

CLARENCE B. CARSON

# THE FOUNDING OF THE AMERICAN REPUBLIC

## 9

### Prelude to Independence

THE ISSUE was joined, and unremittingly pressed, after Parliament passed the Coercive Acts in 1774. George III declared in September of that year that "the die is now cast, the colonies must either submit or triumph. . . ."<sup>1</sup> Young Alexander Hamilton put the matter this way: "What then is the subject of our controversy with the mother country? — It is this, whether we shall preserve that security to our lives and properties, which the law of nature, the genius of the British constitution, and our charters afford us; or whether we shall resign them into the hands of the British House of Commons. . . ."<sup>2</sup> Heretofore, when Britain had been faced by colonial resistance, Parliament had backed down. This time, Parliament held its ground, and the executive prepared to use force. When that happened, a new dimension was added to the issue, the dimension of independence — independence or submission.

Colonial leaders did not rush to formulate the issue in this way. On the contrary, they clung to the connection with Britain, continued to profess their allegiance to the king, and indicated a willingness to negotiate if Britain would at-

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Dr. Carson shortly will join the faculty of Hillsdale College in Michigan as Chairman of the Department of History. He is a noted lecturer and author, his latest book entitled *Throttling the Railroads*.

tend to their grievances. Indeed, George III had been ruling for sixteen years before independence was declared, specific grievances had gone unresolved for thirteen years, and British troops were encamped against American forces for more than a year. Colonists did sometimes rush to resist particular measures, but they moved very slowly in conceiving of changing their relationship to Britain.

Nor can it be maintained that the colonists moved slowly in grasping the nettle of independence in order simply to manipulate the British into taking aggressive measures which would determine the outcome of the question. The provocation came increasingly without the aid of colonial inducement. Probably, most Americans did not want independence throughout the years of resistance. What is even more certain is that many Americans did not want the quarrel to eventuate in independence and that others who did begin to think of separation were loathe to alienate this goodly number so long as it could be avoided. So far as we can tell, virtually all Americans opposed various of the British measures, with the obvious exception of Crown officials. This near unanimity was sundered by the question of independence. The slowness of the movement for independence to surface can be at-

tributed to the desire to avoid internal divisions as well as, perhaps, the calculation of leaders not to outrun their followers.

The colonists, in any event, did not move swiftly toward deciding for independence; and on the positive side, they employed deliberative bodies when and where they could to make the decisions. Of course, these deliberative bodies were frequently not legal, but they were the nearest thing to it that the colonists had available. From 1774 into 1776 the colonists were frequently denied their legal legislative assemblies; and when these could not meet, other bodies resembling them were assembled.

### ***The First Continental Congress***

The main focus of the Coercive Acts was on Boston and Massachusetts. The Boston Port Act which closed the port of Boston until the tea was paid for might conceivably have separated Boston from the rest of Massachusetts, at least for a time. But when other acts followed to alter the government of all of Massachusetts, this potential effect was nullified by Parliament itself. There was a greater probability that Massachusetts would be isolated from the other colonies and that the British might succeed in a policy of divide and conquer. But the colonial leaders were intent on preventing any such policy

from succeeding. The Committees of Correspondence were already in existence. Moreover, other colonies had grievances of their own as well as those shared with Massachusetts.

Confronted with the Coercive Acts, some of Boston's leaders wanted to take immediate economic measures against Britain by way of retaliation. However, there was widespread sentiment throughout the colonies for a congress to be held to decide upon what action to take. Providence called for such a congress on May 17, Philadelphia on May 21, and New York City on May 23. The Massachusetts House of Representatives went along with the idea by issuing a call for a congress on June 17. Within colonies, delegates were elected by provincial congresses or county conventions. The First Continental Congress met in September, 1774, in Philadelphia. Twelve colonies sent 56 delegates. Only Georgia did not send delegates, which was not surprising, since that colony was not very populous, its government was not self-supporting, and it was dependent more than others on Great Britain.

But before the Congress assembled, important new formulations of ideas had entered the stream. In July, Thomas Jefferson's *A Summary View of the*

*Rights of British America* appeared, followed in August by James Wilson's *Considerations on . . . the Legislative Authority of . . . Parliament*. While neither of these works necessarily represented colonial opinion, they do indicate the direction in which it was thrusting. The colonists had held firmly to the idea from 1765 on that Parliament could not lay taxes for the raising of a revenue, but they had shifted to a harder and harder position as to what was the authority of Parliament over the colonies. The main objection to the Stamp Act was that it was a direct tax. The major objection to the Townshend Duties was that they aimed to raise a revenue. The Tea Act was opposed at the outset both because it was monopolistic and would raise a revenue. Jefferson of Virginia and Wilson of Pennsylvania went beyond this position to suggest that the legislative assemblies in America were equals of Parliament in law-making and that Parliament really should have no authority over America.

