PEOPLE'S BANKS

A RECORD OF SOCIAL AND ECONOMIC SUCCESS

By H. W. WOLFF

Third Edition, Newly Revised and Enlarged

Demy 8vo, Cloth, 600 pp. 6s. *net*

CONTENTS—Introduction, The General Idea, The Two Problems, The Two Aspects of the Question, Credit to Agriculture, The "Credit Associations" of Schulze-Delitzsch, Raiffeisen Village Banks, Adaptations, "Assisted" Co-operative Credit, Co-operative Credit in Austria and Hungary, The "Banche Popolari" Italy, The "Casse Rurali" of Italy, Co-operative Credit in Belgium, Co-operative Credit in Switzerland, Co-operative Credit in France, Offshoots and Congeners, Co-operative Credit in India, Conclusion.

"We may confidently refer those who desire information on the point to the book with which Mr. Wolff has provided us. It will be a most useful thing if it is widely read, and the lessons which it contains are put in practice."—*Athenæum.*

"The book is the most systematic and intelligent account of these institutions which has been published."—*Banker's Magazine (New York).*

"It is the most complete book on the subject."—*Mr. G. N. Pierson, late Dutch Prime Minister and Minister of Finance.*

"There was manifest need of just such a book. . . A mine of valuable information."—*Review of Reviews.*

"This is an excellent book in every way, and thoroughly deserves the careful attention of all who are concerned for the welfare of the people."—*Economic Review.*

LONDON: P. S. KING & SON
ORCHARD HOUSE, WESTMINSTER

STUDIES IN ECONOMICS AND POLITICAL SCIENCE

Edited by the Hon. W. PEMBER REEVES, Director of the London School of Economics

No. 21 in the Series of Monographs by Writers connected with the London School of Economics and Political Science

---

AN EXAMPLE OF COMMUNAL CURRENCY

AN EXAMPLE OF

COMMUNAL CURRENCY

THE FACTS ABOUT THE GUERNSEY MARKET HOUSE

COMPILED FROM ORIGINAL DOCUMENTS
BY

J. THEODORE HARRIS, B.A.

WITH A PREFACE BY

SIDNEY WEBB, LL.B.

LONDON
P. S. KING & SON
ORCHARD HOUSE, WESTMINSTER

1911

CONTENTS

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 Phœnix 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 austerely 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 halfpenny 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 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 halfpenny 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 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.

STUDIES IN ECONOMICS AND POLITICAL SCIENCE

A Series of Monographs by Lecturers and Students connected with the London School of Economics and Political Science

EDITED BY THE
DIRECTOR OF THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE

1. **The History of Local Rates in England.** The substance of five lectures given at the School in November and December, 1896. By EDWIN CANNAN, M.A., LL.D. 1896; 140 pp., Cr. 8vo, cloth, 2s. 6d. *P. S. King & Son.*

2. **Select Documents Illustrating the History of Trade Unionism.** I.—THE TAILORING TRADE. By F. W. GALTON. With a Preface by SIDNEY WEBB, LL.B. 1896; 242 pp., Cr. 8vo, cloth. 5s. *P. S. King & Son.*

3. **German Social Democracy.** Six lectures delivered at the School in February and March, 1896. By the Hon. BERTRAND RUSSELL, B.A., late Fellow of Trinity College, Cambridge. With an Appendix on Social Democracy and the Woman Question in Germany. By ALYS RUSSELL, B.A. 1896; 204 pp., Cr. 8vo, cloth. 3s. 6d. *P. S. King & Son.*

4. **The Referendum in Switzerland.** By M. SIMON DEPLOIGE, University of Louvain. With a letter on the Referendum in Belgium by M. J. VAN DEN HEUVEL, Professor of International Law in the University of Louvain. Translated by C. P. TREVELYAN, M.A., Trinity College, Cambridge, and edited with Notes, Introduction, Bibliography, and Appendices, by LILIAN TOMN (Mrs. Knowles), of Girton College, Cambridge, Research Student at the School. 1898; x. and 334 pp., Cr. 8vo, cloth. 7s. 6d. *P. S. King & Son.*

5. **The Economic Policy of Colbert.** By A. J. SARGENT, M.A., Senior Hulme Exhibitioner, Brasenose College, Oxford; and Whately Prizeman, 1897, Trinity College, Dublin. 1899; viii. and 138 pp., Cr. 8vo, cloth. 2s. 6d. *P. S. King & Son.*

6. Local Variations in Wages. (The Adam Smith Prize, Cambridge University, 1898.) By F. W. LAWRENCE, M.A., Fellow of Trinity College, Cambridge. 1899; viii. and 90 pp., with Index and 18 Maps and Diagrams. Quarto, 11 in. by 8½ in., cloth. 8s. 6d. *Longmans, Green & Co.*

7. The Receipt Roll of the Exchequer for Michaelmas Term of the Thirty-first Year of Henry II. (1185). A unique fragment transcribed and edited by the Class in Palæography and Diplomatic, under the supervision of the Lecturer, HUBERT HALL, F.S.A., of H.M. Public Record Office. With thirty-one Facsimile Plates in Collotype and Parallel readings from the contemporary Pipe Roll. 1899; vii. and 37 pp.; Folio, 15½ in. by 11½ in., in green cloth; 5 copies left. Apply to the Director of the London School of Economics.

