

and 1828, both inclusive, the sum of £13,089,419.—(4 Geo. IV. c. 22.) This annuity has, in due course of time, expired.

Formerly the business transacted at the bank was so much encumbered with forms and conditions, that the generality of merchants and ordinary people rarely thought of employing it to keep their money or make their payments. But in this respect an entire change has been effected. Cheques, the minimum amount of which was formerly £10, may now be drawn of any amount, great or small; and all sorts of banking business is conducted with facility and despatch. and, it may be added, with perfect security.

The bank opens banking accounts, or, as they are called, "drawing accounts," for the safe custody, and the receipt and payment of cash, not only with merchants and traders, but with all persons who choose to keep their money at a banker's and to draw cheques against it. The bank also takes charge of its customers' bills of exchange, Exchequer bills, and other securities, and does all that is needful either in the collection of bills of exchange, the exchange of Exchequer bills, the receipt of dividends, and so forth, free of any charge. Plate chests, and deed and security boxes, may be deposited free of expense, by customers, for safe custody. The bank looks to the average balance of cash on each account to compensate for the trouble and expense of keeping it, and in this respect the requirements of the bank are certainly not greater than those of ordinary bankers. No particular sum is required to be lodged on opening an account; it is only necessary that the party should be known as respectable, and in a condition to require a banking account. But the bank receives and holds sums of money for safe custody for parties who have no current accounts.

The following are the regulations under which accounts are conducted:—

1. All letters should be addressed to the chief cashier.
2. It is desirable that drafts should be drawn upon cheques furnished by the bank.
3. Cheques upon city bankers, eastward of King Street, Cheap-side,—
Paid in by 12 o'clock may be drawn for after 1.
Do. 2 o'clock " " after 3.
4. Cheques paid in after 2, and before 3 o'clock, and cheques upon all other London bankers paid in before 12 o'clock, may be drawn for on the following morning.
5. Cheques paid in after 3 o'clock are sent out at 9 the following morning, and may be drawn for as soon as received.
6. Dividend warrants are received at the drawing office until 4 o'clock in the afternoon for all persons having accounts at the bank.
7. It is requested that notice be given at the drawing office of bills accepted payable at the bank, with the date of their maturity.
8. Persons keeping a drawing account with the bank (although not having a discount account) may tender bills for discount through the drawing office. Application for discounts or for advances on stock, Exchequer bills, &c., must be made before 2 o'clock.
9. Bills of exchange and notes not paid when due, will be noted.
10. The bank will make purchases or sales of British or foreign securities upon an order in writing addressed to the chief cashier; and dividends on stock may be received under powers of attorney granted to the cashiers of the bank.
11. Exchequer bills, bonds, railway debentures, or any other securities may be deposited, and the interest, when payable, will be received and placed to account.
12. Credits paid in to account are received without the bank-book, and are afterwards entered therein without the party claiming them.
13. Notes of country bankers, payable in London, are sent out the same day for payment if paid in before 3 o'clock.
14. The pass-books should be left at the drawing office, at least once a month, to be written up.
15. Where post-bills are required, or a payment is to be made to any office of the bank by cheque on the Bank of England, the cheque must be presented at the office upon which it is drawn, and exchanged for an order on the post-bill office, or on the office at which the payment is to be made.

16. Cash-boxes taken in, contents unknown, for such parties as keep accounts at the bank.

17. A person having a drawing account may have a discount account; but no person can have the latter without at the same time having the former. When a discount account is opened, the signatures of the parties are entered in a book kept for that purpose, and powers of attorney are granted empowering the persons named in them to act for their principals. Bills of exchange having more than 95 days to run are not eligible for discount.

N.B.—All changes in the residence of persons keeping cash at the bank are requested to be made known at the drawing office; and it is particularly requested that no gratuities be offered to the clerks of the banking offices, such gratuities being strictly forbidden.

Scotch Banks.

The Act of 1708, preventing more than six individuals from entering into a partnership for carrying on the business of banking, did not extend to Scotland. In consequence of this exemption, several banking companies, with numerous bodies of partners, have existed, for a lengthened period, in that part of the empire.

The Bank of Scotland was projected by Mr John Holland, merchant, of London, and was established by Act of the Scotch Parliament (Will. III., Parl. 1, § 5) in 1695, by the name of the Governor and Company of the Bank of Scotland. Its original capital was £1,200,000 Scotch, or £100,000 sterling, distributed in shares of £1000 Scotch, or £83, 6s. 8d. sterling, each. The Act exempted the capital of the bank from all public burdens, and gave it the exclusive privilege of banking in Scotland for twenty-one years. The objects for which the bank was instituted, and its mode of management, were intended to be, and have been, in most respects, similar to those of the Bank of England. The responsibility of the shareholders is limited to the amount of their shares. The capital of the bank was increased to £200,000 in 1774, and was enlarged by subsequent Acts of Parliament, the last of which (44 Geo. III. c. 23) was passed in 1804, to £1,500,000, its present amount.¹ Of this sum £1,000,000 has been paid up. The last-mentioned Act directed that all sums relating to the affairs of the bank should henceforth be rated in sterling money; that the former mode of dividing bank stock by shares should be discontinued; and that, for the future, it should be transferable in sums or parcels of any amount. On the union of the two kingdoms in 1707, the Bank of Scotland undertook the recoinage, and effected the exchange of the currency in Scotland. It was also the organ of Government in the issue of the new silver coinage in 1817.

