

The Clerks and Managers of those Banks whose business may be curtailed, will find as good, if not better situations than they had before, with the New Companies, who will, as a matter of common sense, be anxious to employ them, for the sake of their practical knowledge. Hence we may safely calculate, that the amount of positive injury to individuals, produced by the loss of the means of support, from the proposed change, will not be great; and by no means equal to what the failure of any one considerable Banking Concern would occasion, under the present system, if it be continued.

In order that we may form an idea of the profit to be made by establishing a public Bank in this town, we will next examine the success that has attended those which we propose for our models.

The stock of many of the Local Banks of Scotland has sold much higher than the stock of the Edinburgh Banks. The Edinburgh Banks, however, are those to which we shall more particularly refer, as the business of this town and neighbourhood is sufficiently extensive to require an establishment of equal magnitude.

There are four Banks in Edinburgh: The Royal Bank of Scotland, The Bank of Scot-

land, The British Linen Company, and The Commercial Bank. The last established was the Commercial Bank, in 1810; it commenced with a subscribed capital of Six Hundred Thousand Pounds; it has divided from 6 to 8 per cent., and its stock is at present at 50 per cent. premium. It has had to contend in a ground completely pre-occupied, and the most ruinous times in our mercantile history; and in struggling to form connexions, it has been led into the midst of the failures that have happened, and has met with considerable losses. The Directors have, in consequence, reduced the dividend from 8, which they had paid the first few years, to 6 per cent. Its stock, however, has not fallen in consequence. It has never, I understand, been higher than it is at present; and there is little doubt, that had it continued to divide 8 per cent., the stock would by this time have doubled its original value. The Directors, it is supposed, will not again divide more than six per cent., until they have accumulated such a reserved fund as that, in future, when the dividends are increased, there may never be a necessity for their being reduced again. The success upon the whole of this concern, considering the opposition it has encountered, which was very great, and the bad times it has met with, which were equally so, has not, I have heard, disappointed its Stock-holders.

The Bank of Scotland, and Royal Bank Stock, are at a premium, I understand, upon the original capital advanced, of from about 90 to 140 per cent. But their capitals are, I believe, a million and a half each, being unnecessarily large for the Trade of Edinburgh. Their credit would be as good, and their business as extensive, if they were to pay off half their capitals, each Stockholder would then get as much profit upon half his present stock as he now does upon the whole of it. All that a Bank can gain by capital is credit, and when its capital is sufficiently large to put that upon the most solid basis, it is as large as there is any occasion for. More only incumbers it, and would be as well in the hands of the original Stockholders, many of whom would probably turn it to better account.

The most successful, however, of the four establishments, has been the British Linen Company. It commenced originally with one hundred thousand pounds, which afterwards, either by an accumulation of profits, or by a further advance of capital, was doubled. Upon this capital it annually made very handsome dividends, and also accumulated a reserved fund, which, about eight or nine years ago, amounted to nearly three hundred thousand pounds, making its capital, in all, nearly half a million. It was not then a Chartered Com-

pany; but it applied to Government for a charter, and got one, the proprietors having, it is understood, subscribed a small deficiency necessary to raise their capital to five hundred thousand pounds. Since then they have gone on, notwithstanding the precarious and disastrous state of the mercantile world, with almost unparalleled success, so that now their half million of stock is worth a million and a half; it meets a ready sale at not less than two hundred per cent. premium. I do not imagine that their charter has contributed much, if any thing, towards this increase of value. The only advantage the charter gives, is to free the Stockholders from responsibility beyond their respective shares in the capital of the Bank. This, however, can be no advantage in Scotland, where the very idea of danger, beyond a capital of half a million, would be considered as one of the absurdest chimeras that could be entertained. I do not suppose the stock of the Commercial Bank, which is not chartered, sells for a pound less on that account. It is, in proportion to the interest paid upon it, nearly about the same price as the 3 per cent. consols, and it is not likely a charter would raise it higher. I therefore imagine that the value of the British Linen Company's stock arises altogether from the ability with which the Bank is managed, and the amount of dividends it con-

