

before they have the new one to go to. As, however, the second subscribers are thus particularly favoured, and are not called upon, in the first instance, either to subscribe to the expence, or take any share in the trouble, of establishing the concern, I think it would be perfectly fair that their shares should be subject to a small premium of, say 5 or $7\frac{1}{2}$ per cent. This, I dare say, they will pay without any objection, as an acknowledgement for the consideration with which they will be treated. By this arrangement a sum will be raised sufficient to purchase offices, pay the expences which must be incurred in setting the Bank on foot, and enable it to begin its operations with a clear and untouched capital.

It has been objected that the smallness of the shares does not hold out sufficient inducement for gentlemen and men of large property to enter into the concern. The private property of the share holders is, however, a matter of no importance. The capital ought to be sufficiently large to give the Bank the credit it requires, did none of the partners possess more property than the capital which they advance; and it is presumed that half a million is sufficient for that purpose. No person of property will in fact enter into the concern, if his property be necessary to its credit. No man of common sense will put his fortune in danger for the

sake of making a thousand pounds or two. It is only in consequence of the capital being so great that no danger can be apprehended, that he will subscribe at all.

When, however, the capital of a Bank is sufficiently large to hold out the requisite security, its credit for any practical purpose cannot be improved either by enlarging the capital, or by taking into account the private property of its stock holders. A person who deposits money in a Bank gains nothing by the great wealth of its proprietors. All that he desires is to be satisfied that it is safe; and capital enough to render that obvious and palpable, is all that is necessary.

Of the four Edinburgh Banks, the British Linen Company holds out the least security. It has half a million of capital; but is a chartered Bank, and the private property of its stockholders is not liable to the public. The other two chartered Banks have three times the capital, and the Commercial Bank, which has no charter, to a capital of six hundred thousand pounds, adds the further security of the property of its stock-holders, which probably amounts to many millions. The credit of the British Linen Company is, however, as good as any of the other three, and its business, if we may judge by the superior profits which it has made, a great deal better. Therefore I apprehend

there can be no doubt that half a million of capital in this district is sufficiently great to render the property of individuals a matter of no importance whatever to the credit of the Bank. It must, at the same time, be equally obvious, that if the property of an individual can add nothing to its credit, by the same rule his property can never be endangered by it.

The stock ought to be principally distributed with a view to the business of the parties. It will no doubt, however, be very desirable that the neighbouring country gentlemen, should give the Bank their countenance and support, by taking shares in it. This they will probably do upon principles of public spirit. They can never be tempted by the magnitude of their shares, to do so upon any other grounds; otherwise many more efficient supporters of the concern would have to be left out.

It appears to be a general opinion, that two thousand pounds stock is too small an amount for the Directors to be confined to. I beg, therefore, to suggest that after they are chosen they may be allowed to hold shares to the amount of five thousand pounds. The first Directors will make the most benefit by this privilege, but it will be a very cheap way of rewarding them, and it is unquestionable that having every thing to arrange from the commencement, they will have the most trouble.

I still, however, cannot help thinking that after the annual profits of the Bank have become stationary, and the stock attained its value in the money market, the small difference which could be made on any stock that a Director may be allowed to hold, would not be a consideration worth the attention of such men as it is most probable will be always at the head of this concern. If they do not undertake the office as a public trust, execute it as a public duty, and have a pleasure in doing so, they are not the proper persons to fill the important office to which they will be elected. A Director, whose strongest motive for the performance of his duty is 50 or 100 pounds per annum extra, which he may gain by the stock he possesses, holds a station he ought not to hold. In fact, if such men only were chosen Directors, there can be no doubt that the Bank would be totally neglected. They would soon find that they could make much more money by confining the attention required by the Bank, to their own private affairs.

After the subscribers have chosen a Committee, one of the first steps to be taken will be to promote a petition to parliament for an alteration in the charter of the Bank of England. In this almost every person not connected with the existing Banks, whether they are subscribers to this Bank or not, will feel interest-

ed, and join. It is a measure which will have the good wishes of every one, and the public voice will be unanimous in its favour.

The most decided and fairest mode of giving expression to public opinion, is by a meeting of the town to petition parliament, held under the sanction of the magistrates, when the merits of the question might be fairly discussed, and the objections to it made known. By presenting a requisition to the mayor, such a meeting would no doubt be called. But in towns like this, where the Bankers are intimate with all the principal inhabitants, the proper persons to take a lead in such a meeting might feel a delicacy in doing so. It will perhaps, therefore, be as well to set a petition on foot without a meeting, and let it be numerously signed. It is a question that admits of but one opinion, and there can be no doubt that the petition will be held to convey the unanimous sentiments of the public.

There will always be the most difficulty in setting a public Bank on foot in small towns: the influence of the Banks being always greater in proportion to the smallness of the place. The first, however, is the only difficult step in the business, and almost any one independent and respectable person is competent to undertake it. For instance, we will suppose Stockton, Darlington, Richmond, and Stokesley,

towns not far distant from each other, in each of which there are Banks, to form a proper district for a public company, with, say two hundred thousand pounds capital. In any one of those places, any respectable person might open a subscription for, say five and twenty thousand pounds stock, being half the proportion to be subscribed in the town where he resides. When the subscription is full, the subscribers might then meet, deposit a per centage on their shares, to cover the expences which may be incurred, and appoint a committee to stir up and co-operate with the other towns, or such other towns as are disposed to join them, in carrying the measure into effect. A committee being thus appointed, whose interest and whose duty it is to bestir itself, there can be no doubt of such a Bank being speedily established. One of the Branches will have, like Newcastle, to be the centre of the system. It is not, however, necessary that this Branch should be in the principal town, the most central and convenient would evidently be the best for it.

