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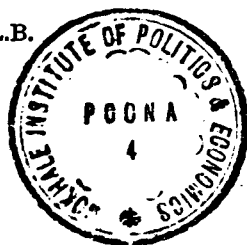
J. THEODORE HARRIS, B.A.

WITH A PREFACE BY
SIDNEY WEBB, LL.B.

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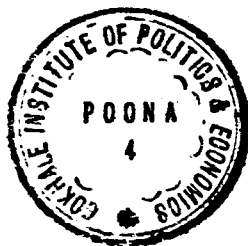


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PREFACE

THOSE who during the past thirty or forty years have frequented working men's clubs or other centres of discussion in which, here and there, an Owenite survivor or a Chartist veteran was to be found, will often have heard of the Guernsey Market House. Here, it would be explained, was a building provided by the Guernsey community for its own uses, without borrowing, without any toll of interest, and, indeed, without cost. To many a humble disputant, the Guernsey Market House seemed, in some mysterious way, to have been exempt from that servitude to previously accumulated capital in which the whole creation groaneth and travaileth. By the simple expedient of paying for the work in Government notes—issued to the purveyors of material, the master-workmen and the operatives, accepted as currency throughout the island, and eventually redeemed out of the annual market revenues—all tribute to the capitalist was avoided. In face of this successful experiment, the fact that we, in England, continued to raise loans and subject ourselves to “drag at each remove a lengthening chain” of interest on public debt, often seemed so perplexingly foolish as to be inexplicable,

except as the outcome of some deep-laid plot of "the money power."

When first I heard of this Guernsey Market House, as in some mysterious way exempted from the common lot, I was curious to enquire what transaction had, in fact, taken place in an island which was, after all, not so far removed in space or time from the Lombard Street that I knew. In all the writings of the economists (for which my estimate was at that time, as indeed it is now, such as I could not easily put into appropriate words), I found no mention of this Phoenix among market-houses. I fear that, too hastily, I dismissed the story as mythical.

Now Mr. J. Theodore Harris—having, I suspect, a warmer feeling for the incident than he has allowed to appear in these scientific pages—has done what perhaps I or some other economic student of the eighties or nineties ought to have done, namely, gone to Guernsey to dig up, out of the official records, the incident as it actually occurred. What is interesting is that he has found that the myth of the veteran Owenite or Chartist is, in all essentials, confirmed by the documents. The story is true. The Guernsey Market House was built without a loan and without the payment of interest.

It does not follow, however, that it was

any more built without the aid of capital, than was St. Paul's Cathedral or the Manchester Ship Canal. Mr. Harris, contenting himself with the austere exact record drawn from the documents, does not indulge in any speculative hypothesis as to who provided the capital, or who bore the burden that would otherwise have been interest. Let me use the fuller privilege of the preface-writer, and supply some hypothetical elucidations.

What the Guernsey community did was that which nearly every community has done at one time or another, namely, issue paper money. The part of the story that we do not know is (a) what thereupon happened to the aggregate amount of "currency" of all kinds then in circulation within the island, in relation to the work which that currency had to do; (b) what happened to the prices of commodities.

It may well have been that the issue of paper money was promptly followed by some shipments of metallic money to England or France—perhaps even in payment for imported materials for the market house—so that the aggregate amount of "currency" in the island was not in fact increased. Accordingly, no change of prices may have taken place. In such a case, Guernsey would merely have substituted paper for gold in its currency. The gold-capital

heretofore in use as currency, and there, of course, yielding no capitalist any toll of interest, would, in effect, have been borrowed to expend upon the building of the Market House. And, as paper money probably served the purposes of the island every bit as well as gold, nobody was any the worse. By giving up the needless extravagance of using gold coins as counters, and by taking to paper counters instead, Guernsey really got its Market House without cost. The same resource is open to any community already possessing a gold currency, and becoming civilised and self-restrained and sensible enough to arrange to do without gold counters in its internal trade. But Guernsey could not have gone on equipping itself with endless municipal buildings as out of a bottomless purse. The resource is a limited one. This is a trick which can only be played once. When the gold has once been withdrawn from the currency, and diverted to another use, there is no more left with which to repeat the apparent miracle.

On the other hand, there may easily have been no special shipments of metallic money from the island, and the aggregate "currency" may have been increased, in relation to the work that it had to do, by the amount of the note issue. In that case, the economist would, for reasons into which I have

no space to go on the present occasion, expect to see a gradual and silent rise of prices. Such a rise would seem, to the ordinary Guernsey housekeeper and shopkeeper, as inevitable, and at the same time as annoying as any other of those mysterious increases in the cost of eggs and meat that Anthony Trollope described with such uneconomic charm in *Why Frau Frohmann raised her prices*—a work which I do not find prescribed, as it might well be, for undergraduate reading.

