whole of their little family into his confidence, intimating the comfort that it would be to him to be able to open his mind to his daughters

when his son must leave him, and the hardship that it was to his mother to be restrained from speaking of that which was uppermost in her mind to those in whose presence she lived every hour of the day. It was difficult to imagine what could be Mr. Berkeley's objection to confidence in this particular instance, while it was his wont to speak openly of his affairs to all his children alike. He made some foolish excuses,— such as asking what girls should know about banking affairs, and how it was possible that they should care about the matter? excuses so foolish, that his son was convinced that, there was some other reason at the bottom of this reserve. Whatever it was, however, it gave way at length; and Horace had permission to tell them as much as he pleased.

“Must you go, mother?” he asked that afternoon, as Mrs. Berkeley rose to leave the table after dinner. “We want you to help us to tell my sisters what we have been consulting about ever since I came.”

The ladies instantly resumed their seats.

“How frightened Fanny looks!” observed her father, laughing; “and Melea is bracing herself up, as if she expected to see a ghost. My dears, what are you afraid of?”

“Nothing, father; but suspense has tried us a little, that is all. We believe you would not keep bad news from us; but we have hardly known what to think or expect for some days past.”

“Expect nothing, my dears; for nothing particular is going to happen, that I know of; and it may do me a serious injury if you look as if you believed there was. The bank is not going to fail; nor am I thinking of locking up Fanny, because she will not accept Mr. Longe. Fanny shall have her own way about that; and I will never mention the fellow to her again.”

Fanny burst into tears; and her father, instead of showing any of his usual irritation on this subject, drew her to him, and said he was sorry for having teased her so long about a shabillegible, boasting, artful wretch, who deserved to be posted for a swindler.

“Father!” exclaimed Melea, who thought this judgment upon Mr. Longe as extravagant in one direction as the former in another.

“I would not say exactly that,” interposed Horace; “but there is no question about his being; unworthy of Fanny; and I would do all I fairly could to prevent his having her, if he liked him ever so well. As she does not like him, there is no occasion to waste any more words upon him.”

As Horace laid an emphasis on the last word. Melea's heart rose to her lips. Henry's name was to come next, she feared. The name, however, was avoided. Her father put his arm round her as she sat next him, saying,

“As for you, my little Melea, we shall let you alone about such matters for some years to come. When you are five-and-twenty, like Fanny, we may tease you as we have been teasing her; but what has a girl of eighteen to do with such grave considerations as settling in life? You are too young for cares, dear. Be free and gay for a few years, while you can; and remember that it is only in novels that girls marry under twenty now-a-days. Trust your best friends for wishing to make you happy, and helping you to settle, when the right time and the right person come together.”

Melea smiled amidst a few tears. She owned that this was very kindly said; but she did not the less feel that it was not at all to the purpose of her case, and that she could not depute it to anybody to judge when was the right time, and who was the right person.

“Fanny is longing to know what has so suddenly changed your opinion of her suitor,” observed Mrs. Berkeley, in order to give Melea time to recover.

“Unless you explain yourself, my dear, she will run away with the notion that he has actually been swindling.”

Mr. Berkeley thought such transactions as Longe's deserved a name very nearly as bad as swindling. Horace, who had for particular reasons been inquiring lately into the characters of the whole Cavendish connexion, had learned that Longe had debts, contracted when at college, and that he had been paying off some of them in a curious manner lately. He had not only insisted on taking his tithe in kind, and on being paid his other dues in the legal coin of the realm, which he had an undoubted right to do; but he had sold his guillegibleas at twenty-seven shilling, and even his dollars at six shillings; while he had paid his debts in bank-notes;—in those of his cousin's bank, wherever he could contrive to pass them.

“Shabby, very shabby,” Horace pronounced this conduct, and, as far as selling the coin went, illegal; but it was no more than many worthier people were doing now, under the strong temptation held out by the extraordinary condition of the currency. Those were chiefly to blame for such frauds who had sported with the circulating medium, and brought the whole system of exchanges into its present illegible state.

“How came it into this state?” asked Melea. “Who began meddling with it? We shall never understand, unless you tell us from the beginning.”

“From the very beginning, Melea? From the days when men used to exchange wheat against bullocks, and clothing of skins against wicker huts?”

