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EDWARD WALKER, PRINTER, NEWCASTLE.

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## APPENDIX

TO THE

## Essay on Banking.



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JOINT STOCK BANKING COMPANIES.

Sir,—As the important advantages to be derived from the alteration of the Bank Charter and the establishment of Joint Stock Companies seem little understood, permit me to offer a few observations on the subject. Experience has shown, that Joint Stock Companies never fail, and from the nature of the management to which they are subject, have been rarely known to ever lose money. By the confidence which this security inspires, and their liberal mode of transacting business, they become permanently, to large amounts, the depositories of the actual capital of the country. This they lend out again, not only upon short dated bills, but in permanent advances, upon sufficient personal and other securities, to merchants, manufactur-

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No. I. Letters from The Times Newspaper.

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ers, and agriculturists, with great advantage, as has been proved in Scotland, to the agriculture and commerce of the country. Provincial private banks (in London they are more stable) are unable, from the frail nature of their credit, to transact in this manner. Not only are people deterred from keeping capital in their hands, but the banks dare not re-issue that which is deposited with them, except upon short dated bills, and such available securities as, in the event of a run upon them, can, through their London agents, be turned into money at any time. Comparatively speaking, therefore, the accommodation afforded to trade by private banks is merely casual, while an encouragement is given to bill transactions, which often leads to and is productive of the most fatal consequences. To agriculture, where bills are not current, they can give no accommodation at all.

The proposed alteration of the Charter is, in fact, brought forward by ministers as a measure of agricultural relief: and when properly considered, it will be seen, that no proposition made this session of parliament for that purpose, can in point of magnitude or efficacy, be compared with it.

It is understood, that ministers are very serious in their intention of carrying it through, and will be supported on both sides of the house; but it is also supposed, that on both sides of the house, from the great connexions of country bankers in parliament, a great deal of indirect influence will be opposed to it. This, it is reported, government have already met, even in the directors of the bank of England, who have admitted the principle, but wish to defeat it in practice. Not only have they stipulated that no Char-

ters shall be granted, (a stipulation of not the slightest importance to the Bank of England,) but it is understood, that they wish to prevent any alteration of the law with respect to Joint Stock Banks, which renders a company liable for the obligations in the name of its firm entered into by any of its partners. This, of course, would completely prevent any such banks being established, and can have nothing else for its object. By thus quibbling with the nation, the Directors may serve their friends, but they most seriously commit the interests of their constituents. The Bank is founded upon public opinion, and, perhaps, it is not too much to say, even upon public prejudice. If, however, it is thus foolishly opposed to the interests of the nation, opinion and prejudice may take a turn, and it may never have its Charter renewed again.

AN OBSERVER.

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#### TO THE DIRECTORS OF THE BANK OF ENGLAND.

GENTLEMEN,—At a meeting of the Bank Proprietors, it was agreed to permit the establishment of Joint Stock Companies at the distance of sixty-five miles from London, upon having the Charter of the Bank renewed for ten years. This agreement was a favourable one, inasmuch as for resigning a privilege worth nothing, you were to receive a valuable consideration. The circulation of Lancashire you have been for some



time desirous of discontinuing : to give it up was, therefore, making no sacrifice.

Now, it is the interest of the Company, and your duty, who are intrusted with the care of its interests, to get this agreement carried into effect. Report, however, states (how truly you best know,) that instead of doing so, you have attempted to defeat this measure.

You must know what Joint Stock Companies are. The Bank of England is a Joint Stock Company. You must also know very well, that by the laws of this country, it is not practicable to establish these Companies without some bill, which shall free them from being responsible for the acts of individual partners, which shall also make their stock transferable without a formal dissolution of partnership, and contain other regulations of a similar nature.

Now, when the Bank Proprietors agreed to their establishment, they agreed also to such regulations as a matter of course. If, however, you have quibbled about them, with a view to get rid of the arrangement, I leave it to your constituents and you to determine how far you have done your duty.

AN OBSERVER.

#### BANKING SYSTEM.

*To the Editor of The Times.*

SIR,—I have read with some surprise two letters

that have appeared in your journal from a correspondent who signs himself "An Observer;" and as you invited, in a former journal, discussion on the subject to which your correspondent has alluded, I trouble you with a few remarks. Your correspondent is evidently very angry with the Bank Directors, for not promoting this new scheme of Joint Stock Companies. Let me first ask, what is the object of these Joint Stock Companies? And I believe a fair answer to this inquiry will be, that their design is to extend the circulating medium, and thereby enhance prices. Now, if your correspondent had taken a comprehensive view of the subject, he would see the unpleasant, and I may say dangerous, situation the Bank Directors will be placed in; for it must be remembered, that the same paper which is issued, and will cause the rise of the price of corn, will also cause the rise of the price of gold; and is it to be expected the Bank Directors can permit Joint Stock Companies to issue all over England their paper, and cause the rise of the prices of all commodities (remember, gold included), and yet the Bank Directors be bound by an act of parliament to supply the public with one commodity (gold) at a fixed price, viz. 3*l.* 17*s.* 10½*d.* per oz.? One of two things must ensue: either ruin to the Bank of England from such an unequal trade, or a corresponding withdrawal of their paper to the extent of the issues of the Joint Stock Companies, to keep paper and gold at par. Where then will be the use of these new companies?