There is even a third hypothesis, to which Mr. Harris has directed my attention. There may have been, before the note issue, an actual dearth of currency, or a growing disproportion between the amount of the currency and the work that it had to do. Mr. Harris infers from his reading that such a stringency had been actually experienced in Guernsey, and that it was for this reason that successive attempts were made to prevent foreign coins from being gradually withdrawn from the island. Such a stringency, the economist would infer, would produce a progressive fall of prices, leading, by the silent operations of external trade, to a gradual readjustment of the amount of currency in circulation, by influx of gold from outside, until a new equilibrium had been reached. If the Guernsey Government's note issue happened to be made at

such a moment, it may well have taken the place of the hypothetical inflow of gold, so far as the island currency was concerned. It may even have averted a fall in prices that would otherwise have taken place, the economic effect on the consumer's pockets being in that case much the same as if an actual rise had occurred. But the Guernsey Government, on this hypothesis, would, by substituting paper for gold, have gained for the community the equivalent of the cost of the addition to the gold currency which expanding population and trade were making necessary; and this gain was expended in building the Market House.

Unfortunately we do not know how prices behaved to the Guernsey housekeeper between 1815 and 1837. Perhaps another student will look this up. What is interesting to us in this argument is the fact that, *if prices generally did rise*, in consequence of the issue of the paper money, even by only one half-penny in the shilling—if eggs, for instance, sold twenty-four for a shilling, instead of twenty-five—this represented a burden laid on the Guernsey people as consumers, exactly analogous to a tax (say an octroi duty) of four per cent. on all their purchases. On this hypothesis, which I carefully abstain from presenting as anything but hypothetical, because we are unable to verify it by comparison with the facts, the economist

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money offers some magical way of getting things without having to use capital, or we may find ourselves one day, to the unmeasured hardship of the poor among us, stupidly burdening ourselves as consumers with higher prices and increased cost of living all round.

There are, of course, other reasons in favour (a) of paper money being issued by the Government, instead of this valuable and responsible prerogative being abandoned to individual bankers or joint stock companies, to the great financial loss of the community as a whole; and (b) of the whole business of banking—which means the organising of credit and the custody of savings—being conducted by the Government itself, in order that the power which banking gives may be exercised exclusively under public control, and for corporate instead of for individual ends, and in order that the profit which banking yields may accrue to the benefit of the community as a whole, instead of to particular capitalists. But that is another story. The Guernsey Government stopped short at the issue of paper money—which is not banking—and even gave up this right at the bidding of private banking companies.

SIDNEY WEBB.

41, Grosvenor Road, Westminster.
December, 1910.

APPENDIX

WE have not yet discovered anything with reference to a successful plan at Bath to which Daniel de Lisle Brock here alludes (see page 40). We assume the reference to Liverpool is to the fact that during a time of financial panic the Liverpool Corporation was empowered by Statute 33, Geo. III., c. 31 (10th May, 1793), to issue notes of £5, £10, £50 and £100 for value received or other due security.

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," was passed after the Corporation of Liverpool had failed to obtain a loan of £100,000 from the Bank of England.

The £50 and £100 notes bore interest not exceeding the lawful rate and at 12 months' date. The £5 and £10 notes were payable to bearer on demand without interest. The total issue was at no time to exceed £300,000. Returns had to be forwarded to the House of Commons from time to time. From one of these returns we learn that the notes issued to 28th February, 1795, amounted to £140,390, based on security valued at £155,907 16s. 6d. In a report forwarded 23rd April, 1794, it was stated that £52,985 worth of notes were in circulation at that date.

Great care was taken in the issue of the notes. The Committee of the Corporation that was responsible for the same met daily.

In order to give a wider utility to the notes, London correspondents were appointed and a large number were made payable in London. This made it possible for the Corporation itself to apply to the Committee for a large loan of £50,000.

The security on which advances were made were very various. It included cotton, timber, iron, hops, whale oil, bills of exchange, ships on the stocks and the Alt rates.

For further particulars of this interesting incident, the reader is referred to Sidney and Beatrice Webb's *English Local Government*: "The Manor and the Borough," p. 485, and to E. C. K. Gonner's Article, "Municipal Bank Notes in Liverpool, 1793—95," which appeared in the *Economic Journal*, Vol. VI., 1896, pp. 484—487, to whom the writer is largely indebted for the above facts.

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