### ***Freedom to Trade***

Jefferson's position comes out in part in his criticism of an earlier act of Parliament suspending the legislature of New York. He said, "One free and independent legislature hereby takes upon itself to

suspend the powers of another, free and independent as itself...."<sup>3</sup> In a closing impassioned appeal to the king, Jefferson pleaded: "No longer persevere in sacrificing the rights of one part of the empire to the inordinate desires of another, but deal out to all equal and impartial right. Let no act be passed by any one legislature which may infringe on the rights and liberties of another."<sup>4</sup> Through the debates over the years there had been general agreement by colonial spokesmen that it was necessary for Parliament to regulate commerce with other nations. That is, Americans were still very much under the influence of mercantilist assumptions. Jefferson, however, appeared to see no need for such regulation; rather than a benefit to the colonies the regulations interfered with the natural course of trade and set the stage for tyranny. For example, he says: "That the exercise of a free trade with all parts of the world, possessed by the American colonists as of natural right . . . , was next the object of unjust encroachment...." Their "rights of free commerce fell once more the victim to arbitrary power. . . . History has informed us that bodies of men as well as individuals are susceptible to the spirit of tyranny. A view of these acts of Parliament for regulation, as it has been affectedly

called, of the American trade . . . would undeniably evince the truth of this observation."<sup>5</sup> In short, the colonies did not need parliamentary regulation of their trade but should rather see it as a usurpation of their rights and an instrument of tyranny.

### ***The Dominion Theory***

James Wilson's argument is mainly that the only political connection of the colonies was with the king. To support this view, he reviews American history:

Those who launched into the unknown deep, in quest of new countries and habitations, still considered themselves as subjects of the English monarchs, and behaved suitably to that character; but it nowhere appears, that they still considered themselves as represented in an English parliament extended over them. They took possession of the country in the *king's* name: they treated, or made war with the Indians by *his* authority: they held the lands under *his* grants, and paid *him* the rents reserved upon them: they established governments under the sanction of *his* prerogative, or by virtue of *his* charters. . . .<sup>6</sup>

The principle toward which Wilson was moving is one which eventually came to be known as the dominion theory of empire, a theory in which each province had its own government but continued to

have allegiance to the English monarch. John Adams argued this case more explicitly in the *Novanglus Letters*, which appeared after the First Continental Congress had dissolved itself.<sup>7</sup>

### **Results of the Meeting**

The First Continental Congress had a relatively brief session from September 26 to October 22 of 1774. It dealt with four major points during that time. The first of these was the Suffolk Resolves which were presented by Massachusetts delegates and when confirmed were formal advice from the Congress to that colony. The Resolves declared the Coercive Acts unconstitutional, advised Massachusetts to form its own government until such time as the acts were repealed, recommended that the people of that colony arm themselves and form a militia, and called upon them to adopt economic sanctions against Britain. This was, indeed, a strong stand against British action, and it is not too much to label it defiance.

The Congress next dealt with the Galloway Plan of Union. It was the work of Joseph Galloway of Pennsylvania, and is usually considered to have been conservative in character. Be that as it may, the Plan was intended not only to provide a general government for the colonies but to do so

within the general frame of royal and parliamentary authority in the British empire. The Plan was defeated, but there is little reason to suppose that had it been adopted anything would have come of it.

The Declaration and Resolves was the major policy position adopted by the Congress. It set forth the rights of the colonies, enumerated the abuses of recent years, delineated, once again, the limits of parliamentary authority, and called for economic sanctions. A considerable debate occurred within committee as to whether they should found their argument for rights on natural law or not.<sup>8</sup> The issue almost certainly was not over whether there is natural law and natural right but over the impact of referring to them on the colonial relationship to Great Britain. Those determined to preserve the connection with Britain wanted to hold on to the idea of their tracing their rights to Britain. Once the claim went to the laws of nature the basis for making a definitive break would be laid. The outcome, however, was that the Congress confirmed both sources for their rights. The preamble to the ringing statement of rights reads:

That the inhabitants of the English colonies in North America, by the immutable laws of nature, the

principles of the English Constitution, and the several charters or compacts, have the following rights [among others]:

That they are entitled to life, liberty, and property, and they have never ceded to any sovereign power whatever, a right to dispose of either without their consent.