The Bank of Scotland is the only Scotch bank constituted by Act of Parliament. It began to establish branches in 1696, and issued notes for one pound as early as 1704. The bank also began, at a very early period, to receive deposits on interest, and to grant credit on cash accounts, a minute of the directors with respect to the mode of keeping the latter being dated as far back as 1729. It is, therefore, entitled to the credit of having introduced and set on foot the distinctive principles of the Scotch banking system, which, whatever may be its defects, is perhaps superior to most other systems hitherto established. Generally speaking, the Bank of Scotland has been cautiously and skillfully conducted; and there can be no doubt that it has been productive, both directly and as an example to other banking establishments, of much public utility and advantage.

It may be worth mentioning, that the Act of Will. III. establishing the Bank of Scotland, declared that all foreigners who became partners in the bank should by doing so become, to all intents and purposes, naturalised Scotchmen. After being for a long time forgotten, this

¹ Although the capital of the Bank of Scotland remains, as stated in the text, a power, as yet unused, was conferred on the bank by a private Act passed in 1873 to raise its capital to £3,000,000.

clause was taken advantage of in 1818, when several aliens acquired property in the bank in order to secure the benefit of naturalization. But after being suspended, the privilege was finally cancelled in 1822.

We subjoin an official abstract of the constitution and objects of the Bank of Scotland, printed in 1857 for the use of the proprietors;—the terms and model of transacting business are, of course, sometimes altered, according to circumstances:—

1. The Bank of Scotland is a public national establishment, erected and regulated by the Legislature alone, and expressly as a public bank in this kingdom,—for the benefit of the nation, and for the advancement of agriculture, commerce, and manufactures, and for other objects of public policy.—(Will. Parl. 1, § 5; 14 Geo. III. c. 32; 24 Geo. III. c. 8; 32 Geo. III. c. 25; 34 Geo. III. c. 19; 44 Geo. III. c. 23.)

2. The statutory capital is at present £1,500,000 sterling. It is raised by voluntary subscription, and has been subscribed for, £1,000,000 has been called for, and paid in.—(44 Geo. III. c. 23.)

3. Subscribers, if not under obligations to the bank, may, at pleasure, transfer their right. If under obligation to the bank, the obligation must be previously liquidated; or the proceeds of the sale, at a price to the satisfaction of the directors, must be applied towards such liquidation. Transfers are made by a short assignment and acceptance thereof, both in a register appointed for that purpose. The expense, besides the Government stamp, is 11s.—(Will. Parl. 1, § 5.)

4. Bank of Scotland stock may be acquired, in any portions, by any person, community, or other lawful party whatsoever, without selection, exclusion, or limitation of numbers.—(Will. Parl. 1, § 5; 44 Geo. III. c. 23.)

5. Bank of Scotland stock may be conveyed by will, and, if specially mentioned, without expense of confirmation. It cannot be arrested; the holder's right may be adjudged. Dividends may be arrested.—(Will. Parl. 1, § 5.)

6. The Bank of Scotland is a public corporation by Act of Parliament. The bank's transactions are distinct from those of the stockholders; and theirs from those of the bank.—(Will. Parl. 1, § 5.)

7. The establishment is expressly debarred from any other business than that of banking.—(Will. Parl. 1, § 5.)

8. The management is vested, by statute, in a governor, deputy-governor, twelve ordinary, and twelve extraordinary directors. They are chosen annually, on the last Tuesday of March, by the stockholders having £250 of stock or upwards. Those above £250 have a vote for every £250, to £5000, or 20 votes. No person can have more than 20 votes. The governor must hold, at least, £2000 of stock; the deputy-governor £1500; and each director £750 [now £1000]. They swear to be equal to all persons, and cannot hold any inferior office in the bank.—(Will. Parl. 1, § 5; 14 Geo. III. c. 32; 44 Geo. III. c. 23.)

9. The executive part is conducted by a treasurer, secretary, and other public officers, all sworn. All the officers of the Bank of Scotland find due security.—(Will. Parl. 1, § 5.)