Should, however, any arrangement be made by a breaking in upon Mr Peel's bill, and making the bank note a legal tender, to increase the issue of paper, this would be nothing more than a complete rob-



bery of the 5 per cent. fund-holder. He has had 20 per cent. deducted from his income, and one principal argument to reconcile him to it has been, "Never mind; you can now purchase the same quantity of commodities for 80l. you used to do for 100l., and therefore you are no worse off." But issue fresh paper, and let prices increase, and then the poor fund-holder will have again high prices, and 20 per cent. income less.

That this will be the case, I appeal only to the operation of the paper system in 1816, and I must say that any infraction whatever of Mr Peel's bill, after the arrangement that has just been made with the public creditor, is neither more nor less than a fraud upon the fund-holder, and all who have had deductions made from fixed salaries or rents, since the passing of that bill.

Respecting the establishing of Joint Stock Companies, I shall then say, that more evil is likely to arise to the community than good. One month a large issue of paper will be made, and prices will rise; another month, a withdrawing by the Bank of England, and prices will fall; it will keep property in a complete state of vacillation as to price, and the merchant will also be liable to great fluctuation in his commodities. There is no want of circulating medium, according to the present value of property at this moment; why then make any alteration in the existing law, which we were told, when made, was "to set the question at rest for ever?" Let it be remembered, that nothing is more dangerous to the well-being of a country than tampering with the currency; and after the solemn engagement the legislature has entered into, by

unanimously passing a bill to return *bona fide* to cash payments, I should hope the integrity of our government will never be again compromised by allowing any new paper projects, although they may be called "Joint Stock Companies." J. F.

May 23, 1822.

#### JOINT STOCK COMPANIES.

To the Editor of The Times.

SIR,—In reply to the letter of J. F., in your paper of yesterday, I beg to say, that I have no wish to impute improper motives to the Directors of the Bank of England, yet their conduct cannot appear otherwise than extraordinary.

The reasons against the establishment of Joint Stock Companies must either have been known before the meeting of proprietors took place, or have been discovered since. If they were known before, why was the meeting called, and the measure agreed to? The directors can have no faith in the soundness of their own arguments, or they never would have acted in such direct opposition to them. If, on the other hand, they have been discovered since, allow me to say they are mere lame apologies for equivocal conduct.

The apprehensions professed to be entertained are, that by the establishment of these companies, the cir-



ulation will be extended, and the relative price of gold and paper thereby altered—that is to say, while a note is worth twenty shillings, a sovereign may rise to twenty-two shillings; and a demand be created for gold which must fall upon the Bank of England, and either ruin it or undermine its circulation.

Now, without disputing about the unqualified assumption, first, that the circulation would be increased to so great an extent; and next, that it would, in the present state of the country and our exchanges, alter the relative prices of gold and paper, let us admit such to be the result of experience. Must it not then appear to be a marvellous circumstance, that the Bank of England, previous to the restriction act, had a note in circulation at all? The principle laid down is, that the over issues of country banks contract those of the Bank of England; yet, as country banks have always issued as much as they could, and often more than they found profitable, it is really quite surprising that the Bank of England has not, long ere this, ceased to exist.

I am unable to say, at this moment, whether by the law as it now stands, country banks will not be obliged to pay in gold as well as the Bank of England. However, let the law be restored to the state in which it stood before the restriction act was passed, and the relative situation of the banks will be precisely the same. Each bank will enjoy the circulation of that district the business of which it transacts, and any improvidence in its issues will recoil upon itself.

Your correspondent inquires, what is the object of these Joint Stock Companies? It may be replied—to

supply to the country, banks with capital, where there are now banks with none, and to give a security and steadiness to its money transactions which they do not now possess. How far they may contribute to extend the circulation, and counteract the ruinous consequences which its great contraction has produced, I shall leave to more competent judges to determine. I trust it will in some degree assist the views of ministers in relieving the distresses of the country, though it may not altogether realise the apprehensions of the Bank Directors with regard to the holders of five per cent. stock.

It does not, however, appear to me, that the original promoters of these establishments had any such views as those with which their present advocates are charged. I quote the following from a paper publishing in Newcastle, where the idea of establishing these companies, founded upon the encouragement held out last year by government, originated:—

“ It is the result of experience that public banks or  
“ Joint Stock Companies, in consequence of the un-  
“ bounded credit which they naturally possess, and  
“ their liberal mode of doing business, receive great  
“ *permanent* investments of capital. They are, in con-  
“ sequence enabled to re-issue it in *permanent* advan-  
“ ces to those who can give proper security. Where-  
“ as private banks, for want of the necessary credit,  
“ have not such large sums deposited with them; nor  
“ dare they, for fear of runs, to which they are so  
“ subject, make advances, except upon bills, and such  
“ available securities as can, in case of need, be turn-  
“ ed into money through their London correspondents  
“ at any time.