interest than of practical importance, though I have heard an apocryphal anecdote about a bank run in Hong Kong when a lengthy bus queue was mistaken by other bystanders for a line of prospective cash withdrawals from a nearby bank. Instead, bank runs have much more frequently followed outside (imperfect) assessment of some impairment of banks' asset and capital values and solvency. This is described, and modeled, for example, by Charles J. Jacklin and Sudipto Bhattacheriya as an information-based run. While I agree with the authors that the purely random-run model is of little practical relevance, compared with the shock to (perceived) asset value run, that makes me no more sanguine about the stability of the present banking system.

A monetary system should deliver financial stability. This should entail both macroeconomic price stability and the structural stability of the markets, institutions, and asset values within the system. Price stability can be achieved without a central bank by making the liabilities of commercial banks convertible into an object of value. Whether it is better, or worse, to do so than to give an (independent) central bank the responsibility of achieving price stability is a policy issue, which we have consciously eschewed discussing here. As to whether historical evidence and theoretical analysis indicates that a free banking system can deliver structural stability as effectively as a central banking system, the authors have not sufficiently addressed the concerns of those outside their own school.

NOTES

2. Friedrich Hayek wrote a number of papers on this subject, which became one of the main themes of his later years, among them Denationalization of Money (London: Institute of Economic Affairs, 1976), Denationalization of Money—The Argument Refuted (London: Institute of Economic Affairs, 1978), and "Market Standards for Money," Economic Affairs 6, no. 4 (1986).
11. The remark by Schuler (EFB 25) that note issue exceeded that permitted by the Act in all three cases is incorrect; suspension itself, by allowing the possibility of such excess, was sufficient to ease the panic in two of the three cases.
12. There is almost as much emphasis upon the importance of the note issue of commercial banks among free bankers as in the currency school. Thus Schlesinger (92) states that the 1844 and 1845 Acts "effectively ended freedom of entry and the competitive issue of notes" (my emphasis), and White makes almost exactly the same comment (EFB 172), but banking institutions that refrained from issuing notes could still enter as freely as before. Given the increasing weight and importance of deposits in the money stock, I cannot help wondering whether the free banking school protests here more than is really warranted.
13. My brief study of the Italian case, and Schuler's own text (48), would suggest that the Banca Romana crisis was the main reason (not seigniorage), and I would need some persuasion that seigniorage was more important than theory in Sweden.