10. The board of directors sits, for the general administration of the bank, at the bank's public head office in Edinburgh. The local business of that district is also conducted at that office. For the local business in the other parts of the kingdom, the bank has its regular public offices in the principal towns. At each of these offices there is the bank agent or cashier, who gives due security, and conducts the bank's business for that district in the manner aforementioned.—(Will. Parl. 1, § 5.)

11. The bank takes in money at all its public offices, on deposit receipts or on current deposit accounts. At the head office drafts on the branches, and at the branches drafts on the other branches and on the head office, are granted. Both at the head office and branches drafts are granted on the London, Dublin, and English and Irish provincial correspondents of the bank. All receipts and drafts are on the bank's engraved forms, and bear to be granted "For the Bank of Scotland," or "for the Governor and Company of the Bank of Scotland." At the head office official documents are signed by the treasurer, and at the branches by the agents, and all are countersigned.

Remittances can be made to the principal colonial and continental towns; and bills, payable in the colonies, and in foreign countries, can be negotiated through the bank.—(Resolution of Court, 1793, as since modified.)

N.B.—The bank has always allowed interest on deposits, at a rate varying according to circumstances.

12. Bills on London, Edinburgh, or any town in the United Kingdom, are discounted at all the bank's public offices. The bank's agents judge, in ordinary cases, of the bills presented, so that parties meet with no delay. The bank does not re-issue the bills

which it has discounted.—(Resolution of Court, 23d Feb. 1789, and subsequent modifications.)

13. Government stock and other public funds may be purchased or sold, and dividends thereon may be received through the bank.

14. The bank gives credit on cash accounts at any of its offices, on bond, with security. The security may be personal co-obligants, or such other security as may be specially agreed on. Applications for cash accounts are given in to the office where the cash account is wanted, and must specify the credit desired, and the security proposed; and the individual partners, where co-partneries are proposed. Cash accounts are granted by the directors only, and are not recalled unless by their special authority. It is understood that these credits are not used as dead loans, to produce interest only. In the fair course of business, the advantage of the bank is consulted by an active circulation of its notes, and by frequent repayments to it in a way least affecting that circulation.—(Resolution of Court, 6th Nov. 1729, and 23d Feb. 1789.)

15. The bank's dividend has been for some time 8 [it has risen till it is now (1875) 14] per cent. per annum on its paid-up capital of £1,000,000 sterling. The dividends are paid regularly twice a year, without expense. They may be drawn either at the bank's head office, or at any of its other offices, as most agreeable to the stockholder.¹

The above may suffice as a general outline of the mode in which the business of banking is conducted in Scotland.

The Royal Bank of Scotland was established in 1727. Its original capital of £151,000 has been increased to £2,000,000.

The British Linen Company was incorporated in 1746, for the purpose, as its name implies, of undertaking the manufacture of linen. But the views in which it originated were speedily abandoned, and it became a banking company only. Its capital amounts to £1,000,000.

None of the other banking companies established in Scotland are chartered associations with limited responsibility, the partners being liable, to the whole extent of their fortunes, for the debts of the firms. The number of partners is in every case considerable. The affairs of the banks are uniformly conducted by a board of directors, annually chosen by the shareholders.

The Bank of Scotland began, as already stated, to issue £1 notes so early as 1704, and their issue has since been continued without interruption. "In Scotland," to use the statement given in the Report of the Committee of the House of Commons of 1826 on the Promissory Notes of Scotland and Ireland, "the issue of promissory notes payable to the bearer on demand, for a sum of not less than 20s., has been at all times permitted by law; nor has any Act been passed limiting the period for which such issue shall continue legal in that country."

All the Scotch banks receive deposits of as low a value as £10, and often lower, and allow interest upon them.

The interest allowed by the banks upon deposits varies, from time to time, according to the variations in the current rate of interest. The aggregate amount of the sums deposited with the Scotch banks in 1874-5 is stated to be £78,401,070.

A witness, connected for many years with different banks in Scotland, and who had experience of their concerns at Stirling, Edinburgh, Perth, Aberdeen, and Glasgow, being examined by the Commons' Committee of 1826, stated that more than half the deposits in the banks with which he had been connected were in sums from £10 to £200. Being asked what class of the community it is that makes the small deposits, he gave the following answer,—from which it appears that the mode of conducting this branch of the bank business in Scotland has long given to that country most part of the benefits derivable from the establishment of savings-banks:—

¹ Now that fundholders may have their dividend warrants sent them by post on notifying a desire to that effect, it is strange that stockholders in the Scottish banks should be still compelled to make personal application at an office of the bank for their dividends.

"Question.—What class of the community is it that makes the smallest deposits?"

