

usual with Private Bankers and other wealthy individuals, to buy largely of the Stock of the Public Banks in Scotland, which is a disadvantage to them, as the greater the number of persons interested in supporting such a concern, the better. There are two individuals who each hold upwards of a hundred thousand pounds of the British Linen Company's Stock, neither of whose accounts with it are so profitable, nor, in all probability, is their influence in its favour nearly so advantageous as the transactions and influence of a respectable tradesman, or merchant, would be, who was in a situation to hold £2000 Stock independent of the capital of his trade. One of them is, in fact, himself a Banker, and issues notes, so that he must be a rival, as far as his business extends, and not a friend to the Bank. By this means, it is deprived of at least a hundred interested supporters, which, by our plan, it would have, and the profit of the smaller Stock-holder is diminished in a corresponding degree. There is also another practical evil, of still greater importance, which would be avoided. The Private Bankers in Edinburgh who do not issue Notes, keep an account with one of the Public Banks, in the same manner as the London Bankers do with the Bank of England, and discount with it, or draw upon it for the cash they require. They have, generally, made it

their policy, to buy largely of the Stock of the Bank they do business with, so that by the amount of their stock, together with their private influence as Bankers, they might get themselves chosen Directors. By that means they not only gain an undue preference in their transactions with the Bank, but, as it has been proved, have, sometimes, for years together, contrived to render the Bank totally subservient to the extension and profit of their own private business.

Where great Public Banks are established, there will always be trade to a certain extent for such Bankers. They draw upon London, act as Bill Brokers, charging a commission upon their discounts, &c. and when capital is scarce, by their superior credit and influence in obtaining discounts, contrive sometimes to do business to considerable extent. We may consequently expect that the same, in a greater or less degree, will be the case in this town, and as such Bankers here will have the same interest to prompt them as in Edinburgh, they may be expected to endeavour to take the same steps. But by limiting the amount of Stock held by each individual to £2,000, no monopoly can take place, and one Stock-holder cannot possess any advantage over another.

Such persons generally, no doubt, get possession of the Stock by giving the best price

for it; and by thus limiting the competition, individual sellers will not get, at the moment, quite as much as it would otherwise bring. By a strict adherence, however, to the rule, the profit of the concern will be improved, and instead of a holder having to sell his Stock with a dividend of 10 per cent., it may leave a dividend of $12\frac{1}{2}$. Thus though he may not get so much for it when it comes into the market, as with a free competition, yet he will evidently get more for it than if, from the consequence of such competition, the dividends were $2\frac{1}{2}$ per cent. less.

It may be said that £2000 stock is not a sum large enough to give any Directors a sufficient interest in the management. To this it may be answered, nor yet would three times the amount, if they felt no interest in the management independent of the profit of their stock. The Directors in general will be wealthy individuals, with whom that profit can be of little importance.

With respect to the division into Branches, there can be no doubt that by thus effectually embracing the business of the different towns wherein they are established, the profit of the concern will be materially increased, and that capital, which might be too large for Newcastle alone, become only proportioned to a plan so much more comprehensive. But there will

be also great advantages derived from it in the system of management which it affords.

There are two objects to be aimed at in planning the constitution of a Bank. First, its safety: and next, its success. And though safety is a natural consequence of success, yet there may be great safety where the success is but small. They are, in fact, partly opposed to each other. That constitution which would best secure the one might be very liable to diminish the other. In a multitude of Directors there would be safety, but the chances would not be so much in favour of success. It is commonly said, and with truth, "What is every body's business is nobody's;" and this in some degree would be the case with a multitude of Directors. The common routine of transactions would be done by the officers of the institution; but no able or energetic, and successful management, would be attempted. The responsibility lies with the Directors at large. No individual director would consequently take any step of the least importance himself. Nothing would be done without a majority present, and too little interest would be felt by the majority for it ever to attend. Besides, when many people meet, they talk more than they act: and if they differ in opinion, are apt to do nothing, leaning always to the safe side. Little being therefore done, and

always that little with superlative safety, the business of the concern would be liable to flag, if not fall off altogether. It will sometimes happen, as with the Bank of England, where a considerable business is necessarily done, that with a number of Directors a good arrangement may be adopted, and the management go on tolerably well. But the Bank of England derives its business from its monopoly, in spite of its Directors, and not from its superior management. Four and twenty Directors could never successfully compete with the management of a smaller body. This is partly proved by its own experience. It does business upon the same principles as the Private Banks, yet notwithstanding its superior credit, it gets little or nothing to do, beyond the circulation of its notes, and keeping the accounts of government. On the contrary, were the Directors fewer, the interest they felt would be greater. The whole credit of the management would attach solely to them; they would acquire a better knowledge of it, do it with more ease and pleasure, and give that spirit and energy to the direction by which the business of the concern would be extended, and its profits increased. There is also another disadvantage arising from too many Directors. Few people like their cash transactions to be known, and none, that they should come under the review and cognizance of their

neighbours, who might sometimes *even* be their rivals in trade. This will always be particularly the case with borrowers, who are as good customers, and as necessary to a bank, as lenders: and when there is a great number of Directors, people are apt to feel that privacy is almost out of the question. This, I dare say, is one of the principal causes which gives business to the Private Bankers in Edinburgh; and it will always induce many *country gentlemen* (more particularly those with whom a few shillings per cent. is less an object) to do their business with Private Banks in preference, if they possess the requisite credit, or can give them the accommodation they require.

Now, by the plan proposed, we shall combine all the advantages of both public and private management, without the drawbacks of either.