That our ancestors, who first settled these colonies, were at the time of their emigration from the mother country, entitled to all the rights, liberties, and immunities of free and natural-born subjects within the realm of England.

That by such emigration they by no means forfeited, surrendered, or lost any of those rights. . . .<sup>9</sup>

The line of action they were to undertake was provided for by the establishment of a Continental Association. The men gathered at the Congress hoped to get British policy altered by the use of economic sanctions. They adopted a program of non-importation, non-consumption, and non-exportation from, of, and to Britain, the non-exportation to be put into effect later than the others. Enforcement was to be carried out in this way. "In the first place, the people were asked to pledge themselves not to buy British merchandise — the Nonconsumption Agreement—thus leaving ill-disposed merchants no market for their proscribed wares. Secondly, the enforcement of the

Associated was entrusted to local committees. . . ."<sup>10</sup> Economic sanctions are, of course, a two-edged sword: they hurt the imposers as well as those on whom they are imposed, though not necessarily in equal degree. In any case, they were probably the most nearly peaceful means open to the colonists to attempt to inflict damage on the British. In the colonies there was much sentiment that whatever they did without would be good for them, in any case.

Whatever the merits of economic sanctions in general, they did not lead to a peaceful resolution of the dispute between the colonies and England. The great majority of those in power in England favored the use of force now to bring the colonists to terms. Colonial petitions, declarations, and resolutions were rejected with alacrity by Parliament. Colonial agents in London were refused in their request to appear before the House of Commons on behalf of a petition from America by a vote of 218-68. Petitions from London and Bristol merchants were denied an effective hearing by a vote of 250-89. William Pitt, now Earl of Chatham, offered a resolution for the withdrawal of troops from Boston; it was defeated by the Lords temporal and spiritual, 68-18. Charles James Fox's efforts to get the ministry censured by the

House for its American policies was defeated 304-105.<sup>11</sup> On February 2, 1775, Lord North, the king's chief minister, declared that some of the colonies were in a state of rebellion and that more troops should be sent to America.<sup>12</sup>

Since the two sides were now set on a collision course, it was only a matter of time until the contest would erupt into open hostilities. On February 9, Parliament officially declared Massachusetts to be in a state of rebellion. On February 26, British troops attempted but failed to seize colonial military supplies at Salem. Late in the month Lord North succeeded in getting what was billed as a conciliatory plan through Parliament. It permitted the colonies the option of taxing themselves instead of having the tax imposed by Parliament for meeting imperial expenses. The concession hardly interested the colonies. On March 22 Edmund Burke, longtime friend of America in Parliament, made his famous speech calling for reconciliation with America. It did not sway Parliament, but the next day Patrick Henry addressed his fellow Virginians in a speech of a different temper which may have helped to sway a continent. Had it been heard by all colonials in the version with which later Americans are familiar, it would surely have aroused the passions of many

of them for action. Henry grew weary of the vain efforts of those seeking peace by some stratagem or other. To those of this temper, he cried:

Gentlemen may cry peace, peace — but there is no peace. The war is actually begun! The next gale that sweeps from the North will bring to our ears the clash of resounding arms! Our brethren are already in the field! Why stand we here idle? What is it that gentlemen wish? What would they have? Is life so dear or peace so sweet as to be purchased at the price of slavery? Forbid it, Almighty God — I know not what course others may take; but as for me, give me liberty or give me death!

### ***Lexington and Concord***

No more were Lord North and the king determined upon peace. On March 30, Parliament passed the New England Restraining Act, which barred the North Atlantic fisheries to New Englanders and prohibited any trade between these colonies and anyone else except in Britain and the British West Indies. The next month these provisions were extended to several of the colonies south of New England. On April 14 General Gage got his orders to use force to break up the rebellion in New England. He acted with dispatch by sending troops to Concord on April 19 under orders to seize a munitions

depot there. These troops were met by colonials at Lexington, someone fired ("the shot heard round the world," Thomas Paine said), and a small battle took place. It was enlarged during the course of the day, as riflemen gathered from all sides and threatened to destroy the British forces at one point. Reinforcements arrived, however, and the British were able to return to Boston. Seventy-three British troops were killed during the day, and a lesser number of colonials. Fighting on a war-like scale had taken place; the resolution of the British and the Americans would now be tried by arms.