"Answer.—They are generally the labouring classes in towns like Glasgow; in country places like Perth and Aberdeen, it is from servants and fishermen, and that class of the community who save small sums from their earnings, till they come to be a bank deposit. There is now a facility for their placing money in the Provident Banks, which receive money till the deposit amounts to £10. When it comes to £10 it is equal to the minimum of a bank deposit. The system of banking in Scotland is an extension of the Provident Bank system. Half-yearly or yearly those depositors come to the

The following Table exhibits an account of the different Scotch Banks, their Partners, Branches, Authorized Circulation Actual Circulation, Coin, &c., in 1874-5 (from Oliver & Boyd's Almanac and Banks of Issue Report).

Insti- tuted.	NAME.	Partners	Br.	Paid up Capital.	Res or Reserve Fund.	Dividend per cent.	Amount of Deposits.	Price per £100 Stock (per share of those marked *).		
								1872.	1873.	1874.
1695	Bank of Scotland.....	1409	86	£ 1,000,000	£ 385,000	13½	£ 10,632,000	£ 287	£ 292	£ 303
1727	Royal Bank	1454	105	2,000,000	500,000	9½	10,063,000	192½	196	230½
1746	British Linen Co.	1209	70	1,000,000	350,000	13½	7,703,000	283	272	291
1810	Commercial Bank.....	1228	101	1,000,000	407,114	15½	9,503,000	296	300	319
1825	National Bank of Scotland.....	1660	91	1,000,000	400,000	16½	10,874,000	307	300	319
1830	Union Bank of Scotland.....	1260	116	1,000,000	380,000	15	9,608,000	281	285	292
1835	Aberdeen Town and County Bank*	848	41	252,000	115,000	12½	1,829,000	15½	15½	17½
1836	North of Scotland Bank*	1423	43	320,000	85,000	11½	2,465,000	9½	9½	11
1838	Clydesdale Bank.....	1333	79	1,000,000	500,000	16½	6,519,000	255	263½	284
1839	City of Glasgow Bank.....	1273	125	1,000,000	423,000	11	8,162,000	208	219	240
1838	Caledonian Bank*	804	21	125,000	62,531	14½	1,043,000	7½	7½	8½

* The capital of banks marked with an asterisk is in shares:—The Aberdeen Town and County Bank, £7 paid; North of Scotland Bank, £4 paid; Caledonian Bank, £2, 10s. paid.

The loans or advances made by the Scotch banks are either in the shape of discounts, or upon cash-credits, or, as they are more commonly termed, *cash accounts*.

A cash-credit is a credit given to an individual by a banking company for a limited sum, seldom under £100 or £200, upon his own security, and that of two or three individuals approved by the bank, who become sureties for its payment. The individual who has obtained such a credit is enabled to draw the whole sum, or any part of it, when he pleases, replacing it, or portions of it, according as he finds it convenient, interest being charged upon such part only as he draws out. "If a man borrows £5000 from a private hand, besides that it is not always to be found when required, he pays interest for it whether he be using it or not. His bank credit costs him nothing, except during the moment it is of service to him, and this circumstance is of equal advantage as if he had borrowed money at a much lower rate of interest" (Hume's *Essay on Balance of Trade*). This, then, is plainly one of the most commodious forms in which advances can be made. Cash-credits are not, however, intended to be *dead loans*; and they are not granted except to persons in business, or to those who are frequently drawing out and paying in money.

The system of cash-credits has been very well described in the Report of the Lords' Committee of 1826 on Scotch and Irish Banking. "There is also," say their lordships, "one part of their system which is stated by all the witnesses (and, in the opinion of the Committee, very justly stated) to have had the best effects upon the people of Scotland, and particularly upon the middling and poorer classes of society, in producing and encouraging habits of frugality and industry. The practice referred to is that of cash-credits. Any person who applies to a bank for a cash-credit is called upon to produce two or more competent sureties, who are jointly bound; and after a full inquiry into the character of the applicant, the nature of his business, and the sufficiency of his securities, he is allowed to open a credit, and to draw upon the bank for the whole of its amount, or for such part as his daily transactions may require. To the credit of the account he

bank, and add the savings of their labour, with the interest that has accrued upon the deposits from the previous half-year or year, to the principal; and in this way it goes on, without being at all reduced, accumulating (at compound interest) till the depositor is able either to buy or build a house, when it comes to be £100, or £200, or £300, or till he is able to commence business as a master in the line in which he has hitherto been a servant. A great part of the depositors of the bank are of that description, and a great part of the most thriving of our farmers and manufacturers have arisen from such beginnings."

pays in such sums as he may not have occasion to use, and interest is charged or credited upon the daily balance, as the case may be. From the facility which these cash-credits give to all the small transactions of the country, and from the opportunities which they afford to persons who begin business with little or no capital but their character to employ profitably the minutest products of their industry, it cannot be doubted that the most important advantages are derived to the whole community. The advantage to the banks that give these cash-credits arises from the call which they continually produce for the issue of their paper,¹ and from the opportunity which they afford for the profitable employment of part of their deposits. The banks are indeed so sensible that, in order to make this part of their business advantageous and secure, it is necessary that their cash-credits should (as they express it) be frequently operated upon, that they refuse to continue them unless this implied condition be fulfilled. The total amount of their cash-credits is stated by one witness to be £5,000,000, of which the average amount advanced by the banks may be one-third.