“No, no. We can imagine a state of barter; and we have read of the different kinds, of rude money in use when people first began to see the advantage of a circulating medium; skins in one country, shells in another, and wedges of salt in a third: and we know that metals were agreed upon among civilized people, as being the best material to make money of; and that to save the trouble of perpetually examining the pieces, they were formed and stamped, and so made to signify certain values. And——”

“And do you suppose they always keep the same value in reaillegibility; supposing them of the due weight and fineness?”

“No, certainly. They become of less and greater real value in proportion to the quantity of them; in the same way as other commodities are cheap or dear in proportion to the supply in the market. And I suppose this is the reason why money is now so cheap, there being a quantity of paper money in the market in addition to the coin there was before. But then, I cannot understand where the coin is all gone, it' it be true that we have too much money in consequence of its circulating together with paper.”

“The coin is gone abroad, and more paper still has taken the place of it. This is proved by two circumstances; first, that all commodities except money have risen in price; and secondly, that we have more foreign goods than usual in the market, notwithstanding the war.”

“To be sure, less of every thing being given in exchange for one thing proves that there is more of that one thing to be disposed of. And the foreign goods you speak of pour in, I suppose, in return for the gold we send abroad.”

“Yes. A guinea buys nearly as much abroad as it bought three years ago, while it buys much less at home,—(unless indeed it be sold in an illegal manner) Our guineas are therefore sent abroad, and goods come in return.”

Fanny thought it had been also illegal to export guineas. So it was, her father told her; but the chances of escaping detection were so great that many braved the penalty for the sake of the speculation illegible and, in fact, the greater part of the money issued by the mint was so disposed of. He took up the newspaper of the day, and showed her an account of a discovery that had been made on board a ship at Dover. This ship the *New Union*, of London—was found on the first search to contain four thousand and fifty guineas illegible and there was every reason to believe that a much larger sum was on hoard, concealed in places hollowed out for the reception of gold. Horace told also of a ship being stopped on leaving port, the week before, on board of which ten thousand guineas had been found.

“What an enormous expense it must be to coin so much money in vain!” exclaimed Fanny. “It seems as if the bankers and the government worked in direct opposition to each other; the one issuing paper to drive out gold; and the other supplying more money continually to depreciate the value of that which the banks put out.”

“And in putting out paper money,” observed Melea. “we seem to throw away the only regulator of the proportion of money to commodities. While we have coin only, we may be pretty sure that when there is too much of it, it will flow away to buy foreign goods; and when too little, that more will flow in from foreigners coming to buy of us: but our bankers' notes not being current out of England, we may be flooded with them and find no vent.”

“And then,” observed Mrs. Berkeley, sighing, as if with some painful recollection, “comes a lessening of the value of money; and then follow laws to forbid the value being lessened; and next, of course, breaches of the law —”

“A law!” exclaimed Melea. “Was there ever a law to prevent an article which is particularly plentiful being cheap? It seems to me that the shortest and surest way for the lawmakers is to destroy the superabundance, and thus put cheapness out of the question.”

Horace laughed, and asked what she thought of a Government that first encouraged an unlimited issue of paper money by withdrawing the limitations which had previously existed, and then made a solemn declaration that the notes thus issued were and must remain, in despite of their quantity, of the same value as the scarce metal they were intended to represent. Melea supposed this an impossible case; a caricature of human folly.

“Do you mean,” said she, “that if where there had been a hundred pounds in gold to exchange against commodities, eighty of them disappeared, and a hundred and eighty pound notes were added, those two hundred notes and pounds were each to buy as much as when there was only one hundred? Did the government declare this?”

“Its declaration was precisely on this principle.”

“How very absurd! It is only condemning half the money to remain over, unused, when the commodities are all exchanged,”

“It might as well have been thrown into the fire before the exchanging began,” observed Fanny.

“If it had been held in a common stock,” replied her brother: “but as long as it is private property, how is it to be determined whose money shall be destroyed?”

“Or whose to remain unused,” added Melea.

“Is it not to be supposed,” asked Horace, that the buyers and sellers will make any kind of sly and circuitous bargain which may enable them to suit their mutual convenience, or that the buyers will, if possible, avoid buying, rather than submit to have half their money rendered useless by an interference which benefits nobody?”

