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An address to the proprietors of bank stock on the management of the governor and directors of the Bank of England, and on the laws relating thereto / by Daniel Beaumont Payne.

London : [s.n.], 1816.

AN

ADDRESS

TO THE

Proprietors of Bank Stock

ON THE

MANAGEMENT

OF THE

GOVERNOR AND DIRECTORS

OF THE

Bank of England,

AND ON THE

LAWS RELATING THERETO.

BY

DANIEL BEAUMONT PAYNE, ESQ.

LONDON.

1816.

AN

ADDRESS,

&c.

ENGLISHMEN and foreigners have long had reason to regard the Bank of England as the most important of all the commercial establishments in the world; it is, therefore, peculiarly incumbent on the proprietors of that establishment to be jealous of every proceeding, and of every insinuation, that militates either against the well-being of the Bank, or against the honor and characters of the governor, deputy-governor, and directors; to whom, under the charter, the whole management of its affairs is essentially committed.

I have been led into these observations by a report of an extraordinary motion, made at the half-yearly general court, held in September last, for the purpose of declaring a dividend; and especially by a printed circular letter, addressed 'To the independent proprietors of Bank Stock:' whereby it is insinuated, that the conduct of the governor of the bank, in the chair at that court, was 'manœuvring' and 'irregular;' and that 'the directors of the bank, in whom the proprietors have placed implicit confidence, may, contrary to the charter, have improperly entered into engagements with government, whereby the property of the proprietors, and the actual state of their concerns, may have been unjustifiably withheld from them.'

In the same circular letter it is also stated, 'that meetings have been held, and that many respectable, independent, and opulent, proprietors of bank stock are determined to appear at the next general half-yearly court, for the purpose of pursuing those measures which they are empowered to pursue by the terms of their charter.'

An extract is also added from a publication 'by the late Mr. 'Allardyce, who,' it is said, 'stood almost alone the champion of 'the proprietors' rights; and who, by his active perseverance, and 'his powerful writings, did certainly oblige the directors to make a 'partition among their partners, of a portion of their hidden 'wealth.'

I confess that, as 'an independent proprietor of Bank Stock,' the perusal of that circular letter occasioned in my mind a variety of uneasy reflections. I therefore resolved to make an immediate inquiry into the conduct of the governor and directors; and especially to procure a copy of those 'powerful writings' of Mr. Allardyce, that had obliged the directors to make a participation of a portion of the hidden wealth which they had 'unjustifiably' withheld from the proprietors of the bank. And, in the event of finding evidence of improper conduct in the court of directors, I was equally resolved to join in an application for papers, books, and accounts, and to co-operate in any measure that afforded a prospect of placing the direction and management of the bank in more honorable hands.

If the author of the circular letter had put his own name to it, instead of signing merely 'A Proprietor,' I might have applied to him for essential information: but, as he chose to conceal his proper name, I was under the necessity of applying elsewhere: and I was given to suppose, that the charges and insinuations, in the said circular letter, had originated partly in a disappointment: for that, contrary to the practice which has obtained for many years, among the proprietors, in the general half-yearly courts of the bank, a proprietor, who is not one of the directors, had moved for an increase of dividend, from five pounds to six pounds per cent. for the half-year payable in October last; notwithstanding the governor of the bank (who was then in the chair) had intimated to the said general court, in the customary manner, that, in the opinion of the court of directors, the dividend to be declared for the said half-year should be five pounds on every one hundred pounds of Bank Stock. The proposed amendment, however, being put to the vote, was lost; and a majority of the proprietors then present agreed to, and declared, a dividend of 5l. per cent. as originally suggested by the court of directors.

There can be no doubt, that every proprietor, in a general court, has a right to move an amendment on any motion before the court. But it may be asked, whether any Proprietor ought to have suffered his inclination to prompt a motion for an increase of dividend, until he had acquired a previous knowledge of, at least, some of the many circumstances which must have operated on the minds

of the Directors, when they, in their ministerial capacity, were considering the dividend that ought to be recommended, and which the Governor, therefore, did recommend, to the sanction and adoption of the General Court?

Without giving a direct answer to this question, perhaps it may be replied, by the friends of that motion, that it was intended either to procure an increase of dividend, or to gain, from the Court of Directors, a more copious exposition, than they generally give, of the state of the Bank. And (quoting the powerful writings of Mr. Allardyce) it may be further replied, that 'there are various 'and contradictory opinions of the conduct of the Directors; that 'some persons think their management is not only irreproachable 'but meritorious; while others assert, it is guided by narrow-min-'ded and illiberal principles; shackled by systems, and biassed by 'prejudices, that as to the state of the Bank affairs, it is a 'perfect mystery, known only to the Court of Directors; that 'every body says, the Bank must be possessed of an im-'mense hoard of wealth, which is continually increasing: 'but when asked for what this hoard and its accumulations 'are intended, nobody can tell but the Directors, and they 'are not accustomed to answer questions of that nature: that no-'thing can be collected, with regard to the affairs of the Bank, but 'that they are governed by two systems,—the system of hoarding 'and the system of mystery and concealment. Yet these systems 'do not derive their origin from the constitution of the Bank; 'which,' continues Mr. Allardyce, 'enjoins no system of mys-'tery, no system of hoarding, but directs, that the Court of Pro-'prietors shall half-yearly have an account of the state and condi-'tion of the Company before them, and that all the profits shall be 'from time to time divided among the partners.' Vide Mr. Allardyce's First Address, p. 4, 5, and 10.

These opinions of Mr. Allardyce are not only adopted by the friends of the proposed increase of dividend, but in the above-mentioned circular letter there is quoted an answer given by Mr. (now Sir James) Mansfield, in March 1801, to a question submitted to him on a case relating to the Bank, whereby it appears to have been the opinion of that able lawyer, 'that every Proprietor, at a 'General Half-yearly Court, has a right to require from the Direc-'tors, and that it is the duty of the latter to produce, all such ac-'counts, books, and papers, as are necessary to enable the Proprie-'tors to judge of the state and condition of the Corporation and its 'funds, and to determine what dividend ought to be paid.'

It is well known to you, that the Half-yearly Courts for the declaration of dividends, are holden in the months of March and September in every year: therefore if the Proprietors, or any one of them resolve to demand a production of books, papers, and accounts, such demand must be made at one of those courts. However, as a preparatory step, and for the purpose, it is presumed, of ascertaining the general sense of the Proprietors on a measure of such impor-

tance, the following motion was duly made and seconded in the General Quarterly Court of Proprietors, held at the Bank, on the 21st of December last, viz.

'That this Court, having considered the amount of the dividends 'that have been made amongst the Proprietors of Bank Stock du- 'ring the eight last years, and having adverted to those Acts of 'Parliament (viz. the 8th of William III. chap. 20, and the 7th of 'Anne, chap. 7), which impose an obligation on this Company to 'divide "all the profits, benefit, and advantage, from time to time 'arising, out of the management of the said Corporation:" referring 'also to the avowed increase in the sources of its profits, is of 'opinion, that it is expedient, and it does, therefore, resolve, that 'an account be laid before a General Court (which shall be sum- 'moned for the purpose of receiving the same, on or before the '9th day of February next), of the amount of the surplus profits of 'this Company at the latest period to which it may have been 'ascertained.'