The expense of a bond for a cash-credit of £500 is 12s. 6d. stamp duty, and a charge of from 5s. to 10s. 6d. per cent. for preparing it.

There have been, on the whole, comparatively few failures among the Scotch banks. In 1793 and 1825, when so many of the English banks were swept off, there was not a single establishment in Scotland that gave way. This superior solidity appears to have been owing to various causes,—partly to the banks having, for the most part, large bodies of partners, who, being conjointly and individually bound for the debts of the companies to which they belong, go far to render their ultimate security all but unquestionable, and partly to the facility afforded by the law of Scotland of attaching a debtor's property, whether it consist of land or movables, and making it available for the payment of his debts. This last-mentioned circumstance was referred to as follows, in the Report already alluded to:—

¹ The advantage of an increased issue is, however, much reduced, when the authorized issues are exceeded, and cash reserves are kept in hand equal to the excess.

"A creditor in Scotland is empowered to attach the real and heritable as well as the personal estate of his debtor, for payment of personal debts, among which may be classed debts due by bills and promissory notes; and recourse may be had, for the purpose of procuring payment, to each description of property at the same time. Execution is not confined to the real property of a debtor merely during his life, but proceeds with equal effect upon that property after his decease.

"The law relating to the establishment of records gives ready means of procuring information with respect to the real and heritable estate of which any person in Scotland may be possessed. No purchase of an estate in that country is secure until the sasine (that is, the instrument certifying that actual delivery has been given) is put on record, nor is any mortgage effectual until the deed is in like manner recorded.

"In the case of conflicting pecuniary claims upon real property, the preference is not regulated by the date of the transaction, but by the date of its record. These records are accessible to all persons; and thus the public can with ease ascertain the effective means which a banking company possesses of discharging its obligations; and the partners in that company are enabled to determine, with tolerable accuracy, the degree of risk and responsibility to which the private property of each is exposed."

But, on the whole, we are inclined to think that the long familiarity of the inhabitants with banks and paper money, and the less risk that has attended the business of banking in Scotland, have been the principal causes of the greater stability of the Scotch banks. This stability was not, however, everywhere exhibited in the crisis of 1857, when two of the principal Scotch banks, the headquarters of which were in Glasgow, were compelled to stop payments. They had very large capitals, the Western Bank £1,500,000, and the City of Glasgow Bank £1,000,000, with a great many branches, large amounts of deposits, and very numerous and wealthy proprietary bodies. Had the management of the Western Bank displayed anything like ordinary skill and prudence, it might have gone triumphantly through a far more serious trial. But having advanced immense sums to a few firms that never were entitled to any considerable credit, it was so crippled that, for a lengthened period before its stoppage, it was reduced to the expedient of sending up the bills it had discounted in Glasgow to be rediscounted in London; and when this resource failed it, and the other banks declined to come forward to its assistance, nothing remained for it but to shut its doors.¹ On the affairs of the bank being investigated by a committee appointed for the purpose, it was found that they were in a much worse state than any one could have anticipated. The losses exceeded two millions, and were directly attributable to the carelessness and negligence of directors, and the incompetence of the managers appointed by them.

We have already explained the nature of Sir Robert Peel's Act of 1845 (following that of 1844) dealing with Scotch banks. It allowed the Scotch banks then exercising the privilege of issuing notes to continue to exercise it, without limitation of amount, but subject to the condition, that for every note issued by a bank above its average circulation the year preceding the 1st May 1845 an equal amount in coin should be kept in its coffers. No bank established after the passing of the Act was allowed to issue notes. No change was effected by the Act in the denomination of notes issued, which remained, therefore, of £1 and upwards. Many theorists have urged that £1 notes should be forbidden in Scotland, just as others have argued in favour of their being again put into circulation in England. This question cannot be settled upon abstract arguments. We have no doubt that the balance of reasoning is in favour of the issue of £1 notes, provided they are issued under regulations securing their convertibility at all times and

¹ The management of the City of Glasgow Bank was, as compared with that of the Western Bank, prudent and skilful. It recommenced and continues business.

under all circumstances, but these regulations are wanting in Scotland. Legislation on the subject should not take the form of suppressing £1 notes entirely, but of withdrawing the privilege of issuing them from the existing banks, and vesting it in a public institution governed by fixed rules analogous to those of the issue department of the Bank of England. When the convertibility of notes is thus made certain, the single valid objection against the issue of those of £1 denomination disappears. It may be added that more than one-half the total issues of the banks established in the Australian colonies consists of £1 notes.

