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 withdrawers 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 Bhattacharya[25] 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,[26] that makes me no more sanguine about the stability of the present banking system.

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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

1. Lawrence White, *Free Banking in Britain: Theory, Experience, and Debate* (Cambridge: Cambridge University Press, 1984).
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 Refined* (London: Institute of Economic Affairs, 1978), and "Market Standards for Money," *Economic Affairs* 6, no. 4 (1986).
3. Vera Smith, *The Rationale of Central Banking* (London: P.S. King & Son, 1936).
4. Walter Bagehot, *Lombard Street: A Description of the Money Market* (London: Henry S. King, 1873).

5. Sir Henry Parnell, *Observations on Paper Money, Banking and Overtrading* (London: James Ridgway, 1827). For an evaluation of his role in the debate at the time, see White (62–63).
6. George Selgin, *The Theory of Free Banking: Money Supply under Competitive Note Issue* (Totowa, N.J.: Rowman and Littlefield, 1988).
7. For a presentation of the Rothbard-Mises model, see Murray Rothbard, *The Mystery of Banking* (New York: Richardson and Snyder, 1983); *The Case for a 100 Percent Gold Dollar* (Meriden, Conn.: Cobden Press, 1984); "Aurophobia: Or Free Banking on What Standard?," *Review of Austrian Economics* 6: 97–108; and Ludwig von Mises, *Human Action: A Treatise on Economics* (Chicago: Henry Regnery, 1966), and *The Theory of Money and Credit* (London: Jonathan Cape, 1934).
8. See, for example, from among the papers of Leland Yeager, his joint work with Robert Greenfield, "A Laissez-Faire Approach to Monetary Stability," *Journal of Money, Credit and Banking* 15 (August 1983): 302–15, and his paper "Deregulation and Monetary Reform," *American Economic Review* 75 (May 1985): 103–7. David Glasner's contribution is his excellent book, *Free Banking and Monetary Reform* (London: Cambridge University Press, 1989).
9. Report of an independent panel chaired by Eric Roll, *Independent and accountable: A new mandate for the Bank of England* (London: Centre for Economic Policy Research, October 1993).
10. House of Commons, Treasury and Civil Service Committee, *The Role of the Bank of England, First Report*, 2 vols. (London: Her Majesty's Stationery Office, December 1993).
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 Sechrest (82) 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 (38), would suggest that the Banca Romana crisis was the main reason (not seignorage), and I would need some persuasion that seignorage was more important than theory in Sweden.
14. Rondo Cameron, *Banking in the Early Stages of Industrialization* (New York: Oxford University Press, 1967) and idem, ed., *Banking and Economic Development* (New York: Oxford University Press, 1972).