It was moved by the Honorable P. Bouverie, who would not have been the leader in that proceeding, if he had not imagined that both law and equity were on his side, and that he should, on that motion, obtain the support of many Proprietors. He was, nevertheless, opposed by a very large majority of the Proprietors, assembled on that occasion, and particularly by the writer of this address; whose reasons for the course he pursued, are respectfully submitted, with others, to your impartial examination.

The circular letter has given you to believe, 'that many respec- 'table, independent, and opulent Proprietors are determined to 'appear at the next General Half-yearly Court, for the purpose of 'pursuing those measures which they are empowered to pursue by 'the terms of their Charter.' The meaning of these words will not be misunderstood, if we couple them with the following extract from the second Address of Mr. Allardyce, whose steps have been, and it seems are to be, accurately retrodden on the present occasion. For example:—'Some of the principal Proprietors have 'agreed, that a demand for the production of accounts, and of a 'dividend of the whole profits, according to law, shall be made 'either at the General Court in September, or at that which 'the Charter directs shall be held in March next; and if such demand 'should be unexpectedly negatived, to take such measures as may 'be most expedient for establishing and confirming the Proprietors 'in their just rights.'—'It will be highly gratifying to the pro- 'prietors, to have their rights restored to them, by the spontaneous 'accord of the court of Directors; but should they unfortunately be 'disappointed in this expectation, there is a sure, but unpleasant re- 'medy, prescribed by two gentlemen, very eminent in their profes- 'sion, but which ought only to be the last resource—an application 'to the court of king's bench. When every other means have been

'tried, and have been found ineffectual, that should, and will be re-'sorted to.'—(Vide Mr. Allardyce's second address, pages 17, 18, &c.)

Whether the proprietors, who have been disappointed in their endeavour to procure an increase of dividend, and whose motion for a production of books, papers, and accounts, was 'unex-'pectedly negatived' by a very large majority, will have recourse to the last resource, remains to be seen. But, in the contemplation of such a possibility, I feel that it is my duty, and that it is the duty of every proprietor, who purposes to give his attendance at the next general half-yearly court, to be fully prepared for a right understanding of the business that may possibly come before him; because it is also possible that, under the charter of the Bank, the following oath may be then exacted, viz.

'I, A. B. do swear, that I will be faithful to the company of the 'Bank of England, whereof I am a member; and in all general 'courts, when, and as often as I shall be present, will, according 'to the best of my skill and understanding, give my advice, coun-'sel, and assistance, for the support and good government of the 'said corporation.'

With this oath before us, may I not hope for your indulgence, whilst I give my reasons for differing in opinion with those proprietors, whose construction of the charter of the Bank, and of the several acts of parliament relating thereto, is contrary to mine? considering that, in the performance of our duty, the design and object of our 'advice, counsel, and assistance,' should be the general advantage of the whole body of proprietors.

It is proper also to notice, what oaths are prescribed by the charter to be taken by the governor, deputy-governor, and directors for the time being: afterwards, we shall be adequately prepared to judge impartially between the court of directors, and those persons who have given currency to the charges and insinuations already noticed in the beginning of this address.

The governor's oath is in the form, or to the following effect, that is to say:

'I, A. B. being nominated, or elected, to be governor of the 'Bank of England, do promise and swear, that I will, to the ut-'most of my power, by all lawful ways and means, endeavour to 'support and maintain the body politic or fellowship of the go-'vernor and company of the Bank of England, and the liberties 'and privileges thereof; and that, in the execution of the said 'office of governor, I will faithfully and honestly demean myself 'according to the best of my skill and understanding. So help 'me God.'

The like oath is taken by the deputy-governor: and the oath of a director is in the form, or to the following effect, viz.

'I, A. B. do swear, that, in the office of a director of the corporation or company of the Bank of England, I will be indifferent and equal to all manner of persons; and I will give my best advice and assistance for the support and good government of the said corporation; and, in the execution of the said office of director, I will faithfully and honestly demean myself according to the best of my skill and understanding. So help me God.'

Knowing that these oaths must have been severally taken by the court of directors in their respective appointments, I did unreservedly declare my opinion, in the last general court, that any motion, originating in a proprietor unacquainted with the secrets of the Bank, for an increase of dividend, after the governor had informed the general court, that, 'in the opinion of the court of directors, the dividend for the half-year payable in October, should be five pounds on every one hundred pounds of Bank stock,' was an indirect censure of the court of directors; and that the motion for an increase of the dividend to six per cent. if it had been carried, would have amounted, in effect, to a declaration of incapacity in the court of directors. Consequently, if their skill and understanding had been deemed insufficient to suggest the proper dividend, which, under a mature consideration of all the then existing circumstances, ought to be made 'out of all and singular the produce and profit of the capital stock and fund of the corporation and the trade thereof,' then the question should, in my opinion, have been also put to the vote, whether they were competent to manage and direct the general business of the Bank, either in the discounting of bills, or lending of money to the amount of millions, or in carrying on the trade in foreign coin and bullion: in all of which it is possible for the Bank to make and sustain immense losses? If they cannot ascertain what ought to be taken from the profits of the Bank, as and for half a year's dividend, one would think they must be mainly incompetent to determine on the fitness and propriety of lending millions of money, either on commercial or government securities.

Mr. Allardyce[1] appears to have accurately understood, that 'it is the first, and almost only duty of the court of directors, to promote the interest of the proprietors by all lawful ways and means.' But I do not admit the truth of his assertion afterwards, that 'the court of directors have been misled by the example of their predecessors! whose devious paths,' he says, 'they have followed, instead of the plain and straight road pointed out to them by the charter, and the acts of parliament relative to

[1] In his Second Address, page 18.

'the Bank of England, which ought to have been their only 'guides.'

With all due respect for the writings of Mr. Allardyce, and for the judgment of those proprietors who have adopted his opinions, I cannot entertain a belief, that the present court of Bank directors have been misled, if they have followed 'the example of their 'predecessors.' For, each and every one of their predecessors must have taken the oaths prescribed by the charter; and must have had, for their guides, both the charter, and the several acts of parliament, together with the bye-laws made by the general courts under the authority of the charter; and also the constant succession of half-yearly general courts to sit in judgment upon, or call them to give an account of their proceedings, when apparently liable to censure. It would therefore be strange indeed, if the laws and the charter were not understood; or, if the governor and directors were suffered by the general courts to violate their oaths, under which they were bound, 'by all lawful ways and means, to 'support the liberties and privileges of the corporation.'

If the general courts of proprietors have for many years allowed the right of demanding books and papers to remain unexercised, may we not presume that their forbearance did not originate in ignorance of their right, but in a laudable desire to facilitate the dispatch of business in the general courts? or, that it proceeded from a conviction, in the minds of the proprietors, that the court of directors were not only able, but anxious, to promote the general prosperity of the Bank, and that the 'skill and understanding' of the governor and directors were unitedly sufficient to discover, from time to time, all the matter that it was expedient to communicate with a conscientious attention to the welfare of the establishment? Had any fraud or mismanagement been apprehended, then the general court would, no doubt, have exercised their power; but they appear to have hitherto wisely considered that power as essential only for the correction of abuses; and not for the gratification of idle curiosity or zealous indiscretion.

In putting the question to Mr. Mansfield, it was asked, whether a proprietor may demand from the court of directors the production of books and accounts? and 'whether he may insist upon 'this, not as being a motion to be disposed of by putting it to the 'vote, as if it was a question proposed, but as of right?'