sequently makes. It must be also considered, that government could not, with justice to the public, and therefore would not, grant a charter, if it was really any thing more than a name. It would never agree to exonerate any set of men who enjoyed a certain gain, from the loss incident to it, and throw it upon the unsuspecting public. It is only when the capital of a Bank is sufficiently great to satisfy the most sceptical doubt with regard to the safety of the public, that a charter can ever be granted. Besides which, if the freedom from personal responsibility conferred by the charter on the Stock-holders of the British Linen Company, had been of any real use in freeing them from risk, it must have destroyed their trade. Nobody would make permanent deposits in a Bank, whose partners, by any peculiar privilege, were freed from the loss which their own transactions involved. They would naturally have dealt with those that had no charter, in preference, or with the other Chartered Banks that had three times the capital. Had the charter not, in every respect been a mere dead letter, it must have injured the concern.

It is evident, that if Banking is carried on at all, it must be with a profit more than adequate to the risk incurred; and those who gain the profit must take the risk they are paid for. The reason why the charges of Bankers are so

small is, that they are found, with judicious management, to cover all risk, besides leaving a sufficient profit.

The business for a Bank in this town and neighbourhood, I should think by no means inferior to that of either the Commercial Bank or the British Linen Company. In the present state of the country, however, as it is far from being certain that government may not be compelled to reduce the interest of the national debt,* it is not necessary to make out a case of extravagant profit, in order to induce capitalists to enter into such a concern. Equal interest with greater safety would of itself be a sufficient inducement. But with the chance, which experience has reduced to a certainty, of increasing their capital at least 50 per cent. what probability is there of capitalists turning their money at present to such account in any other way?

As this Bank will be the first of the kind, it will also, with equal management, be the best. There is no connexion more stable than the connexion of a Bank. When a person once opens an account with it, if he does his business creditably, he never has occasion to leave it; and if he does not, he could gain nothing by the change. Hence it generally happens that merchants adhere through life to the Bank

* Since the meeting of parliament all fears, on this head, seem to be removed.

they begin with, provided it stands. When, however, in addition to this, we consider the fine field which this great mining and commercial district presents, we may be a little more sanguine in our calculations. I should think we have a right to expect as great a profit as has ever been made by any public Bank yet established.

Where public Banks have not been established, and I may say, also, where private Banks have, there appears always to have existed a prejudice on the subject of Banking. On this account, at the first formation of public Banks, we generally find it has been considered politic to encourage them, by granting charters. That there exists at present in this country a great prejudice against Banks and Banking, from the disasters they have produced both to the partners in them and the public, there can be no question. As also there can be little doubt that when the present impediment is removed, government will be disposed, for the benefit of commerce, and for the general convenience derived from public Banks, to encourage them, I should suppose that where a sufficient capital is subscribed, there will be no objection to granting a charter, if it is required. I would therefore propose, that the Bank in question be commenced with a capital sufficient to command a charter, if one was desired, or to

make it a matter of perfect indifference in the event of government declining to grant charters, whether one was to be had or not. It is also reasonable to suppose, that in granting charters, government will only require such an amount of stock, to be possessed by each Bank, as the business of the place where they may be established, shall seem to render necessary. The capital required for a Bank in Manchester or Liverpool, where mercantile transactions are so large, could not be employed in a small town like Sunderland, and would never pay in a town like Newcastle.

Considering the business of this town and neighbourhood, however, we should suppose that government would not grant us a charter under half a million of capital, if it would even grant a charter at all with a less sum; and we should think, that with such a capital, it would be immaterial whether we had a charter or not. The most sceptical, whatever their prejudices on the subject might be, could never imagine any danger with such a security, either to the public with a charter, or to the private property of the Stock-holders without.