A complaint has been often raised that the Act of 1845 gave the existing Scotch banks a practical monopoly of the business of banking in North Britain, and it must be admitted to be the fact, that only one new bank has been established in Scotland since the passing of the Act, and that bank carried on business for a short time only. It is, however, true that legislation precisely the same has not prevented the establishment of new banks in Ireland, and it is doubtful whether the observed fact is rightly attributed to the cause assigned to it. With the exception of London, and some of the larger provincial towns, there have been very few banks established in England since 1836, eight years before the Bank Charter Act; and of the banks established in 1835 and 1836, very many were formed by the conversion of pre-existing private banks into joint-stock associations. The truth appears to be that the natural obstacles to the establishment of a new bank in a district already occupied by banks and bankers are almost insuperable. A bank cannot be successful unless it commands credit; and those who want a place of safe keeping for their money select establishments that have been tried and tested through long years. Hence it happens that, though private banks of long standing continue in esteem, the attempts to set up new private banks are most rare; and, unless the wealth and prosperity of a neighbourhood have rapidly developed, so that capitalists have risen to prominence in it who are not connected as shareholders or directors with existing banks, it is not easy to form joint-stock associations of weight enough to compete with the institutions in possession of the field. It is not necessary to refer the absence of new banking companies in Scotland or elsewhere to the legislation of Sir Robert Peel. Though he allowed the Scotch banks to increase indefinitely the issue of their notes, it was upon condition of keeping in hand cash to represent every note above fixed limits; so that the amount of profit derivable from their issues is not capable of increase, and the value of their privileges will have been strictly included in the selling price of shares in these banks since 1845. As far as the privilege of issue goes, capitalists preparing to start a new banking association in Scotland would be in the same position as in buying shares in an established company; and if they do not start an association of their own, it is from the difficulty of attracting confidence, rather than because they would not enjoy the profits of a privileged circulation for which they would have to pay a full value. It must also be observed that the competition among the existing banks is sufficiently active to have caused them to increase the number of their branches 40 per cent. since 1845.

Another question has been raised in relation to Scotch banks, which was the subject of a keen parliamentary discussion during the past session (1875). It has been mentioned (*ante*, p. 322) that English joint-stock banks of issue are debarred from setting up branches in London, or within sixty-five miles of it, a prohibition originally imposed on them in the interest of the Bank of England as a bank of issue. There is no such prohibition affecting Scotch and Irish banks, which can set up offices in London or elsewhere in England subject to the single condition affecting all banking

establishments set up in England since 1844, that notes other than Bank of England notes are not issued at such offices; and it is obvious that a Scotch or Irish banking company establishing a head office in London would be able to give it at once a large agency business, and would be able to feed it continuously with new connections owing to the flow of immigration from Scotland and Ireland to London. Accordingly, the directors of the National Bank of Ireland began to conduct the general business of banking at their head office in London in 1854, and they have subsequently set up seven or eight branches in the metropolis, each of which is understood to be the centre of much business. This example was so far followed, that the National Bank of Scotland started an office in London in 1864; the Bank of Scotland did the same in 1867; and the Royal Bank in 1874, having obtained a private Act for the purpose. The Clydesdale Bank also opened three branches in Cumberland in 1874. In consequence of this action Mr Goschen brought into Parliament a bill, the object of which was to disable Scotch banks from coming into England, as English joint-stock banks of issue are disabled from coming to London. The bill did not extend to Irish banks, as they were held too firmly settled in the metropolis to be expelled from it. Two arguments were advanced in favour of this measure: the first, that it was hard that Scotch banks should be permitted to do that which is denied to English joint-stock banks; but it is an easy, and, as it would seem, a conclusive answer to this argument, that English joint-stock banks of issue should be freed from the disability now imposed upon them. Now that an increase in its issue is not a measure of profit to the Bank of England, there is no reason why these country banks of England should not be allowed to set up head offices in London, subject to the law forbidding the issue of their notes in London. The second argument in favour of Mr Goschen's measure was, that something ought to be done to hasten that unification of issues which Sir Robert Peel contemplated; and if the Scotch banks had come to Parliament asking for a liberty they did not possess, there would have been some plausibility in this argument. It is to be feared that the whole strength of the support to Mr Goschen's bill sprang from the jealousy of the existing bankers of London of any intrusion into their domain. Unworthy as this source of opposition was, it prevailed so far as to cause the appointment of a Select Committee of the House of Commons to consider the law and practice of banking, and this Committee's report has just appeared as these sheets are passing through the press (August 1875).

Banking in Ireland.

"In no country, perhaps," says Sir Henry Parnell, "has the issuing of paper money been carried to such an injurious excess as in Ireland. A national bank was established in 1783, with similar privileges to those of the Bank of England in respect to the restriction of more than six partners in a bank, and the injury that Ireland has sustained from the repeated failure of banks may be mainly attributed to this defective regulation. Had the trade of banking been left as free in Ireland as in Scotland, the want of paper money that would have arisen with the progress of trade would in all probability have been supplied by joint-stock companies, supported with large capitals and governed by wise and effectual rules.