Mr. Mansfield answered, that, in his opinion, 'every proprietor, 'at a general half-yearly court, has a right to require from the 'directors, and that it is the duty of the latter to produce, all such 'books and papers as are necessary to enable the proprietors to 'judge of the state and condition of the corporation and its funds, 'and to determine what dividend ought to be made.' But, if the

right to require the production of books and papers be unquestionable, yet, if the governor and directors be of opinion that a conscientious discharge of their duty to the whole body of proprietors, will not allow them to give the information required from them by a few individuals, is the governor not bound, in such a case, to take the sense of the general court by the vote, and to follow the direction which the majority shall give? I submit, that the governor, in such a case, must obey the sense of the majority; which seems the natural inference from the words of the charter. They are as follow:

'And we do hereby, for us, our heirs and successors, give full 'power to all and every the said members, qualified for electors, 'in their general courts, or assemblies, by majority of their votes 'to make and constitute such bye-laws and ordinances, for and 'relating to the affairs and government of the said corporation, 'and the imposing mulcts and amerciaments upon offenders 'against the same, as to them shall seem meet; so that such bye-'laws be not repugnant to the laws of this our kingdom, and be 'confirmed and approved, according to the statutes in such case 'made and provided.'

Hence we learn, that, in the general court of proprietors, 'a majority of votes' must have established the twelfth bye-law of the Bank; which is quoted as evidence of the duty of the court of directors respecting the half-yearly dividends. That bye-law is in the following words:

'Item. It is ordained, that twice in every year, a general court 'shall be called and held for considering the general state and 'condition of this corporation, and for the making of dividends, 'out of all and singular the produce and profit of the capital stock 'and fund of this corporation, and the trade thereof, amongst the 'several owners and proprietors therein, according to their several 'shares and proportions; the one of which said courts shall be 'held on some day between the 10th and 25th day of September, 'and the other on some day between the 10th and 25th day of 'March, yearly.'

Is it inconsistent with reason to suppose, that, as a majority of votes, in a general court of proprietors, is authorized to make bye-laws, relating to the affairs and government of the Bank, a majority of votes, in the same courts, must also be competent to judge of, and interpret the meaning of those bye-laws, when a doubt arises thereon in their application to the purposes for which they were made? And if a majority of the proprietors, in those courts, having a perfect confidence in the management of the court of directors, choose to follow their suggestion and declare a dividend accordingly, without asking for an exposition of the books and

accounts, are not the minority of the proprietors, then present, after giving 'advice, counsel, and assistance, according to the best 'of their skill and understanding' (as their oath directs), bound to submit to the course of proceeding adopted by the majority, provided that course be not repugnant to the laws of this kingdom? I think you will answer in the affirmative: and that you will also presume, that the said majority may be, and probably will be, wise and prudent in adopting a deliberate suggestion, arising from the experience of the court of directors; especially on motions, or arrangements, affecting the general prosperity of the Bank. But the minority of the general court, held on the 21st of December last, assert, in the terms of Mr. Bouverie's motion, 'that, having considered the amount of the dividends that have 'been made amongst the proprietors of Bank stock during the 'eight last years, and also the avowed increase in the sources of 'profit in the Bank; and having adverted to those acts of parliament (viz. the 8th of William III. chap. 20, and the 7th of 'Anne, chap. 7), which impose an obligation on the governor and 'company to divide 'all the profits, benefit, and advantage, from 'time to time, arising out of the management of the said corporation,' it is expedient that an account of the surplus profit be laid 'before a general court.' Now, if the said minority retain their belief, that the said statutes are imperative, and impose an obligation to divide 'all the profits, &c.' then the proprietors, who were in that minority, must think that the course pursued by the majority is repugnant to the laws of the kingdom, and that the surplus, or undivided profits, 'are unjustifiably withheld.' For the sake of justice, therefore, we must also advert to the laws of parliament, relating to the Bank; and I hope your patience will endure the fair investigation. The quotations of Mr. Allardyce were, many of them, unfortunately very inaccurate: and consequently, if any proprietors have relied on his quotations, and acquired from them their opinions on the statutes to which he refers, it will be matter of regret, that his writings have misled them; and they will, no doubt, have the candor to show their admission of the truth.

The charter of the Bank of England originated under the authority of the statute 5 and 6 William and Mary, chap. 20; the 19th section of which gave to their majesties authority to nominate commissioners to take subscriptions, on or before the 1st of August, 1694, from any person or persons, natives or foreigners, for raising and paying into the receipt of the exchequer the sum of twelve hundred thousand pounds, and to apply the yearly sum of 100,000l. to the use of the persons who made the subscriptions and payments accordingly.

By the 20th section, their majesties were empowered to incorporate the said subscribers of 1,200,000l. to be one body corporate, by the name of 'The governor and company of the Bank of 'England.'

The 26th section of the same statute says, that the corporation, so to be made, shall not borrow under their common seal any further sum than 1,200,000l. so that they shall not, at any one time, owe more, unless by act of parliament, upon funds agreed in parliament: and if any more shall be borrowed under the common seal, every member of the said corporation shall, in their private capacities, be liable, in proportion to their several shares, to the repayment of such monies with interest.

The 27th section forbids the corporation to trade, or suffer any person in trust for them to trade, with any of the effects of the corporation, in the buying and selling of any goods or merchandise; and every person so trading, or by whose order such trading shall be made, shall forfeit treble the value of the goods and merchandise traded for, to such person as will sue for the same in the courts of record at Westminster.

But, by section 28, the corporation may deal in bills of exchange, or in buying or selling bullion, gold or silver, or in selling goods mortgaged to them, and not redeemed within three months after the time, or such goods as shall be the produce of lands purchased by the corporation.

Under section 30, if the governor, or other members of the corporation, shall, upon account of the corporation, purchase any lands or revenues belonging to the crown, or lend to their majesties, their heirs or successors, any money by way of anticipation on any part of the revenue, other than such part only on which a credit of loan shall be granted by parliament, then the said governor or members so consenting to lend, being thereof lawfully convict, shall forfeit treble the value of such sum so lent, whereof one fifth part shall be to the informer, to be recovered in any court of record at Westminster, and the residue to be disposed of by parliament.

Of the yearly allowance of 100,000l., 4,000l. per annum was for management of the debt and accounts at the Bank, as far as regarded the said capital of 1,200,000l.; and the remaining 96,000l. was for interest on the said capital, at the rate of eight per cent. per annum.

The continuance of the foreign war which induced the government of that period, to borrow the said first capital of the Bank, had, in the year 1696, so far exhausted the coin of the kingdom, that the greatest inconveniences were endured by all classes of the people; and especially in those departments of the government

which were connected with the receipts of the exchequer, and the distribution of the public revenue: insomuch that not only the securities of the government, but the bills and notes of the Bank of England, could not be converted into coin or bullion for exportation, without a sacrifice thereon of sometimes more than 20 per cent. which varied in proportion to the variations in the rates of exchange on bills drawn on England, and sold by the agents of government to raise supplies for the British navy and army on foreign stations. The general distress was also aggravated by the failure of the Land Bank, which had been established by the authority of parliament, on a subscription capital of 2,564,000l.; but on a scheme and principle that infallibly led to its early ruin. To remedy those inconveniences, and to provide the means of improving and increasing the coin and money medium of the kingdom, in proportion to the daily increasing wants of trade and commerce, as well as to support the charges of the war, it was agreed that a large addition should be made to the capital of the Bank of England; and therefore, by the wisdom of parliament, 8 and 9 Will. III. cap. 20. s. 20. it was enacted, that 'for the better restoring of the credit of the nation, and advancing the credit of the corporation of the Governor and Company of the Bank of England, the [then] present common capital and principal stock of the said governor and company shall be augmented and enlarged by the voluntary new subscriptions of all such person and persons, natives and foreigners, bodies politic or corporate, who are willing to subscribe any sum or sums of money, into the said [then] present common capital and principal stock, and to answer and make good the same in manner as hereinafter is appointed.'