“The buyers and sellers will come to a quiet compromise,” observed Fanny. “The seller will say, ‘You shall have thirty shillings’ worth of goods for two pound notes, which will be better worth your while than getting nothing in exchange for your second note, and better worth my while than letting you slip as a customer, though I, in my turn, shall get only thirty shillings’ worth for these two notes.’ And the buyer agreeing to this, the notes will continue to circulate at the value of fifteen shillings each.”

“In defiance of the punishments of the law,” added Mrs. Berkeley, again sighing.

“One would think,” observed her husband, “that there are crimes and misdemeanours enough for the law to take notice of, without treating as such contracts which, after all, are as much overruled by the natural laws of distribution as by the will of the contractors. It would be as wise to pillory by the side of a sheep-stealer, a man who sells potatoes dear after a bad season, as to fine a man for getting a little with his depreciated money, rather than get nothing at all. Your mother could tell you of something worse than any fine that has been inflicted for such a factitious offence.”

“Melea gives us up, I see,” said Horace. “She can never esteem us again, father, while we are aiding and abetting in circulating this horrible paper money. She would make a bonfire of all the bank notes in Great Britain as they are returned to the bankers. Would not you, Melea?”

“I do not see why I should run into such an extreme,” she replied. “If there were no means of limiting the quantity of paper money, I might speculate on such a bonfire; but if a moderate amount of bank notes saves the expense of using gold and silver, I do not see why the saving should not be made.”

“If white ware and glass answered all the purposes of gold and silver plate,” observed Fanny, “it would be wise to set apart our gold and silver to make watches, and other things that are better made of the precious metals than of anything else. What do you suppose to be the expense of a metallic currency to this country, Horace?”

Horace believed that the expense of a gold currency was about one million to every ten millions circulated: that is, that the 10 per cent, profit which the

metal would have brought, if employed productively, is lost by its being used as a circulating medium. This, however, is not the only loss to the country, the wear of coin, and its destruction by accidents, being considerable; besides which, much less employment is afforded by coining, than by working up gold for other purposes. Supposing the gold currency of the country to be thirty millions, the expense of providing it could scarcely be reckoned at less than four millions; a sum which it is certainly desirable to save, if it can be done by fair means.

“The metals being bought by our goods,” observed Fanny, “it seems to be a clear loss to use them unproductively. The only question therefore appears to be whether bank notes make a good substitute. They might, I suppose, by good management, be made sufficiently steady in value. They might, by common agreement, be made to signify any variety of convenient sums. They may be much more easily carried about; a note for the largest sum being no heavier than for the smallest. There is not the perfect likeness of one to another that there is in coins of the same denomination, but the nature of the promise they bear upon their faces serves as an equivalent security. As to their durability and their beauty, there is little to be said.”

“As to their beauty, very little,” replied Horace; “for, if a new bank note is a pretty thing, few things are uglier than a soiled, and pasted, and crumpled one. But, with respect to their durability, you should remember that it signifies little in comparison with that of a medium which is also a commodity. If a bank note is burned, the country loses nothing. It is the misfortune of the holder, and a gain to the banker from whose bank it was issued.”

“Like a guinea being dropped in the street, and presently picked up,” observed Melea. “It is not lost, but only changes hands by accident. Yet it seems as if there must be a loss when a fool. bank note goes up the chimney in smoke, leaving only that below with which children may play ‘there goes the parson, and there goes the clerk.’ ”

“Nay.” said Horace, “consider what a bank note is. What are the essentials of a bank note, Melea.”

“It would be strange if we did not know what a bank note was, would it not, father, when you have been spreading them before our eyes continually for this twelvemonth? First comes ‘I promise to pay——’ ”

“Never mind the words. The words in which the promise is made are not essential.”

“A bank note is a promissory note for a definite sum; and it must be stamped.”

“And payable on demand. Do not forget that, pray. It is this which makes it differ from all other promissory notes.—Well, now: what is the intrinsic value of a bank note? Its cost of production is so small as to be scarcely calculable.”

“It is, in fact, circulating credit,” observed Melea; “which is certainly not among the things which can be destroyed by fire.”

“It is only the representative of value which goes off in smoke,” observed Horace. “The value remains.”

“Where? In what form?”