"In 1797, when the Bank of England suspended its payments, the same privilege was extended to Ireland; and after this period the issues of the Bank of Ireland were rapidly increased. In 1797 the amount of the notes of the Bank of Ireland in circulation was £621,917; in 1810-£2,266,471; and in 1814, £2,986,999.

"These increased issues led to corresponding increased issues by the private banks, of which the number was fifty in 1804. The consequence of this increase of paper was its great depreciation; the price of bullion and guineas arose to 10 per cent. above the mint price; and the exchange with London became as high as 18 per cent., the par being 8½. This unfavourable exchange was afterwards corrected, not by any reduction in the issues of the Bank of Ireland, but by the depreciation of the British currency in the year 1810, when the exchange between London and Dublin settled again at about par.

"The loss that Ireland has sustained by the failure of banks may be described in a few words. It appears, by the Report of the Committee on Irish Exchanges in 1804, that there were, at that time, in Ireland fifty registered banks. Since that year a great many more have been established, but the whole have failed, one after the other, involving the country from time to time in immense distress, with the following exceptions—First, a few that withdrew from business; secondly, four banks in Dublin; thirdly, three at Belfast; and, lastly, one at Mallow. These eight banks, with the new Provincial Bank and the Bank of Ireland, are the only banks now (1827) existing in Ireland.

"In 1821, in consequence of eleven banks having failed nearly at the same time, in the preceding year, in the south of Ireland, Government succeeded in making an arrangement with the Bank of Ireland, by which joint-stock companies were allowed to be established at a distance of fifty miles (Irish) from Dublin, and the bank was permitted to increase its capital from 2½ to 3 millions sterling. The Act 1 and 2 Geo. IV. c. 72, was founded on this agreement. But ministers having omitted to repeal in this Act various restrictions on the trade of banking that had been imposed by 33 Geo. II. c. 14, no new company was formed. In 1824 a party of merchants of Belfast, wishing to establish a joint-stock company, petitioned Parliament for the repeal of this Act of Geo. II.; and an Act was accordingly passed in that session, repealing some of its most objectionable restrictions (5 Geo. IV. c. 73).

"In consequence of this Act, the Northern Bank of Belfast was converted into a joint-stock company, with a (nominal) capital of £500,000, and commenced business on the 1st of January 1825. But the restrictions of 33 Geo. II., and certain provisions contained in the Acts 1 and 2 Geo. III., and 5 Geo. IV., obstructed its progress, and they found it necessary to apply to Government to remove them; and a bill was accordingly introduced, which would have repealed all the obnoxious clauses of the 33 Geo. II., had it not been so altered in the committee as to leave several of them in force. In 1825 the Provincial Bank of Ireland commenced business with a (nominal) capital of £2,000,000; and the Bank of Ireland has of late established branches in all the principal towns."

Since Sir Henry Parnell published the pamphlet from which we have taken the foregoing extract, several joint-stock banking companies have been founded in Ireland. The Provincial Bank, to which Sir Henry alludes, has a paid up capital of £540,000, and has been well and profitably managed. But others have been less fortunate. The Agricultural and Commercial Bank of Ireland, established in 1834, with 2170 partners, a paid up capital of £352,790, and many branches, stopped payment during the pressure in November 1836, and by doing so involved many persons in great distress. It appears to have been extremely ill-managed. The auditors appointed to examine into its affairs reported—"Its book-keeping has been found to be so faulty, that we are convinced no accurate balance-sheet could at any time have been constructed."

¹ *Observations on Paper Money, &c.*, by Sir Henry Parnell, p. 171.

And they significantly added—"the personal accounts at the head office require a diligent and searching revision."

The Tipperary Joint-Stock Bank, which was established in 1839, and stopped payments in 1855, appears to have been little, if at all, better than a mere swindling engine. Luckily it did not issue notes; and the sphere of its operations was not very extensive. But, so far as its influence went, nothing could be worse, being ruinous alike to the majority of its partners and to the public.

We have in the previous section on Scotch banks mentioned the fact of the establishment by the National Bank

of Ireland of a head office and of several branches in London. This example has been so far followed by the Provincial Bank that it has also set up a head office in London, without, however, competing for general business in the metropolis. An addition was made to the number of Irish banks in 1864 by the establishment of the Munster Bank (Limited), having its head office in Cork. It has established upwards of 40 branches, and pays a dividend of 12 per cent. to its shareholders.

We borrow principally from Thom's *Irish Almanac*, the most valuable publication of its class, the following details with respect to the Irish banks in 1875:—

Account of Joint-Stock Banks existing in Ireland in 1875, their Branches, Capital, Fixed Issues, &c.