Section 21. 'And for the better settling and adjusting the right and property of each member of the [then] present corporation of the governor and company of the Bank of England, before any such enlargement as aforesaid should be made thereunto, it was further enacted, that before the 24th day of July, 1697, the common capital and principal stock of the said governor and company should be computed and estimated by the principal and interest owing to them from the king, or any others, and by cash or any other effects, whereof the said capital stock should then really consist, over and above the value of the debts which they owed at the same time for principal and interest to any other person or persons whatsoever; which computation should be made and settled by seven of the then present members of the said corporation, to be elected for that purpose, at the general court of the old members, and by seven of the new subscribers, to be nominated and elected by the major part

'of such new subscribers, who were thereby authorized to meet 'at any time, within ten days after the 24th day of June, 1697, to 'make such election; and in case the said members and sub-'scribers should not settle the same before the said 24th day of 'July, 1697, then the value of the said capital stock should be 'settled and adjusted by the lord keeper of the great seal of Eng-'land, or by the lord chancellor, &c. &c. And in case, by such 'settlement or adjustment of the value of the said stock, it ap-'peared that the same did not amount to twelve hundred thousand 'pounds, then the members of the said corporation, being owners 'thereof, should contribute so much as would make 1,200,000l. 'And in case the value of the said capital exceeded 1,200,000l. 'then the sum so exceeding was to be divided among those who 'were the old members of the governor and company of the Bank 'of England, according and in proportion to their respective inte-'rests at that time.'

The 22d section authorized the king to appoint commissioners to receive the new subscriptions; and it was further enacted (23d section), 'for the better encouraging the said subscriptions to be 'made, that, from and after the second day of April, 1697, it 'should be lawful to and for all and every person or persons, na-'tives or foreigners, bodies politic or corporate, to subscribe any 'sums of money into the capital and principal stock of the said 'governor and company, in order to the augmenting and enlarg-'ing thereof; which said subscription should be answered and 'made good in the proportion following, that is to say, four fifth 'parts of each respective and particular subscription, by assigning 'the principal and interest to which the respective subscribers 'were really entitled, by tallies of loan and orders of repayment, '&c. &c.; and the other fifth part in Bank bills, or Bank notes, 'which had so much money *bona fide* resting due thereupon.' &c. &c.

By the 24th and 25th sections, the tallies and orders so to be subscribed, were to be allowed an interest of eight pounds per centum per annum, until paid off and discharged out of the funds granted by that act.

By the 26th section, the new subscribers were, after the said 24th of June, 1697, to be members of, and united to, the Bank of England: and (by the 27th section), during its continuance, no other bank, or fellowship in the nature of a bank, was to be erected, or permitted, by act of parliament.

By section 29, the interest due on tallies and orders subscribed into the Bank, was to be accepted as so much principal money.

Under the 30th section, the Bank might borrow, by bills (over and above the 1,200,000l. to which the governor and company

were at first limited), any sum not exceeding the sum subscribed, under an obligation to pay the said bills in money upon demand; and in default thereof the said bills were to be paid at the exchequer, out of the first money due to the Bank, other than the said sum of 100,000l. per annum.

By the 32d section it was enacted, that from and after the completing the said subscription the growing interest of all tallies and orders subscribed, till the principal thereon shall be paid off, and the principal itself, so fast as the same shall be received, together with the said yearly sum of 100,000l., and all the profit, benefit, and advantage, from time to time arising out of the management of the said Corporation, shall be applied to the uses of all the members of the said Corporation of the Governor and Company of the Bank of England, rateably and in proportion to each member's part, share, and interest in the common capital and principal stock of the said Governor and Company thereby established.

By the 48th section it was further enacted, that the monies which, from time to time, shall become due and payable, by virtue of any tally or order subscribed, as aforesaid, into the capital stock of the said Governor and Company, by virtue of this Act, as soon as conveniently may be after the same shall be received out of the Exchequer, or any public office, by the said Governor and Company, their officers, servants, or agents, and at furthest once in every four months, shall be divided 'by the said Governor and Company, 'amongst the members of the whole Corporation rateably and in 'proportion to their several and respective parts, shares, and in-'terest in the said capital stock, for the particular, proper, and only 'use and behoof of the said members separately, and in their pri-'vate and personal capacities,' &c. &c.

And by the 49th section, the debts of the Bank were never to exceed their capital stock, under penalty of subjecting the several members, so far as their dividends received would extend, to satisfy the debts to any person who should recover the same with treble costs.

The principal and interest of the Exchequer tallies and orders actually subscribed into the capital stock of the Bank, by virtue of this Act, amounted to the sum of 5,160,459l. 14s. 9½d.[1] And, as ample provision for the regular payment of the growing interest thereon, at the rate of eight per cent. per annum, was made by the same Act, and also for the gradual repayment of the principal money, due on the subscription of the said tallies and orders, the credit of the Bank of England was thereby firmly re-established.

Here it is our duty to remark, that although, by the 32d section

[1] See a Report in "An Account of the Public Funds," &c. published by Wm. Fairman.

of this Act, 'the growing interest of all tallies and orders subscribed into the capital stock of the Bank, and the principal itself, 'together with the said annuity of 100,000,' (accruing from the 'Charter subscription of 1,200,000l.), 'and all profit, benefit, and 'advantage' arising, from time to time, from the management of the Corporation, were to be applied to the uses of the Proprietors in proportion to their respective shares and interest therein; yet it does not appear that this clause will bear the interpretation given to it by the late Mr. Allardyce, and by the several Proprietors who have adopted his opinions: for the 48th section directs a dividend to be made, from time to time, of only a part of the fund accruing to the Bank of England from the sources enumerated in the said 32d section, namely, of 'the monies due and payable by virtue of 'any tally or order subscribed, as aforesaid, as soon as conveniently 'might be' after the same had been received, from the Exchequer, and at farthest once in four months; and that part was to be divided among the Proprietors, in proportion to their shares, for the particular, proper, and only use and behoof of the said members separately, and in their private and personal capacities, &c. The remaining parts of that fund went also to the uses of all the Proprietors, in proportion to their shares and interest in the capital stock: but those parts were probably regarded only as a joint stock of the Corporation appropriated to their business in the Bank, in contradistinction to the capital stock which was, at its origin, inscribed in the books of the Bank as a loan to the Government for the term of the Charter. By the respective shares and interest of the Proprietors in that loan it was easy, at all times, to ascertain with accuracy, the share and interest of each and every Proprietor of the Bank in any other capital employed therein. If, however, it be contended, that the Proprietors of the Bank had no contemplation of a trading capital, it must apparently be, notwithstanding, confessed, that the Act of 8 and 9 William III. chap. 20. is not imperative, according to the general and comprehensive extent and meaning of those Proprietors who framed the motion of the 21st of December last: that it does not 'impose an obliga-'tion on the Governor and Company of the Bank, to divide all the 'profits, benefit, and advantage from time to time arising out of 'the management of the said Corporation:' and that the said Act was obligatory merely with respect to the division of 'the monies 'to be, from time to time, received from the Exchequer by virtue 'of the tallies and orders subscribed into the Bank capital;' leaving 'the said annuity of 100,000l. per annum, and all the profit, 'benefit, and advantage, from time to time, arising out of the 'management,' to be retained or distributed, according to the will and discretion of the General Court of Proprietors.