“That depends upon the nature of the paper currency. Before bank notes assumed their present form, when they were merely promissory notes, which it occurred to bankers to discount as they would any other kind of bills, the property of the issuers was answerable for them, like the goods of any merchant who pays in bills; and the extent of the issue was determined by the banker's credit. Then came the time when all bank notes were convertible into com, at the pleasure of the holder; and then the value, of which the notes were the representatives, lay in the banker's coffers, in the form of gold and silver money. As for the actual value of the Bank of England notes issued since the Restriction Act passed, you had better ask somebody else where it is deposited, and in what form, for I cannot pretend to tell you. I only know that the sole security the public has for ever recovering it lies in the honour of the managers of the Bank of England.”

“What is that Restriction Act?” asked Melea. “I have heard of it till I am weary of the very name; and I have no clear notion about it, except that it passed in 1797.”

“Before this time,” replied her brother, “by this 9th of May, 1814, every banker's daughter in England ought to be familiar with the currency romance of 1797.”

“In order to be prepared for the catastrophe,” muttered Mr. Berkeley, who had forebodings which made the present subject not the most agreeable in the world to him.

“First, what is the Bank of England?” asked Fanny. “It is the greatest bank of deposit and circulation in the world, I know; but to whom does it belong, and how did it arise?”

“It came into existence a little more than a hundred years before the great era of its life, the period of restriction. Government wanted money very much in 1694, and a loan was raised, the subscribers to which received eight per cent, interest, and 4000L a-year for managing the affair, and were presented with a charter, by which they were constituted a banking company, with peculiar privileges.”

“No other banking company is allowed to consist of more than six persons; this is one of their privileges, is it not?”

“Yes; it was added in 1708, and has done a vast deal of mischief: and will do more, I am afraid, before it is abolished. [Savings-banks were not instituted when this was said: viz., in 1814.] —The very circumstances of the origin of the Bank of England brought it, you see, into immediate connexion with the government, under whose protection it has remained ever since. Its charter has been renewed as often as it expired; and has still to run till a year's notice after the 1st of August, 1833. The government and the Bank have helped one another in their times of need; the Bank lending money to government, and the government imposing the restriction we were talking of in the very extremity of time to prevent the Bank stopping payment. It also afforded military protection to the establishment at the time of the dreadful riots in 1750.”

“Well: now for the Restriction Act.”

“At that memorable time, from 1794 to 1767, the Bank had to send out much more money than was convenient or safe. We were at war; there were foreign

loans to be raised; heavy bills were drawn from abroad on the Treasury; and the government asked for large and still larger advances, till the Bank had made enormous issues of notes, and was almost drained of the coin it had promised to pay on demand. It was just at this time that the French invasion was expected; every body was seized with a panic, and a general rush was made to the country banks, several of which could not answer so sudden a demand for cash, and failed. The panic spread to London, and the Bank of England was beset on every side. On Saturday, the 25th of February, 1797, the coffers of the Bank had very little money in them; and there was every prospect of a terrible run on the Monday. This was the time when government made its celebrated interference. It issued an order, on the Sunday, that the Bank should not pay away any cash till parliament had been consulted; and this was the news with which the tremendous throng of claimants was met on the Monday morning.”

“I wonder it did not cause as fierce a riot as that of 1780,” observed Fanny. “It is such an intolerable injustice to induce people to take promissory notes on condition of having cash whenever they please, and then to get government to prohibit the promise being kept!”

“There would have been little use in rioting,” replied Horace. “Things were brought to such a pass that the Bank must either fail that day, or defer the fulfilment of its engagements; and as things were at this pass, the restriction was perhaps the best expedient that could have been adopted. Nobody, however, supposed that the prohibition would have been continued to this day. Here we are, in 1814, and the Bank has not begun to pay off its promissory notes yet.”

“Then what security is there against an inundation of promissory notes that may never be paid?”

“None whatever, but in the honour of the Directors of the Bank of England. There appears to be good ground for trusting in this honour; but a better security ought, in a matter of such paramount importance, to have been provided long ago —But we have not spoken yet of the Act of Restriction; only of the Order in Council.—As soon as parliament met, a committee inquired into the affairs of the Bank, and found them in very good condition;

and parliament therefore decreed the restriction to remain till six months after the conclusion of peace.”

“But there has been peace since that time.”

“Yes; and there will be another, very likely, before the Bank pays cash again. It is much easier to quit cash payments than to resume them; the temptation to an over-issue is so great when responsibility is destroyed, and especially when moderation at the outset has propitiated public confidence.”