Less than a month after Lexington and Concord a Second Continental Congress assembled at Philadelphia (May 10). The First Congress had voted its own dissolution, but they provided that a new congress should meet if the disputes had not been settled. So it was that a new body was assembled that would attempt over the next half dozen years to guide the affairs of what was not yet the United States. Among the members of the Second Continental Congress were some of the most talented men ever to grace the American scene, men whose names will live as long as the founding of the Republic is remembered. From Massachusetts came John and Samuel Adams along with

John Hancock who was elected to preside over the congress, from Pennsylvania came Benjamin Franklin, Robert Morris, and James Wilson, among others, from Connecticut came Roger Sherman and Oliver Wolcott, from Virginia came George Washington, Richard Henry Lee, and Thomas Jefferson, and so on through the roll call of the signers of Declaration of Independence, as well as many who had left the Congress by that time. Some of the most talented followed other pursuits for the states during the war so that during some of the most trying days it was not so lustrous a body. But at its inception it contained most of the men who would play the leading roles in guiding America to independence.

### ***A Colonial Army***

Congress was confronted with the task of what to do about the fighting from the moment it met. New Englanders had taken matters in hand partially already, and on the same day that Congress met in Philadelphia Ethan Allen and Benedict Arnold led a force of colonials in taking Fort Ticonderoga on Lake Champlain. And on June 17 the Battle of Bunker Hill took place as a result of a British decision to drive the Americans from a redoubt on Breed's Hill. This battle pitted a British army



against a colonial army, and though the British drove the Americans from their positions they did so at the expense of heavy casualties.

Before the Battle of Bunker Hill, however, Congress had acted to take charge of the fighting. George Washington was appointed commander-in-chief of the armed forces of the colonies; he left straightway to take charge of the forces in Massachusetts, which he accomplished on July 3. George Washington had gained considerable military experience in the French and Indian War. He had sided with the colonies from the outset, and while he was never strident in his resistance he was already beginning to show that firmness which was to become his hallmark. A very important consideration at the moment of his selection, of course, was that he was from Virginia, the most populous of the colonies; and the New Englanders could see that it was essential to bring other colonies to their support. The choice of Washington was unanimous, and through all the difficult years and wrangling between Washington and Congress, that body never really faltered in its support of him. Washington chose not to take a salary for his contribution but only to have his expenses paid.

Though feeling was running

high in America against Britain, there were those in Congress who believed that they would be remiss in their duty if they did not make yet another effort to achieve reconciliation. John Dickinson took the leadership in drawing up and getting through Congress on July 5, 1775 what is known as the Olive Branch Petition to the king. The members assembled declared themselves "Attached to your Majesty's person, family, and government, with all devotion that principle and affection can inspire. . . ." This being the case, "We, therefore, beseech your Majesty, that your royal authority and influence may be graciously interposed to procure us relief from our afflicting fears and jealousies. . . ." <sup>13</sup> Recognizing the realities, however, Congress on the next day adopted declarations drawn by Jefferson and Dickinson which explained the occasion for their taking up arms.

Congress adjourned on August 2 to await developments. They were not long in coming, for George III proclaimed the colonies to be in open rebellion on August 23. Benedict Arnold led an expedition to Canada in the fall, with the permission of General Washington. In October, Congress authorized a navy, followed by the opening up of correspondence with other nations in November, with the idea of gaining friends. In

November, the colonies received word that the king had refused to receive the Olive Branch Petition. The House of Commons then defeated a motion to make the Petition the basis of reconciliation by a vote of 83 to 33. Late in 1775 a royal proclamation was issued closing the colonies to all commerce after March 1, 1776.

### ***A Reluctance to Separate***

That all these things had occurred and that the colonists still could not bring themselves to declare for independence indicates how reluctantly they took that step. By the winter of 1775-1776, some goodly number had already decided for independence; but many had not. This was a most difficult decision to make, much harder than merely deciding for resistance. Those who took this step must forswear ancient allegiances, must commit the most heinous of crimes (or so they had been taught) by becoming traitors, must hazard their lives and fortunes upon the uncertain outcome of a war, must almost certainly divide the country, and might well let loose domestic disorder on a large scale. Prudent men must ever ponder carefully their course before taking such an irrevocable step. Arguments were made in public for and against independence even as men wrestled in-

wardly with the difficult question. If men of those times had used such terms as "conservative" and "liberal," which they did not, they might well have debated the question of which was the conservative position. From one point of view, it would have been conservative to have continued old allegiances and connections. But from another angle, Britain was the innovator, and the colonists had insisted all along that they were contending for the ancient constitution and the old order and harmony that had prevailed. Indeed, the father of conservatism, Edmund Burke, saw the justice of their contention though, of course, he could not advise the colonists to become independent.