8. Elements of Statistics. By ARTHUR L. BOWLEY, M.A., F.S.S., Cobden and Adam Smith Prizeman, Cambridge; Guy Silver Medallist of the Royal Statistical Society; Newmarch Lecturer, 1897–98. 1901; *Third edition*, 1907; viii. and 336 pp. Demy 8vo, cloth, 40 Diagrams. 10s. 6d. net. *P. S. King & Son.*

9. The Place of Compensation in Temperance Reform. By C. P. SANGER, M.A., late Fellow of Trinity College, Cambridge; Barrister-at-Law. 1901; viii. and 136 pp., Cr. 8vo, cloth. 2s. 6d. *P. S. King & Son.* (*Out of print.*)

10. A History of Factory Legislation, 1802–1901. By B. L. HUTCHINS and A. HARRISON (MRS. SPENCER), B.A., D.Sc. (Econ.), London. Second Edition. With a Preface by SIDNEY WEBB, LL.B. 1911; xviii. and 372 pp., Demy 8vo, cloth. 6s. net. *P. S. King & Son.*

11. The Pipe Roll of the Exchequer of the See of Winchester for the Fourth Year of the Episcopate of Peter Des Roches (1207). Transcribed and edited from the original Roll in the possession of the Ecclesiastical Commissioners by the Class in Palæography and Diplomatic, under the supervision of the Lecturer, HUBERT HALL, F.S.A., of H.M. Public Record Office. With a Frontispiece giving a Facsimile of the Roll. 1903; xlviii. and 100 pp., Folio, 13½ in. by 8½ in., green cloth. 15s. net. *P. S. King & Son.*

12. Self-Government in Canada and How it was Achieved: The Story of Lord Durham's Report. By F. BRADSHAW, M.A., Senior Hulme Exhibitioner, Brasenose College, Oxford. 1903; 414 pp., Demy 8vo, cloth. 3s. 6d. net. *P. S. King & Son.*

13. History of the Commercial and Financial Relations Between England and Ireland from the Period of the Restoration. By ALICE EFFIE MURRAY (Mrs. Radice), D.Sc. (Econ.), former Student at Girton College, Cambridge;

Research Student of the London School of Economics and Political Science. 1903; 486 pp., Demy 8vo, cloth. 3s. 6d. net.
P. S. King & Son.

14. The English Peasantry and the Enclosure of Common Fields. By GILBERT SLATER, M.A., St. John's College, Cambridge; D.Sc. (Econ.), London. 1906; 337 pp., Demy 8vo, cloth. 10s. 6d. net. *Constable & Co., Ltd.*

15. A History of the English Agricultural Labourer. By DR. W. HASBACH, Professor of Economics in the University of Kiel. With a Preface by Sidney Webb, LL.B. Translated from the Second Edition (1908), by Ruth Kenyon. Cloth, 7s. 6d. net.
P. S. King & Son.

16. A Colonial Autocracy: New South Wales under Governor Macquarie, 1810–1821. By MARION PHILLIPS, B.A., Melbourne, D.Sc. (Econ.), London. 1909; xxiii., 336 pp., Demy 8vo, cloth. 10s 6d. net. *P. S. King & Son.*

17. India and the Tariff Problem. By Professor H. B. LEES SMITH, M.A., M.P. 1909; 120 pp., Crown 8vo, cloth. 3s. 6d. net. *Constable & Co., Ltd.*

18. Practical Notes on the Management of Elections. Three Lectures delivered at the School in November, 1909, by ELLIS T. POWELL, LL.B., B.Sc. (Econ.), Fellow of the Royal Historical and Royal Economic Societies, of the Inner Temple, Barrister-at-Law. 1909; 52 pp., 8vo, paper. 1s. 6d. net.
P. S. King & Son.

19. The Political Development of Japan. By G. E. UYEHARA, B.A., Washington, D.Sc. (Econ.) London. 1910 xxiv., 296 pp., Demy 8vo, cloth. 8s. 6d. net.
Constable & Co., Ltd.

20. National and Local Finance. By J. WATSON GRICE, B.Sc. (Econ.), London. With a Preface by Sidney Webb, LL.B. 1910; 428 pp., Demy 8vo, cloth. 10s. 6d. net.
P. S. King & Son.

21. An Example of Communal Currency. By J. THEODORE HARRIS, B.A. With a Preface by Sidney Webb, LL.B. Crown 8vo. 1s. net. *P. S. King & Son.*

Series of Bibliographies by Students of the School.

1. A Bibliography of Unemployment and the Unemployed. By F. ISABEL TAYLOR, B.Sc. (Econ.), London. With a Preface by Sidney Webb, LL.B. 1909; xix., 71 pp., Demy 8vo, cloth, 2s. net; paper, 1s. 6d. net. *P. S. King & Son.*

Series of Geographical Studies.

1. The Reigate Sheet of the One-inch Ordnance Survey. A Study in the Geography of the Surrey Hills. By ELLEN SMITH. Introduction by H. J. Mackinder, M.A., M.P. 1910; xix., 110 pp., 6 maps, 23 illustrations, Crown 8vo, cloth. 3s. 6d. net. *A. & C. Black.*