

to the consideration of the public.
the Scotch Bank has proved that it is not
exercised upon the spot; and the experience of
its any extent without a discretionary power
Board of Directors. No business could be done
business done, it would be better to have a
no Agent was appointed, and any considerable
sufficient. In any large town, however, where
the general state of the concern, it would be
ascertain for the benefit of their constituents,
mean. If they came once or twice a year, to
quire the monthly attendance of their Clerk,
ple, but the difficulty was too great to re-
lish, Stockton, &c. upon the same prin-
Branches may also be established at Berwick,
to relieve themselves from responsibility.

OBSERVATIONS
of the Committee of General Management;
or by the Committee of General Management
on any important point, requiring the addition
of authority of the General Court of Directors
place on particular occasions, by the Directors
of the Branches. It would be desirable to
and success. The whole management, in a
establishment being conducted both with safety
that there would be every probability of the
in this plan, therefore, I should imagine

SUPPLEMENTARY
OBSERVATIONS
TO
THE THIRD EDITION
OF
AN ESSAY
ON THE
GENERAL PRINCIPLES AND PRESENT PRACTICE
OF
BANKING, &c.

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OBSERVATIONS
THE THIRD EDITION

THE general conviction which this Essay has produced, and the active steps which, in other more important commercial towns, it has already given rise to, leave no room to doubt the accomplishment of the change in our Banking system, which it recommends. No apology, I trust, will therefore be necessary for my hazarding a few observations on the mode of proceeding which it will be proper to adopt, both here and in other places similarly situated, in order to set the proposed Banks on foot.

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The objection to this, and almost every important change in the general business of mankind is, that some must lose by it. It cannot be denied that a great Public Bank, established in this town and neighbourhood, must materi-

ally diminish the business of the very respectable private establishments which we now have. The present system of Private Banking, however, is opposed to the welfare of the whole community, and the interest of six or seven persons can never be maintained against that of sixty or seventy thousand.

No Banks, on the present system, could stand higher in the estimation of the country than the Banks of this town, and there can be no doubt that they possess a great many friends, who would be very willing to exert themselves in opposing the establishment about to be formed, had they any reasonable grounds to go upon.

Could it be maintained, for instance, that the existing Banks possessed sufficient credit to enable them to conduct the business of the country on the principles of the joint stock companies, so as to render them unnecessary? Or, could it be contended, that they would always be as well managed as they are at present, whatever changes may take place in their partners? Or, could any reasonable guarantee be held out that other Banks, less entitled to public confidence, would not set up in this town, force themselves into credit, and abuse it? Or even could all this be maintained, other places could not be prevented from taking those steps which they are about to take in order to procure the alteration proposed in the Bank of

England's Charter, and any such exertions would consequently be useless.

Opposition to a measure of this nature by the present Banks, would evidently be totally unavailing. To expect their mercantile friends, therefore, out of mere compliment, to forego any advantage which may arise from purchasing the stock of the proposed concern, would be perfectly unreasonable. Such a compliment might even be subject to misconstructions.

In carrying the proposed Bank into effect, there are two points of view in which it will have to be considered: first, as a public institution, and next, as a speculation to individuals. It has been said that half a million is too large a capital to be raised in this district; but that can only be known by experiment, which remains to be tried. As a public institution, it is necessary that it should have a capital sufficiently large to secure it the credit it requires; and it is of no consequence to the public whether it be raised in this district or not, if it only be raised. When we want a machine or engine which cannot be made at home, we do not go without it on that account, but send for it to where it can be had. The same must be done with the capital of this Bank. If there are not people here sufficient to supply the amount required, let people at a distance be

procure the alteration proposed in the Bank of

invited to make up the deficiency. A man who deposits his money in such a Bank will consider the half million of security held out as good to him, if it comes from a distance, as if it were raised at home.

The question then to be first determined is, whether half a million of capital is necessary to establish the unbounded credit required for a public Bank in this district or not? If decided in the affirmative, which so far as I can gather, has already been done, then let those set up the Bank who can furnish it. I am, however, very much disposed to think, that when subscriptions are opened, there will be found more capital in Newcastle, Shields, Sunderland, and Durham, than they have credit for possessing.

As soon as this Bank divides six per cent. with the prospect of its permanently continuing to do so, its stock at the present value of money, will be at 50 per cent. premium; and this will only be dividing five thousand per annum above the interest of its capital, out of the Banking Profits of four considerable towns, besides an extensive commercial and mining district, in which are two great shipping ports. We should suppose that in this district there are a very great many millions of capital at present not near so well employed.

But its capital will only be required by slow degrees. No Bank could take up half a million of money at once. If ten per cent. were paid down, and after that ten per cent. every six months, it would be advanced as quickly as it could perhaps with prudent management be required.

Now the steps which it is proposed to pursue both in Newcastle and the neighbouring towns, are as follow. It is intended that two hundred thousand pounds be subscribed in Newcastle and the neighbourhood. It is also desirable that it should be subscribed by those who are likely to be the best supporters to the establishment. Although the respectability and character of our present Bankers is such, as to render any fears of ungentlemanly or splenetic conduct equally groundless and improbable, yet it must happen that many are so connected with them that they would not wish to run any risk of disobliging them by taking a share, however groundless such an idea may be. It is therefore proposed to take subscriptions to the extent of one half in the first instance, which will include those who are less dependent upon the Banks, and the other half after it is set on foot, when those who are more dependent upon them need not dread inconvenience from their displeasure.

If there should be a considerable demand for

the stock, it will be proper that the shares be the smaller, in order that all may be supplied. No set of persons ought to be allowed a monopoly. If the amount which each is allowed to subscribe be too large to include all who are entitled to shares, those who come first only can be supplied; whereas if they are too small, they can easily be increased upon. It is, therefore, on the safe side to take only moderate subscriptions at first. They may be increased afterwards, if necessary. It is consequently proposed that no person be allowed to subscribe in the first instance more than a thousand pounds.

When the hundred thousand pounds are subscribed, or as large a sum as is likely, with the above limitation, a meeting will be called, and a committee of subscribers chosen to prosecute the measure, and one per cent. be paid down to meet the expences which will be incurred.

If the hundred thousand pounds be not all subscribed, the committee will have to determine the proportions in which those who have taken shares may increase the amount of them; or should there be found, as has been suggested, any difficulty in raising either the first or last half of the capital in this district, monied men from a distance might then be allowed to take up the surplus. There will be no risk, I presume, in engaging that such men

will be readily found, though, for my part, I am disposed to think that no such men are at all likely to be wanted.

In procuring the first subscribers, no great discrimination can be used, for no one is properly entitled to make the selection. Any who are willing to subscribe must be allowed to do so. By this, no doubt, it may happen that the amount will be made up before many have the opportunity of putting down their names, who, from their business, are more particularly intitled to subscribe; but this there is no avoiding. When, however, the second subscription comes to be taken, the committee will have the power of discriminating; and it will be the interest of the first subscribers, and the duty of the committee, who represent them, to apportion out the remaining shares in the manner best calculated to further the interests of the establishment.

I do not think, that if the shares are in demand, they should be sold to the highest bidder; that would be neither wise nor liberal. The shares will be principally retained for the benefit of those, whose connexion with the present establishments is such, that they would be good customers to any concern, and yet the nature of that very connexion prevents them running the risk of being put to any inconvenience by incurring the displeasure of the old Banks,