Instituted.	BANKS.	No. of Branches.	Subscribed Capital.			Paid up Capital.			Latest Dividend per Annum declared.	Reserve Fund and Balance after last Dividend.
			No. of Shares.	Per Share.	Amount.	Per Share.	Amount.			
1783	Bank of Ireland (Dublin).....	49	Stock.	100	£ 2,769,230	100	£ 2,769,230	12	1,072,000	
1827	Belfast Banking Company (Belfast).....	35	5,000	100	500,000	25	125,000	20	135,966	
	(New Shares).....	...	5,000	100	500,000	25	125,000	8		
1824	Hibernian Joint-Stock Banking Company (Dublin).....	31	20,000	100	2,000,000	25	500,000	12	235,000	
1864	Munster Bank, Limited (Cork).....	41	100,000	10	1,000,000	3½	350,000	12	170,000	
1835	National Bank (London).....	109	50,000	50	2,500,000	30	1,500,000	11	133,000	
1825	Northern Banking Company (Belfast).....	43	5,000	92½/2	461,538	30	150,000	15	170,000	
	(New Shares).....	...	5,000	100	500,000	30	150,000	7½		
1824	Provincial Bank of Ireland (London).....	44	20,000	100	2,040,000	25	540,000	20	254,131	
1836	Royal Bank of Ireland (Dublin).....	4	4,000	10	40,000	10	40,000	15	196,000	
1836	Ulster Banking Company (Belfast).....	41	100,000	10	1,000,000	2½	250,000	20	287,560	

Bank of Amsterdam.

The Bank of Amsterdam was founded in 1609, on strictly commercial principles and views, and not to afford any assistance, or to intermeddle with the finances of the state. Amsterdam was then the great entrepôt of the commerce of the world, and of course the coins of all Europe passed current in it. Many of them, however, were so worn and defaced as to reduce their general average value to about 9 per cent. less than their mint value; and, in consequence, the new coins were immediately melted down and exported. The currency of the city was thus exposed to great fluctuations; and it was chiefly to remedy this inconvenience and to fix the value or par of the current money of the country, that the merchants of Amsterdam established a "bank," on the model of that of Venice. Its first capital was formed of Spanish ducats or ducatoons, a silver coin which Spain had struck in the war with Holland, and with which the tide of commerce had enriched the country it was formed to overthrow. The bank afterwards accepted the coins of all countries, worn or new, at their intrinsic value, and made its own bank-money payable in standard coin of the country, of full weight, deducting a "brassage" for the expense of coinage, and giving a credit on its books, or "bank-money," for the deposits.

The Bank of Amsterdam professed not to lend out any part of the specie entrusted to its keeping, but to retain in its coffers all that was inscribed on its books. In 1672, when Louis XIV. penetrated to Utrecht, almost every one who had an account with the bank demanded his deposit, and these were paid off so readily that no suspicion could exist as to the fidelity of the administration. Many of the coins then brought forth bore marks of the conflagration which happened at the Hôtel de Ville, soon after the establishment of the bank. This good faith was maintained till about the middle of last century, when the managers secretly lent part of their bullion to the East India Company and Government. The usual "oaths of

office" were taken by a religious magistracy, or rather by the magistracy of a religious community, that all was safe; and the good people of Holland believed, as an article of their creed, that every florin which circulated as bank-money had its metallic constituent in the treasury of the bank, sealed up, and secured by oaths, honesty, and good policy. This blind confidence was dissipated in December 1790, by a declaration that the bank would retain 10 per cent. of all deposits, and would return none of a less amount than 2500 florins.

Even this was submitted to and forgiven. But, four years afterwards, on the invasion of the French, the bank was obliged to declare that it had advanced to the States of Holland and West Friesland, and the East India Company, more than 10,500,000 florins, which sum it was, of course, unable to make up to the depositors, to whom, however, it assigned its claims on the states and the company. Bank-money, which previously bore an agio of 5 per cent. immediately fell to 16 per cent. below current money.

This epoch marked the fall of an institution which had long enjoyed an unlimited credit and had rendered the greatest services. The amount of treasure in the vaults of the bank, in 1775, was estimated by Mr Hope at 33,000,000 florins.¹

The Bank of France.

This bank, second in magnitude and importance to the Bank of England only, was originally founded in 1800, but was not placed on a solid and well-defined basis till 1806. Its capital, which was originally fixed at 45,000,000 fr., was raised in the last-mentioned year to 90,000,000 fr., divided into 90,000 shares or *actions*, of 1000 fr. each. Of these shares, 67,900 have passed into the hands of the public; the remaining 22,100, having been purchased up by the bank out of its surplus profits, were subsequently

¹ Storch, *Cours d'Economie Politique*, tom. iv. p. 102, III. — 43