“Then there was moderation at first?”

“For three years after the restriction, the issues were so moderate, that the notes of the Bank of England were esteemed a little more valuable than gold, and actually bore a small premium. Then there was an over-issue, and their value fell; afterwards it rose again; and it has since fluctuated, declining on the whole, till now.”

“And what are Bank of England notes worth now?”

“Less than they have ever been. So long ago as 1810, parliament declared that there had been an over-issue, and recommended a return to cash payments in two years; but four years are gone, and cash payments are not begun, and the depreciation of the Bank notes is greater than ever.”

“That is partly owing, I suppose,” said Fanny, “to the increase of country banks. Melea and I could count several new ones within our recollection.”

“At the time of the restriction, there were fewer than three hundred country banks in existence; there are now more than seven hundred.”

“And are so many wanted?”

“We shall soon see,” muttered Mr. Berkeley. “I much doubt whether there will be two-thirds the number by this day twelvemonth.—Aye, you may well look frightened, girls. Confidence is shaken already, I can tell you; and even you can see what is likely to follow when banking credit is impaired.”

“If these terrible consequences happen, father, will you attribute them to the Bank of England being excused from paying cash.”

“That first destroyed the balance of the currency, which will have much to do to right itself again. Formerly, the Bank and its customers were a check upon each other, as are paper and gold, when the one is convertible into the other. As the profits of the Bank depend on the amount of its issues, the public is always sure of having money enough, while affairs take their natural course. —On the other hand, the public was as sure to make the Bank lose by an over-issue; since an over-issue raises the price of gold, which makes people eager to have gold for their notes, winch again, of course, obliges the Bank to buy gold at a loss to coin money to pay for their own over-issues. Now, by this penalty being taken from over their heads, the balance of checks is destroyed. The people are more sure than ever of having money enough; but there is no security whatever against their having too much. Witness the state of our currency at this hour.”

“If we could but contrive any security against over-issue,” observed Melea, “we might do without coin (or at least gold coin) entirely: but, as there does not appear to be any such. I suppose we must go on with a mixed currency. What a pity such an expense cannot lie saved!”

“And it is the more vexatious when one thinks of the loss by hoarding,” observed Fanny. “No one would think of hoarding paper.”

“Certainly; if it was the only sort of money.”

“Well; many do hoard gold,—besides Mrs. Parndon. How many years will her guineas have been lying by when she dies!—(and I do not believe she will part with them but in death.) They might have doubled themselves by this time, perhaps, if they had been put to use instead of being buried in her garden, or under the floor, or among the feathers in her feather-bed, or wherever else they may be.”

“I was going to ask,” said Horace, “how she comes to make public such an act as hoarding; but you seem not to know the place of deposit.”

Fanny explained that not even Hester knew more than that her mother had a stock of hoarded guineas; and she had mentioned it only to such particular friends as the Berkeleys.

“The Cavendishes are not on the list of particular friends then, I suppose,” observed Horace, “or there would have been an end of the hoarding before this time. Mr. Cavendish does not approve of any reserves of guineas within twenty miles of his bank.”

Melea was struck by her brother's countenance and manner, whenever he mentioned Mr. Cavendish. There was now something more conveyed by both than the good-humoured contempt with which the whole family had been accustomed to regard the man.

“Horace,” said she, “I never suspected you of hating any body before; but now I do believe you hate Mr. Cavendish. I wish you would tell us why; for I had rather think worse of him than of you.”

“Yes, dear, I will tell you why; and this was what you were to hear this afternoon.”

Mr. Berkeley moved uneasily in his chair, and his wife stole anxious glances at him, while Horace related that the proprietors of the D—— bank had been for some time aware that forgeries of their notes were circulating pretty extensively; that inquiries had in consequence been secretly made, under Horace's direction, in order to the fraud being put a stop to; that these inquiries had issued in the deed being brought home to the parties.

“O, we shall have a trial and execution,” groaned Fanny.

No such thing, her brother assured her. In times when banking credit did not, at the best, keep its ground very firmly, there was every inducement to a bank not to shake it further by publishing the fact that notes circulating in its name were not to be trusted. The fact of this forgery had been kept a profound secret by the partners of the D—— bank.

“But what is the consequence to the holders of the forged notes?” “Nothing. We pay them on demand without remark.”