By the statute of the 9 and 10 of William III. cap. 3. sect. 4., after reciting the 48th section of 8 and 9 of the same king (as above quoted), and stating, that 'since the enlarging the capital 'stock of the Governor and Company of the Bank of England, 'the making of dividends at the end of every four months was 'found to be very inconvenient and a great interruption to the 'business of transfers, payments, and other occasions of persons 'dealing with the Bank, it was enacted and declared, that the 'Governor and Company should not be obliged to make dividends 'once in every four months, but they and their successors were 'thereby required and enjoined, from and after the 25th day of 'March, 1698, to make dividends of the said monies' (that is, of the growing interest and principal to be received from the Exchequer by virtue of the said tallies and orders) 'once in each six 'calendar months, at the least, unto the members of the said 'Corporation, according to their respective shares and interest in 'the said capital stock.'

But the strongest evidence that Mr. Allardyce, and the supporters of the late motion, had not a perfect understanding of the laws relating to the government and management of the Bank, appears in the statute of the 12th and 13th of William III. chap. 12. sect. 14., by which it was enacted, that 'the Governor and Company 'of the Bank of England, until they shall be repaid all monies 'which they shall lend upon this Act, shall not be obliged to make 'dividends of the monies to be received by them, by virtue of any 'tallies or orders subscribed into their stock, in pursuance of the 'above Act of 8 and 9 of Will. III. c. 20, but at such times only 'as shall be ordered by a General Court of Proprietors.'

Thus we have a complete suspension of that part of the statute of the 8th of William III. which was interpreted by Mr. Allardyce and other Proprietors, as 'imposing an obligation on the 'Governor and Company to divide all the profits, &c.' and a legal and parliamentary grant of a discretionary power to the General Court, for the purpose of enabling the Governor and Company either to retain or distribute the monies to be received from the Exchequer, by virtue of the subscription of the said tallies and orders, until the repayment of a certain other loan from the Bank, then agreed to be made to the Government, upon the authority of the said statute.

The documents in my possession do not enable me to say how long the suspension of the said obligation continued: but it is understood[1] that, before the year 1706, the capital of the Bank

[1] See a History of Bank Stock, in An Account of Public Funds, published by Mr. Fairman, of the Royal Exchange Assurance Office.

had been actually reduced to the original sum of twelve hundred thousand pounds. However, that opinion may have arisen from the fact, that the permanent capital had not been augmented by any parliamentary increase of the loan for the term of the Charter.

By the 5th Anne, chap. 13, the Bank, having agreed to circulate 1,500,000l. in Exchequer bills, made a call on the Proprietors, and thereby increased the capital to 2,201,171l. 10s.

In the year 1709 the Bank were desirous to renew their Charter, and extend its term to the 1st August, 1732: and for that purpose, agreed to lend 400,000l. to the Government, without any addition to their original annuity of 100,000l. Consequently, after deducting the grant of 4000l. per annum for the management, there remained only 96,000l. per annum for the interest of one million and six hundred thousand pounds, and the rate of interest became thereby only six, instead of eight per cent. The Bank also agreed to pay off and cancel all the then outstanding Exchequer bills, amounting, with their interest, to 1,775,027l. 17s. 10½d. on being allowed six per cent. interest on this sum, until the repayment of the principal itself; and likewise engaged to circulate 2,500,000l. in new Exchequer bills to be issued as part of the supplies for the year. Under these engagements it was thought expedient to double the capital stock of the Bank. A subscription was therefore opened for the new stock; and it was taken, in a few hours, at 115l. per cent. The Act which authorised the completion of these several objects, is particularly referred to, both by Mr. Allardyce, and in the motion of Mr. Bouverie; I must therefore be particular, accordingly, in quoting therefrom.

By the 7th of Anne, c. 7, it was enacted, that 2,201,171l. 10s. should be added to the stock of the Bank, so as to make the whole 4,402,343l.; that the new subscribers should be incorporated with the old Proprietors, and that they should be one body politic and corporate, under the name of The Governor and Company of the Bank of England.

By the 63d section it was enacted, 'that the original fund of the 'said Governor and Company, of 100,000l. per annum before 'mentioned, and all the profits, benefit, and advantage, from time 'to time arising out of the management of the said Corporation, 'and also the said annuity of 106,501l. 13s. 5d. (being the interest 'at six per cent. on the cancelled Exchequer bills), and likewise 'the allowance of three per cent. per annum, for circulating the 'Exchequer bills to be made out by virtue of this Act, shall (the 'charges of managing the business of the said Company only ex-'cepted) be applied, from time to time, to the uses of all the mem-'bers of the said Corporation, for the time being, rateably and in 'proportion to each member's part, share, and interest in the com-

'mon capital and principal stock of the said Governor and Com-
'pany of the Bank of England.'

By the 65th section it was enacted, 'that it shall and may be 'lawful to and for the said Governor and Company of the Bank of 'England, so enlarged and constituted, and their successors, at any 'time or times hereafter, when they shall find it safe and conve-'nient, to reduce or lessen their capital stock, increased as afore-'said, by any dividend or dividends to be made amongst the then 'members of the said Corporation, in their private or personal capa-'cities, rateably and in proportion to their respective shares and 'interest therein; taking care that the sum total of all their debts, 'which they shall owe at any one time, do not exceed the value of 'the joint and capital stock, and such other estate, which, at any 'such time, shall be and remain to the said Governor and Com-'pany undivided: and that in case the said Governor and Com-'pany, or their successors, by any dividend whatsoever, to be made 'amongst themselves, in their private or personal capacities, shall 'reduce or lessen their joint stock or capital, without limiting, pay-'ing off, or proportionably reducing the total sum of the said debts, 'which they shall owe to others, so that the value of their joint 'stock and capital, and other their estate then remaining undivided, 'shall not be sufficient to answer their just debts then remaining 'unpaid; in every such case the said members of the said Corpo-'ration, and every of them respectively, shall be liable to pay and 'satisfy such debts, in proportion to the dividends they shall have 'received in their private and personal capacities,' &c.

By the 72d section it is provided, 'that the Bank shall have a 'right to call on its members for payment of any money which 'they may before have divided of the capital stock.'

The plain and literal meaning of these clauses, one would think, is sufficiently obvious. The interest on the capital, the allowances for management, and all the profits arising from the business of the Bank, are to be applied to the uses of all the Proprietors in their joint capacity; but there is nothing imperative as to the division of those profits and interest; nothing which imposes (as in the statute of 8 and 9 William) 'an obligation on the Governor 'and Company to divide' the interest and principal of the monies to be received from the Exchequer by virtue of this Act. And if it does not 'impose an obligation to divide' any part of the monies to be applied, under the 63d section, to the uses of all the members in proportion to their capital, is it not a little incorrect to say, it imposes an obligation to divide all the profits, benefits, and advantages from time to time arising from the management, &c.?