So large a capital, however, would warrant a greater extension of business than our own town affords. The Edinburgh Banks have agencies, and do business to a great amount, in all the principal towns of Scotland, which

no doubt is on the aggregate found to pay them. In that respect it is proposed, with reference to the neighbouring towns at least, that we shall follow their example: but while we do this, we must also endeavour to improve by their experience. And the following is the plan we beg to submit:—

1. That a Bank with a capital of £500,000 be established in Newcastle, with Branches at Durham, Sunderland, Shields, and any other place which may be hereafter determined upon.

2. That no individual shall be allowed to hold more stock than to the amount of two thousand pounds.

3. That the capital be subscribed as follows:—Two hundred thousand in Newcastle and neighbourhood; one hundred thousand in Sunderland; fifty thousand in Durham; fifty thousand in Shields, and their respective neighbourhoods, and the other hundred thousand as may be hereafter determined upon.

4. That the Bank in Newcastle be governed by four Directors, three of them chosen by the Newcastle Stock-holders, and the fourth to be their Chairman, and be chosen by the other three. One of these Directors to go out annually, and not for one year be eligible to be re-elected. That the Chairman be elected annually, and be eligible to be re-elected.

5. That the Branches be governed by three Directors, chosen by their respective Stockholders, and a Chairman chosen by the three Directors in the same manner as with the main branch in Newcastle.

6. That the Branches be under the general management and control of the Court of Directors in Newcastle, who shall receive daily or weekly accounts of their transactions.

7. That the Chairman of the Branches form with the Newcastle Directors a Committee of General Management, and come into Newcastle every month to examine the affairs of the establishment, and consult and decide with the Newcastle Directors all questions and rules of General Management, which it may be necessary from time to time to lay down.

8. That none but the Chairman, and the Newcastle Directors, have any inspection of the particular transactions of each Branch; but that a general meeting of the whole Directors shall be periodically held for the purpose of making laws, or may at any time be called to consult upon any given question, either with respect to the transactions of any Branch with an individual, or upon any specific point of management which may be proposed to it, and its decision to control and bind the Committee of General Management with respect to that

point ; and two Directors to have at any time the power of calling a general meeting.

9. That there also be a Governor and Deputy-Governor, the latter of whom to be chosen by the Committee of General Management, and the former either by the Directors at large, or the Stock-holders. The Governor to be principally an honorary appointment, and to be a member of one of the two houses of parliament, and the Deputy-Governor some gentleman resident in Newcastle, who has leisure and inclination to give his attention to the affairs of the Bank, and preside at the monthly meetings.

10. That the executive officers of the Establishments consist of a Cashier and Accountant, with a Secretary, if required ; and such other Clerks as are necessary for each Branch, and a Managing Director in Newcastle.*

11. That the division into Branches extend only to the division of the capital and management, and not to the profits, which shall be divided equally.

This gives a general outline, and I need not go further. The first step that the Company will have to take must necessarily be to appoint

* It seems also the general opinion, that there ought to be a couple of salaried Directors.

a Committee to procure all the laws and regulations of the Public Banks of England and Ireland, and the leading Public Banks of Scotland. They must examine into their comparative success, and the cause of it, and from their rules draw out such a constitution, as, adapted to the peculiarities of our local situation, shall be the best fitted to secure both the safest and most profitable management. In proposing this outline, my object is principally to suggest the enquiry, and not by any means to presume that a better plan may not be adopted. That the constitutions of some of the present Public Banks are not so good as they might be, and not suited to such a town as this, I am pretty well convinced ; and as it is difficult to make a change after a constitution is once acted upon, it will be evidently proper to consider the subject well beforehand. The outline which I have given, I shall, however, take the liberty of illustrating by a few explanatory observations.

In the first place, the capital proposed will at once have the effect of giving the concern stability, and of securing the unlimited confidence necessary to be reposed in it by the public, in order to render it equally profitable and useful. In the next place, limiting the amount of stock held by each individual, will keep the concern in the hands of the public. It is very