“But what a loss to the bank, if the forgery is extensive!”

Mr. Berkeley observed gloomily that he had given cash payment for two forged 5l. notes, and one of 10l. this very morning. Yet this loss was preferable

to exposing the credit of the bank to any shock; at least, when there were the means of stopping the forged issue.

“Then you have certainly discovered the parties?”

“I saw the principal shipped for America the day I left London,” replied Horace; “and the rest know that we have our eye upon them. The only doubtful thing now is whether we may take their word for the amount they have issued. Another month will show.”

“Do all your notes come back to you within a few weeks, father?” asked Melea. “I thought they remained out for years. I am sure I have more than one note of the D—bank that is above a year old.”

“Yes; some are now circulating that belonged to the first issue after I became a partner; but these have been re-issued. We reckon that most of our notes come back within six weeks.”

“You did not surely suppose,” said Horace, “that new notes are issued every time? Why should not the old ones be used as long as they will last?”

“I did not know that the stamps were allowed to serve more than one turn.”

“This is provided for by the issuers being obliged to purchase a license, which costs 30l., and which must be annually renewed. The Bank of England is the only exception to this rule; that establishment being permitted to compound for the stamp-duties by paying so much per million on its issues. It is on this point, (of the renewal of the license,) that we hope to catch Cavendish. He has not renewed within the given time.”

“But why should you?” cried Fanny, with some indignation. “What affair is it of yours? Let the Stamp-office look to it; and let us mind our own business, instead of meddling with our neighbours.”

“Besides,” added Melea, “what becomes of the banking credit which needs to be taken such extraordinary care of just now? Shake Cavendish's credit, and you shake that of other banks in some degree, according to your own doctrine.”

“If he had never meddled with our credit,” said Mr. Berkeley, “he might have cheated the Stamp-office to his heart's content, for anything we should have done to prevent it. But having acted the part that he has by us——”

Fanny and Melea looked at each other with sorrow in their faces; which their brother observed, and quietly said.

“It is not in a spirit of retaliation that we are going to act against Cavendish. It is necessary, for the public safety, that his bank should be closed while there is a chance of its discharging its obligations. If it goes on another year, —I say this in the confidence of our own family circle,—it must break, and ruin half the people in Haleham. If Cavendish can be so timely beset with difficulties,—which, remember, he has brought on himself,—as to be induced to give up the bank, and confine himself to his other businesses, it is possible that those who have trusted him may get their dues, and that banking credit may be saved the shock which his failure must otherwise soon bring upon it.”

“But what is the penalty?”

“A fine of 100l. for every act of issue after the term of license has expired. I am now employed in discovering what Cavendish's issues have been since the expiration of his license. I hope we may find him liable for just so much as may make him glad to close his bank for the sake of a composition; and not enough to ruin him; though I fancy it would not require a very heavy liability to do that.”

“What a hateful business to be engaged in!” exclaimed Melea.

Very disagreeable indeed, Horace admitted; but Cavendish's offences towards the D—— bank deserved the worst punishment they could bring upon him. He had known of the forgeries of their notes longer than they had; and not only had he given them no warning, but he had whispered the fact elsewhere in every quarter where it could injure their credit just so far as to make people shy of taking their notes, without causing an abrupt shock, in which he might himself have been involved. He insinuated no doubts of the stability of their house; but told several people in confidence that forgeries of their notes were abroad, so well executed, that it was scarcely possible to distinguish the true notes from the false.

“How came he to know sooner than the partners themselves?” inquired Melea: but neither father nor brother appeared to hear the question.

“May one ask about the forgers,” inquired Fanny, “who they are, and how you dealt with them.”

“No; you may not ask,” replied her brother, smiling. “We are bound not to tell this, even to our own families. Be satisfied in your ignorance; for it is a very sad story, and it would give you nothing but pain to hear it.”

The whole party sat in silence for some minutes, the girls gazing in reverie on the green lawn over which the evening shadows were stretching unnoticed. Both were meditating on Cavendish's connexion with the affair of the forgery. The absence of all answer to Melea's question looked as if he had something to do with the guilty parties; and yet, nothing was more certain than that it is the interest of all bankers, and more especially of unstable ones, to wage war against forgery wherever it may exist.