As the statute (of the 12 and 13 of William III. already quoted) had suspended the obligation to divide, and given to the General

Court of Proprietors a discretionary power, so the 65th section of the 7th Anne (as above) gives to the Governor and Company a discretionary power, 'when they shall find it safe and convenient, 'to reduce or lessen their capital stock, by any dividend or divi-'dends, to be made among themselves, in their private or personal 'capacities, only taking care that the sum total of their debts do 'not, at any one time, exceed the value of the joint and capital 'stock, and such other estates as shall be and remain to the said 'Governor and Company, undivided.'

Mr. Allardyce has said,[1] that 'from the general view of all the 'Acts respecting the Bank, and its management, it seems clear that 'the capital cannot be increased but by authority of Parliament;' and that 'it also appears, from the clauses of the Acts herein-'before stated, that the Bank must divide, from time to time, all 'the profits and emoluments of every kind; and that it may di-'vide the increased capital. The first of these,' he adds, 'seems 'an absolute duty, not to be dispensed with; the latter a matter 'of discretion.' I have not yet discovered any Act of Parliament imperatively directing a division of all the profits, &c.; but I have shown, that the laws were absolute, in respect to the division of the increased capital, until a discretionary power was granted to the General Court by subsequent Acts of Parliament.

If the friends and supporters of the late motion in the General Court, were asked the meaning of the words in the 65th section (of the 7th Anne, quoted above), 'taking care that the sum total 'of all their debts do not exceed the value of their joint and capital 'stock, and such other estate which shall be and remain undivided;' perhaps they would answer, that the latter part of the sentence refers only to the profits daily arising from the management of the Bank, between the time of making one dividend, and the period when another dividend ought to be made. But if the Bank be not allowed to have, in addition to the joint and capital stock, any undivided estate excepting the interest and profits arising from the management, which may gradually accumulate from one half-yearly General Court to another, I would ask, for what purpose the clauses were inserted, in several Acts of Parliament, empowering the Governor and Company to borrow money, on their bills and notes, to any amount not exceeding the sum of their capital stock lent to the Government? Were they to borrow merely to lend again to the Government? or, having absolutely lent a certain portion of their own capital, were they not to create a capital sufficient to the demands of the business which it was the object of the charter to secure?

[1] See his Second Address, Appendix, No. III. page 28.

If it be granted that the Bank should have a capital proportioned to the magnitude of its affairs, is it expedient, or honorable, or safe, to have its trading capital altogether arising from money borrowed on bills and notes which, under the existing laws, must be made payable on demand? Is it not infinitely better that the several Proprietors should, either directly or indirectly, contribute among themselves at least a part of the trading capital, and thereby provide the means of safely enlarging the scale of their joint business, in proportion to the gradually, or rapidly, increasing wants of the public? Commerce is sure to florish according to the facilities and to the protection which she receives; and therefore every commercial Government ought to furnish all the facilities that are likely to quicken her operations; whilst the wisdom of the State, which is anxious for an increasing revenue, will afford to trade and commerce every degree of reasonable protection. In the reigns of William III. and Queen Anne the merchants eagerly subscribed their capitals into the joint stock of the Bank of England, and thereby pledged themselves to the support of the Government. And the Government of those monarchs, by encouraging that establishment, not only gained an accession of power, and of public revenue, but acquired, from the general accommodation, arising from a multiplication of commercial machinery, and from a progressive increase of a cheap and secure money-medium, the means of effectually resisting the foreign enemy, and of increasing the splendor of the Crown in the glory of our country.

As are the Ministers of the Crown to the whole kingdom, so are the Governor, Deputy-governor, and Directors of the Bank of England, to the whole Corporation of Proprietors. The proper administration of our affairs requires a certain degree of confidence in our Government: we, however, have always the right and power to call upon them for explanations, and to nominate another Governor or Deputy-governor, and other Directors; if those in office be guilty of any misdemeanour. But it is asserted, that 'the management of the Bank is a system of mystery, of 'hoarding, and concealment:' and that 'it is possible the Di-'rectors, in whom the Proprietors have placed such implicit con-'fidence, may, contrary to the Charter, have improperly entered 'into engagements with (the King's) Government: and that from 'that, or some other hidden cause, the property of the Proprietors, 'and the actual state of their concerns, may have been unjustifi-'ably withheld from them.'

We have, I think, already ascertained that the Court of Directors have not acted in opposition to certain laws of Parliament: let us now endeavour to learn whether they have done any thing

contrary to the Charter, and to the bye-laws of our Establishment. The terms of the Charter are these :

'For the better ordering and managing the affairs of the said 'Corporation, we do, by these presents, for us, our heirs, and suc-'cessors, grant unto the said Governor and Company of the Bank 'of England, and their successors, and we do, by these presents, 'will, authorize, and appoint, that the said Governor, Deputy-'governor, and Directors, for the time being, or any thirteen or 'more of them (of which the Governor, or Deputy-governor, to be 'always one), shall and may, from time to time, and at all con-'venient times, assemble and meet together at any convenient 'place or places, for the direction and management of the affairs 'and business of the said Corporation, and then and there to hold 'Courts of Directors for the purposes aforesaid, and summon 'General Courts to meet as often as they shall see cause; and that 'the said Governor, Deputy-governor, and Directors, or the major 'part of them, so assembled, (whereof the Governor, or Deputy-'governor, is to be always one) shall and may act according to such 'bye-laws, constitutions, orders, rules, or directions, as shall, 'from time to time, be made and given unto them by the General 'Court of the said Corporation. And in all cases where such 'bye-laws, constitutions, orders, rules, or directions by or from the 'General Court, shall be wanting, the said Governor, Deputy-'governor, and Directors, or the major part of them, so assem-'bled, (whereof the Governor, or Deputy-governor, is to be always 'one) shall and may direct and manage all the affairs and business 'of the said Corporation, in the borrowing or receiving of monies, 'and giving security for the same, under the common seal of the 'said Corporation, and in their dealing in bills of exchange, or the 'buying or selling of bullion, gold, or silver, or in selling any 'goods, wares, or merchandises whatsoever, which shall really 'and bona fide be left or deposited with the said Corporation, for 'money lent and advanced thereon, and which shall not be re-'deemed at the time agreed, or within three months after, or in 'selling such goods as shall or may be the produce of lands pur-'chased by the said Corporation, or in the lending or advancing 'any of the monies of the said Corporation, and taking pawns, or 'other securities for the same; and to choose and appoint the 'agents or servants which shall from time to time be necessary to 'be employed in the affairs or business of the said Corporation, 'and to allow and pay reasonable salaries and allowances to the said 'agents and servants respectively; and them, or any of them, from 'time to time, to remove or displace, as they shall see cause; and 'generally to act and do in all matters and things whatsoever, 'which by the said recited Act of Parliament shall or may be done,

'and in all matters and things whatsoever, which they shall judge 'necessary for the well ordering and managing of the said Cor-'poration, and the affairs thereof; and to do, enjoy, perform, and 'execute all the powers, authorities, privileges, acts, and things, in 'relation to the said Corporation, as fully, to all intents and pur-'poses, as if the same were done by the Governor and Company of 'the Bank of England, or by a general court of the same; subject, 'nevertheless, to such restrictions, limitations, rules, or appoint-'ments as are contained in the said recited Act of Parliament, for 'or concerning the trade, business, or affairs of the said Corpora-'tion, or otherwise relating thereunto.'