Nor, is it necessary that the shares should be a thousand pounds each; there can be no objection to take subscriptions for a hundred pounds, and probably five hundred pound shares would be as far as subscribers in the first instance ought to be permitted to go. That is, however, altogether a local question, which

will have to be determined by the numbers and class of persons likely to give their support to the measure. No general rule can be laid down. What is a large subscription in one town may be a small one in another, and *vice versa*.

That public Banks have not hitherto existed, more especially in London and Lancashire, seems to have arisen from the want of a proper knowledge of the principles of Banking, rather than from the charter of the Bank of England, which I find does not prevent public Banks for the deposit of capital from being established. I hope it will not be considered as an attempt to arrogate merit to myself, when I say that I have not been able to discover any correct views extant upon the subject. The dissertations which I have met with, have generally consisted, of what has been said by Smith in his *Wealth of Nations*, the *History of the Transactions of the Bank of England with Government*, and a *Eulogy of the Present System*. In the same manner as the rules for epic poetry have been deduced from the writings of Homer, so have the principles of Banking been deduced from the practice of the Bank of England. That Banks ought to be the permanent depositories of the capital of the country, is an idea which no writer has hitherto entertained, and

the silent operations of the Scotch Banks have eluded observation.

It has in fact always been hitherto considered, that the proper business of a Bank was to issue notes and discount bills at short dates. This is very strikingly exemplified, by the clause in the charter of the Bank of England, which restricts other Banks to six partners.

12—" And to prevent any doubts that may
 " arise concerning the privilege or power given
 " by former acts of parliament, to the said go-
 " vernor and company of *exclusive Banking*,
 " and also in regard to the erecting any other
 " Bank or Banks by parliament, or restraining
 " any other persons from Banking, during the
 " continuance of the said privilege, granted to
 " the governor and company of the Bank of
 " England, as before recited, It is hereby fur-
 " ther enacted and declared by the authority
 " aforesaid, that it is the true intent and mean-
 " ing of this act, that *no other Bank shall be*
 " *erected, established, or allowed by parliament*,
 " and that it shall not be lawful for any body
 " politic or corporate whatsoever, erected, or
 " to be erected, or for any other persons united
 " or to be united in covenants or partnerships,
 " exceeding the number of six persons, in that
 " part of Great Britain called England, to bor-
 " row, owe, or take up, any sum or sums of
 " money on their bills, or notes payable on de-

"*mand, or at any less time than six months from*
 "the borrowing thereof, during the continu-
 "ance of such said privilege to the said go-
 "vernor and company; who are hereby de-
 "clared to be and remain a corporation *with*
 "the privilege of exclusive banking as before
 "recited, subject to redemption on the terms
 "and conditions before-mentioned."—21 Geo.
 3. c. 60. sec. 12.

It is quite evident that the framers of the above clause considered the business pursued by the Bank of England, the only proper Banking. It appeared to them that preventing Banks with more than six partners, from issuing bills at short dates, or notes payable on demand, was altogether conferring on the Bank the privilege of exclusive Banking as a public company. This, it did, no doubt according to their definition of the term, but it still leaves the most important part of Banking open to the public.

There is at this moment no legal impediment to the establishment of joint stock companies for trading in real capital. Both the letter and spirit of the charter has reference to the circulation of bills and notes alone. A Bank which traded only in capital, would not in the least touch upon the monopoly of the Bank of England, nor be any infringement of its charter. Now in London and Lancashire, the Banks do

principally trade in capital. In London, however, they accept bills, and in Lancashire they draw them, which such Banks, without an alteration in the charter, could not do. But I apprehend there is a great deal of drawing upon London from Lancashire, and consequently of accepting in London, which would be quite unnecessary with a better system.*

Such a Bank, though it could not draw upon London, could sell to those who wanted such bills as it had discounted for others, and as I should imagine the balance of trade would, on the average, be in favour of Lancashire, it would not be many Bankers bills that would be wanted. These could easily be procured from other Banks, or the London agents of the concern might appoint a person in Lancashire

* I understand that most of the bills in Lancashire are made payable in London, which must arise from the demand for capital in that great manufacturing and commercial district, under the present system of Banking, being greater than the supply. By the bills being made payable in London, they can be discounted there; and some of the Banks have branches in London, which, it is probable, were originally established to save the expence of agency. Instead of saying that the Lancashire Banks trade in capital, it would, perhaps, be more proper to designate them Bill Brokers, on a large scale. Public Banks would, of course, from the investments of capital made with them, be able to discount bills, payable at home, by which the present expence of paying in London would be saved.

to draw such bills upon them as the Bank required. As to accepting of bills, by the London Banks, it is a part of their business, which, I understand, is not much valued. It would, however, be needless to go into the details of management, which would have to be pursued by a public Bank established with the charter as it now stands. There is no reasonable ground of probability that the directors of the Bank of England will oppose the required alteration. Sufficient, therefore, for our argument, is it, that the establishment of Joint Stock Companies without such alteration is perfectly legal.

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APPENDIX

TO THE

Essay on Banking.