Probably, much of the waiting was in the hope that England would take some action that would sway the most reluctant toward independence. While this never happened, as time went on, and Britain committed more and more acts, more did decide for independence.

### ***Thomas Paine***

But it was the little book, *Common Sense*, published by Thomas Paine in January of 1776 which did so much to galvanize American opinion in favor of independence. Within three months, 120,000 copies of it were in circula-

tion. George Washington said that it "worked a powerful change in the minds of many men," and the testimony of other contemporaries as well as historians confirms this judgment.

That this little pamphlet should have had such currency and impact must surely be attributed to the fact that it encapsulated an idea whose time had come rather than to the character of its author. Few would have predicted before 1776 that Thomas Paine would have the niche in history which he gained. He was born in Norfolk, England, the son of a staymaker. He had not done well as a government clerk, as a husband, or as manager of his own financial affairs. Benjamin Franklin encouraged him to come to America in 1774, which he did, to be made editor of the *Pennsylvania Magazine*. Somehow he grasped the tendency of the currents in the new land and was able to render them into language which moved his lately acquired fellow countrymen, the phrases of which still ring with power after two centuries.

Paine took as his task in *Common Sense* the convincing of Americans that the time had come for independence. He sought to convince them that the time was right, that they could succeed, and that their fears of the consequences of independence should be

seen in contrast with the certainties of ruin if they did not follow the indicated course.

The body of the work begins in a peculiar way; it is theoretical and apparently remote from his object. He iterates the distinction between government and society, a distinction which, he says, people frequently do not take care in making. Society, he points out, is natural in origin; it arises out of the need of man for his fellows. Government, by contrast, is a construct, albeit a necessary one. The point was quite germane, however. Paine was commending to a people that they cast off the government over them. If government and society can be distinguished one from the other, they can be separated. To rend society might be ruinous, but to cast off a government which was not performing its allotted function would only provide the opportunity for something much better.

#### **Attack on Monarchy**

Much of Paine's rhetoric was aimed at monarchy in general and in particular. The colonists, many of them, had shifted in their thinking to the point where they were willing to acknowledge their allegiance only to the king. This was the remaining cord to be severed. Of the institution of monarchy, Paine said:

Government by kings was first introduced into the world by the heathens, from whom the children of Israel copied the custom. It was the most prosperous invention the devil ever set on foot for the promotion of idolatry. The heathens paid divine honors to their deceased kings, and the Christian world has improved on the plan by doing the same to their living ones. How impious is the title of sacred majesty applied to a worm, who in the midst of his splendor is crumbling into dust!<sup>14</sup>

Of English monarchy, he had even more scathing things to say. Where did the line originate?

A French bastard landing with an armed banditti and establishing himself king of England against the consent of the natives is in plain terms a very paltry, rascally original. It certainly has no divinity in it. However, it is needless to spend much time in exposing the folly of hereditary right; if there are any so weak as to believe it, let them promiscuously worship the ass and lion, and welcome. I shall neither copy their humility nor disturb their devotion.<sup>15</sup>

George III was disposed of as the "royal brute of Britain," and a long line of monarchs disparaged as hardly worthy of mention. But the whole subject of monarchs soon palls on him: "Of more worth is one honest man to society, and

in the sight of God, than all the crowned ruffians that ever lived."<sup>16</sup>


### **Mother England?**

Paine deals with another difficult point for Americans. England is the mother country, or so it has been claimed. He denies the allegation. Europe is the origin of America, he says, in what may be one of the weakest of his arguments. But, in any case, Britain did not mother America; the inhabitants of the New World were driven from her shores and, in contrast even to the behavior of brutes, she was making war on them. Moreover, there is no reason in an island attempting to govern a continent.

Above all, Paine held up for examination the past record under Britain and contrasted it with the vision of what America should and could be. This should move men to an early separation.

O ye that love mankind! Ye that dare oppose not only the tyranny but the tyrant, stand forth! Every spot of the Old World is overrun with oppression. Freedom has been hunted round the globe. Asia and Africa have long expelled her. Europe regards her like a stranger, and England has given her warning to depart. O! receive the fugitive, and prepare in time an asylum for mankind.<sup>17</sup>

It took little more to tip the

scales for independence. In May of 1776 Congress learned that the king had succeeded in hiring German (generally referred to as Hessian) troops to send against them. On June 7, Richard Henry Lee introduced a resolution to the effect that the colonies were now independent of Britain. On June 11, Congress appointed a committee to draw up a declaration. The painful decision was all but made. 