Here, then, we have the full powers of the Governor, Deputy-governor, and Directors, to whom the whole management of our affairs is committed; and whose duties are defined by the statutes, and by the bye-laws and orders, which a majority of the General Court of Proprietors, from time to time, may give them.

Now, the direct charge against the Court of Directors will be found in the following Extract from Mr. Allardyce's publication. (Vide page 29, of his Second Address, Appendix, No. III.)

'Previous to the month of February 1797, the state and con-'dition of the Bank was a perfect riddle and enigma to every pro-'prietor, except the Court of Directors: it was generally, how-'ever, supposed to be immensely rich.

'The disasters of the Corporation in the beginning of 1797, 'produced investigations, by committees of the two Houses of 'Parliament, into its concerns; the result of which was, in respect 'to its funds, that, after payment of all its debts, there was a sur-'plus of near four millions of money, beyond the permanent debt 'of Government, 11,686,000l. payable only at the expiration of 'the Charter. It is conceived, that the whole of this surplus is 'in the nature of an increased capital without the authority of 'Parliament: but that it should have been divided, from time to 'time, as it arose, among the Proprietors; and this unquestionably 'would have been the case, had the accounts been laid before the 'general meetings; and they had seen balances of hundreds of 'thousands in favor of the Company, beyond their expenses and 'their usual dividends.'

Can a stronger argument be adduced, in justification of the course pursued by the court of directors (under the sanction of the general courts), than that which arises out of the concluding part of this accusation? The whole of this surplus, this honorable proof of excellent management, would unquestionably have been divided among the proprietors, if the accounts had been laid before the general meetings.

This avowal was made by Mr. Allardyce, whilst he was in pos-

session of all the valuable documents united in his work: of those documents exhibiting unquestionable proofs of the public distresses, which, at that important conjuncture, occasioned the restriction on the cash payments of the Bank; of the numerous embarrassments which oppressed the merchants of London in particular, and actually extended to those in all parts of the kingdom; of the continued drain of specie, which had almost exhausted the cash and bullion of the Bank; of the general alarm arising from the dread of invasion and rebellion, occasioned by the maddening impulse of the doctrine and conduct of French revolutionists; of the depreciation in the market value of all sorts of mercantile commodities; of the failure of public credit, and the absolute inability of the King's Minister to provide in due time the money required to discharge the treasury acceptances addressed to the Bank of England for payment; with a perfect knowledge, too, that the whole grand capital of the Bank, amounting to nearly twelve millions of pounds sterling, is advanced to the state for the whole term of the bank charter: I say, with a perfect knowledge of all these circumstances (if the fact were not before me), I could hardly believe it possible that any man, who pretends to have an understanding of what is fit and proper to be done in the management of a great commercial establishment, and especially that a proprietor of the Bank of England could really entertain an opinion, that all the profit from time to time arising from the capital and management of the Bank ought to have been, and 'unquestionably would, from time to time, as it arose, have been divided 'among the proprietors, if the accounts had been laid before the 'general meetings.' But we now know, that a few proprietors have been, for years, of that opinion; however, I hope and believe that a very large majority of the proprietors of the Bank of England do not think it either expedient or honorable to prevent a gradual accumulation of independent capital; such a capital as may furnish the court of directors with adequate means to render accommodation to the public in general, according to the natural expectation of the kingdom from a monopoly of the greatest importance to the power and the prosperity of the British empire.

But it may be inquired why the court of directors should be permitted to judge of what ought to be divided, and what retained? 'The 12th bye-law,' says Mr. Allardyce,[1] 'if duly observed, would 'enable the proprietors to determine what ought to be the half-'yearly dividend. For the general state and condition of the cor-'poration can only be properly considered by the proprietors pre-'sent, having the accounts of the preceding half-year before them; 'and from which only they could properly determine what the quan-

[1] Appendix to his Second Address, No. III. p. 28.

'tum of dividend ought to be. For a very long time however,' he continues, 'this bye-law has been a dead letter. All that gene-'rally passes at the courts, called for declaring dividends, is that the 'governor declares the directors are of opinion that the dividend 'should be so much, and desires that the proprietors would signify 'their assent or dissent. No opposition is made, and the dividend 'is declared without any production of accounts.'

If 'for a very long time,' this has been the constant practice of the general courts, is it not probable that all the regular and ordinary proceedings of those courts are founded upon long established precedents? and that the never-ceasing acquiescence of at least a large majority of the proprietors is good evidence that the mode adopted by the governor and directors, in the half-yearly courts for the declaration of dividends, is, in the opinion of the majority, enough in conformity with the spirit and meaning of the bye-law relating to that business?

It must be remembered, that the management of the Bank is now, as it was originally, confided to the governor, deputy-governor, and twenty-four directors, who are possessed of certain qualifications, and have been chosen from and by the proprietors of Bank Stock. The gentlemen so chosen have had experience in business, and have acquired reputations for industry in their occupations, and for honor unblemished. If, at any time, a person unworthy of confidence were found in the court of directors, it would be the duty of the proprietors to prevent his re-election, and even to remove him from his appointment, if he were guilty of any misdemeanour. It is more than probable, that, among so many members of the court of directors, there is a variety of talents, and of opposite opinions; and therefore it follows, that as, under the charter, all their orders, and resolutions are to be decided by a majority of votes, there must have been an inquiry and examination, in that court, on the subject of the half-yearly dividend, previous to the meeting of the general court; and that, as the court of directors have access to the several accounts, books, and papers of the Bank, and the members are moreover daily occupied in the general management of the bank affairs, there is no probability that they could agree to recommend any proposition to the sanction of the general court, if it were unfit to receive the concurrence of that court, or inconsistent with the best interests of the whole body of proprietors. Will you not, therefore, agree with me, that, if the general court has, 'for a very long time,' acquiesced in the practice of adopting resolutions, as they have been recommended by the court of directors, without any production of books and accounts, that uniform acquiescence was the result of confidence in the 'skill and understanding' of the governor and

directors, and of a conviction that the practice was conducive to the dispatch of business, and to the prevention of those jealousies and inconveniences that would be unavoidable if the books and accounts of the Bank were exposed to the view of every proprietor.

So little did the hostile feelings which have lately prevailed among some proprietors, operate on the general court in earlier times, that, in the very statute of 7th Anne, chap. 7, (which is quoted in the motion of the 21st of December) the power of increasing the bank capital in employment, seems actually given to the court of directors, without enjoining any consultation with the general courts. The reason, perhaps, is sufficiently apparent. The power to borrow money, from time to time, on the security, and on the behalf of the governor and company, is given by the charter to the court of directors, and therefore under the said statute, which admitted new subscriptions and new subscribers into the Bank, the power to call occasionally for money was given, from time to time, to that court, which could best ascertain at what time the management of the Bank business, or the demands on the Bank, would render money necessary to fulfil their engagements in the manner most consistent with the honor and character of the governor and company. The 64th section of that Act is as follows:

'Provided always, and it is hereby enacted, that the several and 'respective persons who have subscribed the several sums amount-'ing to the sum of 2,201,171l. 10s. or for whom such sub-'scriptions have been made, and have paid down one fifth part of 'each sum subscribed, or their respective assigns, shall and they are 'hereby respectively enjoined and required to pay to the said go-'vernor and company, or their cashier, for their use, the remaining 'four fifth parts so subscribed against their names respectively, and 'also every sum of fifteen pounds, or after that rate, to be added to 'every hundred pounds, or any greater or lesser sum subscribed at 'such times, and by such proportions, as the court of directors of 'the said governor and company for the time being, or the major 'part of them, shall appoint, and in case default shall be made in 'any of the said payments so appointed, then the person or persons 'making such default shall forfeit the fifth part so paid down as 'aforesaid, to the said governor and company and their successors; 'and, in respect of such fifth part, shall not be entitled to any share 'or dividend out of the capital stock of the said governor and 'company.'