For these reasons, the fewer the Directors the better: but there could not well be fewer than four; and, indeed, perhaps no Bank could be safely trusted to the management of so small a number. By the Branches being under the control of the Newcastle Directors, however, while they will enjoy all the advantages of the most private management, they will have all the security of the most public. The same will be the case with the management at Newcastle: it will regularly come under the inspection

and control of the Chairman of the Branch Directors, and any thing wrong in the management will immediately be discovered, and corrected or exposed. By this means, no doubt, the transactions of individuals with the Bank will be reviewed by more than four Directors. They will, however, generally be strangers; and people have a much greater objection to be immediately under the cognizance of their neighbours, and those they are known to, in money matters, than they have to their affairs being reviewed by persons who do not know them, and who only stand in the relation towards them of A. to B.

A declaration, however, if not an oath publicly made, ought to be required from every Director, that he would never make the transactions of the Bank a subject of conversation to any but those concerned in the management; and from the Committee of General Management, that their individual communications to the Branch Directors, should embrace only points of general management, unless a general meeting is to be called, and any question to be discussed which shall involve the detail of any particular transactions. By this means the public might be continually *reminded and assured* that their transactions would have the greatest privacy possible, an assurance which

there can be little doubt, would be of considerable benefit to the business of the Bank.

Another great advantage of this plan is the superior activity which the comparing and inspecting of each others management will naturally produce. While the Directors at Newcastle will require a good account of the management of the Branches, they will naturally be anxious to give as good an account to the Branch Directors, in return. Thus by being poised against each other, an emulation will be excited, which, by keeping the interest and attention of all parties continually alive, must prove of incalculable service in promoting the interest of the establishment: for a falling off in the time, trouble, and attention given by those who are entrusted with the management, is the easily besetting sin of the Directors of all public concerns.

If the public could be equally assured of the goodness of the management, it would be better that the Directors once chosen should never be changed. The secrets of the Bank ought to be kept in as small a compass as possible.

The management of a Bank also requires a practical knowledge, which, of so great a business, must take some time to acquire. Of this the Scotch are aware, and though some of the Directors go out every year, they generally re-elect such as have been Directors before, so

that the same set of persons, whom experience has rendered the most fit, are continually in the management.

In order, therefore, not to have more changes than necessary, and to introduce no strange faces that can be dispensed with, it is proposed that but one Director shall go out each year by rotation, and that the order of rotation be not imperative. If to retain a Director, whose usefulness is such, that his brother Directors think he ought not to retire, or if to permit one to go out who may have found that he cannot give the attention required, the Directors choose to alter it, so much the better. In so small a number, it would neither be desirable to lose a good Director, nor to retain a bad one; and of their respective qualifications and usefulness, the Directors will themselves be the best judges. It will also generally happen, that there is some one individual who has more time, takes more pleasure and interest in, and gives more attention to, the management than the rest, and the object in giving the Directors the choice of the fourth member themselves is, that they may choose this person for their Chairman. He will always have the most knowledge of the transactions of his particular branch, and will be the fittest to give any explanations respecting it, at the monthly meetings of the Committee of General Management, and will have the most

tact and fitness for that inspection and judgment which he will be called upon to exercise on the transactions of the other branches, that will come under his review.

The monthly meetings of the Chairmen of the Branches, with the Newcastle Directors, being for the purpose of scrutinizing and controlling each others management, it is possible that differences of opinion may sometimes arise. In order, however, to prevent such differences from ever producing any disunion (which varieties of opinion, when people are earnest in a pursuit, have been known to cause) it is proposed, that the Deputy Governor who presides at these meetings, shall have nothing to do with the particular management of any Branch. Being chosen by the Committee, whose respect and confidence he will in consequence naturally enjoy, he will possess sufficient influence to prevent any such event from ever happening. It is likely, however, from the character and respectability of the parties, that a misunderstanding is merely a possible, but not at all a probable event.

The Governor having merely an honorary station, should be chosen in a manner calculated to convey the greatest compliment, and should always be a member of one of the Houses of Parliament, both in order that he may be a man of undoubted rank, and in order to secure

a parliamentary interest and co-operation in promoting any measure, or procuring any act which may hereafter be wanted.

The superior power of control possessed by the general court of Directors, does not involve its interference in the details of the concern, and will not, consequently, in the least degree, embarrass its operations, which might be the case if it were called upon to take a practical management. It will merely be a superior court of appeal, to which reference may be made upon any particular question or point, by the Committee of General Management, or any two of its members. Its judgment and interference will be merely occasional, and never exercised without being specially called for, which it is probable will rarely be the case. The existence of the power may be useful, however, though never exercised.

Independent of these different checks, the Managing Director ought to make periodical visits, more particularly at the commencement of the concern, to aid, with his advice and assistance, the Directors of the Branches. By thus diffusing his practical knowledge into every department, a general uniformity and harmony in the direction of affairs, will subsist throughout, which will render the positive application of any one of the checks, an event rarely called for.

By this plan, therefore, I should imagine, that there would be every probability of the establishment being conducted both with safety and success. The whole management, in a short time, would become a very well understood routine. Any appeals would merely take place on particular occasions, by the Directors of the Branches requiring the additional authority of the Committee of General Management; or by the Committee of General Management, on any important point, requiring the additional authority of the General Court of Directors, to relieve themselves from responsibility.

Branches may also be established at Berwick, Carlisle, Stockton, &c. upon the same principles, but the distance would be too great to require the monthly attendance of their Chairmen. If they came once or twice a year, to ascertain, for the benefit of their constituents, the general state of the concern, it would be sufficient. In any large town, however, where an Agent was appointed, and any considerable business done, it would be better to have a Board of Directors. No business could be done to any extent, without a discretionary power exercised upon the spot; and the experience of the Scotch Banks has proved, that it is not safe to entrust such a power to an Agent. With these few observations, we will leave the plan to the consideration of the public.