Fanny thought it best to speak what was in her mind, declaring beforehand that she did so out of no curiosity to know what ought to be concealed, and without any wish for an answer, unless her brother chose to give her one.

Horace was glad she had spoken, since he could assure her that any banker must be as much fool as knave who had any amicable connexion with forgers; and that, if Cavendish had been proved to have maintained any such, he would have been treated in a very different way from that which was now meditated against him. Fanny also was glad that she had spoken what was in her mind. The diaries against Cavendish seemed to be, carelessness in his banking management, and shabby spite against his rivals at D——.

“Now, promise me,” said Horace to his sisters, “that you will not fancy that all kinds of horrible disasters are going to happen whenever you see my father and me consulting together without taking you immediately into our counsels. Promise me——”

He stopped short when he saw Melea's eyes full of tears.

“My dear girl,” he continued, “I did not mean to hurt you. I did not once think of such a thing as that either Fanny or you could be jealous, or have

vanity enough to be offended. I only meant that you were both too easily alarmed in this case, and I should be sorry if the same thing happened again. Do you know, you have scarcely looked me full in the face since I came, and I am not quite sure that you can do so yet.”

Melea replied by bestowing on her brother one of her broadest and brightest smiles, which revealed the very spirit of confidence. She had, in turn, her complaint to make; or rather, her explanation to give. How was it possible, she asked, for Fanny and herself to avoid speculating and foreboding, when Horace had not answered above, half the questions they put to him, or inquired after half his former acquaintance, or taken any interest in his old haunts, or in the four-footed or vegetable favourites which had been cherished for his sake during his absence? Fanny also pleaded her mother's anxious looks and long silences during the mornings.

“And now, what fault have you to find with me,” asked Air. Berkeley. “Have you counted how many times I have said ‘Pshaw’ within the last week.”

“It would have been much easier to count how many times you have smiled, papa,” said Melea, laughing. “But if you would only——” She stopped.

“I know what she would say,” continued Horace. “If you would only open your mind to your daughters as far as you can feel it right to do so, it would cause them less pain to know from yourself the worst that can ever happen, than to infer it from your state of spirits; and, indeed, sir, you would find great relief and comfort in it.”

“They used to complain of me for telling them sometimes that they must prepare to provide for themselves.”

“Not for telling us so, sir. There is nothing but kindness in letting us know as soon as possible, but——”

“But you never knew when to believe me,— is that it? Out with it, Fanny.”

“We should like to know the extent of changes, when changes take place, if you have no objection to tell us. We could prepare ourselves so much better then.”

“You seem to have been preparing at a vast rate lately, both of you. One at her German and Italian, and the other at her music; and both studying education with might and main.”

This was a subject on which Horace could never endure to dwell. He writhed under it, even while he persuaded himself that his father was not in earnest, and that the girls were so far like other girls as to have their heads filled fuller with a new idea than reason could justify. It was not enough that Melea sagely observed that the diligent study which occupied them at present could do them DO harm, whatever fortune might be in store for them: he was not quite at his ease till she mentioned Lewis, the East Indian boy who was expected over; and explained how much Fanny and herself wished to contribute towards educating him. All the family desired to keep Lewis at Haleham, and to have him domesticated with them; and if he could be so assisted by his cousins at home as to profit to the utmost by what he should gain at a day-school, it would be much better for every body concerned than that he should be sent to a boarding-school a hundred miles off. This plan accounted for the eagerness of Fanny's study of German; but how Lewis was to benefit by Me-lea's music was left unexplained.

This evening was the brightest of the whole spring in the eyes of Fanny and Melea. The bank had only sustained a loss, instead of being about to break. There was an end of Mr. Longe, and Horace hinted no intention of quarrelling with Henry Craig. The sunset was certainly the softest of the year; the violets had never smelled so sweet, and even Mr. Berkeley acknowledged to the daughter on either arm that the rosary which he had planned, and they had tended, was the most delicious retreat he had buried himself in since the days of the green walk in his mother's garden, of which he spoke with fond eloquence whenever led to mention his childhood. To Mrs. Berkeley and her son every thing did not look so surpassingly bright this evening. From them no painful load of apprehension had been suddenly removed; such fears as they had had remained: but it was a May evening, mild and fragrant, and they lingered in the shrubberies till yellow gleams from the drawing-room windows reminded them that they were expected within.