#### • FOOTNOTES •

<sup>1</sup> Quoted in Merrill Jensen, *The Founding of the Nation* (New York: Oxford University Press, 1968), p. 572.

<sup>2</sup> Leslie F. S. Upton, ed., *Revolutionary versus Loyalist* (Waltham, Mass.: Blaisdell, 1968), p. 21.

<sup>3</sup> Edward Dumbauld, ed., *The Political Writings of Thomas Jefferson* (New York: Liberal Arts Press, 1955), p. 22.

<sup>4</sup> *Ibid.*, p. 32.

<sup>5</sup> *Ibid.*, pp. 19-20.

<sup>6</sup> Jack P. Greene, ed., *Colonies to Nation* (New York: McGraw-Hill, 1967), p. 225.

<sup>7</sup> See Anne H. Burleigh, *John Adams* (New Rochelle: Arlington House, 1969), pp. 122-29.

<sup>8</sup> See Jensen, *op. cit.*, p. 493.

<sup>9</sup> Richard B. Morris, *The American Revolution* (Princeton: D. Van Nostrand, 1955), p. 114.

<sup>10</sup> John C. Miller, *Origins of the American Revolution* (Boston: Little-Brown, 1943), p. 385.

<sup>11</sup> See Jensen, *op. cit.*, pp. 575-78.

<sup>12</sup> *Ibid.*

<sup>13</sup> John Braeman, *The Road to Independence* (New York: Capricorn Books, 1963), p. 275.

<sup>14</sup> Nelson F. Adkins, ed., *Thomas Paine* (New York: Liberal Arts Press, 1953), p. 10.

<sup>15</sup> *Ibid.*, p. 15.

<sup>16</sup> *Ibid.*, p. 18.

<sup>17</sup> *Ibid.*, p. 34.

Next: The Declaration of Independence.

### *The Law*

IT IS IMPOSSIBLE to introduce into society a greater change and a greater evil than this: the conversion of the law into an instrument of plunder.

No society can exist unless the laws are respected to a certain degree. The safest way to make laws respected is to make them respectable. When law and morality contradict each other, the citizen has the cruel alternative of either losing his moral sense or losing his respect for the law.

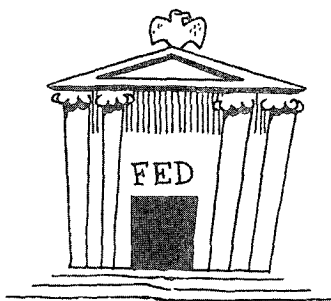
In order to make plunder appear just and sacred to many consciences, it is only necessary for the law to decree and sanction it. Slavery, restrictions, and monopoly find defenders not only among those who profit from them but also among those who suffer from them.

FREDERIC BASTIAT (1850)

IDEAS ON



LIBERTY



HANS F. SENNHOLZ

# The Federal Reserve System

AFTER full use of the presidential influence to get the legislation adopted, President Woodrow Wilson signed the act establishing the Federal Reserve System, on December 23, 1913. The Reserve Banks opened their doors for business on November 16, 1914.

Why? What was the origin of this new System? How does it work? What are its good points, if any, and what are its dangers?

Trade cycles had been an unhappy experience in the United States as well as in Western Europe. The panic of 1907 and the subsequent lethargy of business and finance had increased the widespread clamor for banking and currency reform. "We need a more flexible currency," the advocates of a reorganization of the American banking system as-

serted; "a currency that can be made to expand or contract in accordance with the needs of business." This flexibility was to eliminate the recurring periods of financial stress and disorder.

The "reformers" pointed approvingly at the currency systems in Western Europe. There was, for example, the Bank of England. It enjoyed a partial monopoly of note issue, and served the government as banker and as agent. All other banks kept accounts with the Bank of England because its currency notes commanded the greatest confidence and widest circulation. At the end of each clearing period, the claims of all other banks were settled through transfers among their respective deposits with the Bank of England. It was the "lender of last resort." In times of financial crisis it was expected to stay liquid, and to grant accommoda-

Dr. Sennholz heads the Department of Economics at Grove City College and is a noted writer and lecturer on monetary and economic principles and practices.