Thus any neglect or disobedience of the said appointments, to be issued by the court of directors, was made punishable by a forfeiture of the deposit of twenty per cent. on the subscription of the defaulters, without any reference to the general court for a confirmation of the respective calls. And the power to call on the subscribers for money could not, with propriety, have been put

into the hands of other persons than those who were entrusted with the administration of the Bank of England.

We come now to that part of the printed circular letter which asserts, that 'It is possible that these same directors, in whom the 'proprietors have placed such implicit confidence, may, contrary to 'the charter, have improperly entered into engagements with go-'vernment, and that, from that or some other hidden cause, the 'property of the proprietors may have been unjustifiably withheld.'

Considering all that I have written above, I shall merely notice the possibility and the probability of improper conduct in any pecuniary engagements between His Majesty's Ministers and the court of directors.

The events of February 1797, and the disclosures arising from the investigations of the two Houses of Parliament, have certainly demonstrated that, under the pressure of extraordinary circumstances, it was possible for the Court of Directors to charge themselves with a great responsibility, rather than allow the public service to be deranged, and the credit of the Treasury to be injured by the dishonor of acceptances addressed by the Lords of the Treasury to the Bank of England, for payment! But (if you turn back to page 385), you will observe, that (by the 30th section of the 5 and 6 of William III. chap. 20), 'if the Governor, Deputy-'governor, or Directors, lend any money to the Government, by 'way of anticipation, on any part of the revenue, other than such 'part only on which a credit of loan shall have been granted by 'Parliament, then the Governor and members so consenting to 'lend, shall forfeit treble the sum so lent;' consequently, the Governor and Directors, at that time, exposed themselves to great risk, and they were afterwards anxious for indemnity, which was granted by an act of 33d of the King, chap. 32, section 6. The lesson of that period will not easily be forgotten by the Court of Directors.

The temporary loans which have since been made to Government, by the Bank of England, have been (as I have heard and believe) uniformly under the authority of Parliament, and those on extraordinary occasions, under the previous sanction of a General Court of Proprietors.

The advances which the Bank makes upon Exchequer bills are, I believe, always limited in the several Acts of Parliament relating to the respective grants for the public service; and the Bank Directors are bound, on their own responsibility, in the penalty above mentioned, not to purchase more than the sums allotted to them.

Of the several loans from the Bank to Government, we have a plain statement in the series of Resolutions which the Governor

laid on the table of the House of Commons at the close of the last session of Parliament, viz.

'By the 39th and 40th George III. chap. 28, which extended 'the Charter of the Bank for a further term of 21 years, the Bank 'advanced to the public three millions for six years, without in- 'terest, and extended the loan of 11,686,800l. for 21 years, at an 'interest of three per cent. per annum, as a consideration for the 'privilege, profits, emoluments, benefits, and advantages granted 'to the Bank by such extension of its Charter.'

'The above loan of three millions was continued to the public 'service from 1806, when it became payable, to 1814, at an in- 'terest of 3l. per cent.' and it was then discharged.

'In 1808 the Bank made a further advance for the public ser- 'vice, of 3,000,000l. without interest, which by an act of the last 'session is to remain without interest until the 5th of April 1816.'

For many years it has been the practice of the Bank to make other loans for the public service in anticipation of the land and malt taxes, and on Exchequer bills. These afford an employment for a floating, or uncertain capital, without encroaching on that system of prudent management, which is essential to the due performance of the promises made by the Governor and Company of the Bank of England.

Great improvements have been made in the Treasury and Exchequer departments of Government, since the period of the Bank restriction in 1797: and thereby money lent to those departments on floating securities, is always available to the uses of the Bank, in such a manner as must have relieved the Court of Directors from any danger of inconvenience arising out of occasional loans for the public service.

From the period when the first Charter was granted, it was the policy of the Legislature of this kingdom to have securities from the Bank of England for the whole amount of its circulation in bills and notes (as you have seen in my quotation from the statutes of William III.). And it was also customary for the Bank to make a deposit of Exchequer bills in the chests of the Exchequer, to cover the sums of money lodged in accounts at the Bank, for the use of those who superintended the public expenditure in different departments. By the Act of 48 Geo. III. cap. 3, the tellers of the Exchequer are authorized to take as securities for money lodged, either Exchequer bills, or notes of the Governor and Company of the Bank of England. This is one of the consequences of the high opinion entertained by the Legislature of the security and convenience arising from the present condition of the Bank. Nevertheless it was the duty of the Governor and Directors so to manage the business, as that the floating capital, actually

belonging to the Proprietors, should gradually increase, in proportion to the greater issues of Bank notes, and to the possibility of inconvenience that might otherwise occur from the resumption of cash payment six months after the signing of a definitive treaty of peace. The Court of Directors could not have adverted to this contingency without perceiving that it was absolutely necessary to accumulate a very considerable sum in specie, or else to withdraw, immediately after the termination of the war, the major part of those notes which the great increase of British commerce has, for several years, rendered indispensable.

The merchants and others who so liberally subscribed their tallies and orders in the reign of William III. and who subsequently, as the Proprietors of the Bank, allowed the clause to be inserted, in the Act of 12 and 13 of that King, to suspend the previous obligation to divide the monies to be from time to time received from the Exchequer by virtue of the subscription of the said tallies and orders, have most energetically told us what ought to be the management of the Bank during the period of a foreign war, and whilst the country is suffering from the general pressure of pecuniary difficulties. But it must be acknowledged that those who follow their example forego, to a certain extent, the greater profits and advantages that might accrue from the employment of the same money in some of the operations of universal commerce. However, the original and subsequent association and incorporation of subscribers, in the establishment of the Bank, were intended not only to render assistance to the Government, and to supply the means of effectual offence and defence against the common enemy, but also as a means of assuring a compensation for the diversion of capital from the more lucrative channels of the mercantile world. The Governor and Directors of the Bank have been, therefore, always eminent merchants, whose habits and experience have fitted them for managers, and whose fortunes and principles were likely to keep them independent of the King's Ministers, even though the State and the Bank must ever remain in the closest alliance. Notwithstanding this independence, however, the public have obtained a very considerable portion of the Bank profits, by the gradual reduction in the rate of interest, from 8l. to 3l. per cent. per annum, on the permanent loan of the Bank Stock; whilst the legal rate of interest is 5l. per cent. and money is actually, not unfrequently, worth 10l. or 15l. or even 20l. per cent.

From the several loans above mentioned, the following enormous advantages have accrued to the public from the Bank of England, in the last twenty-one years, viz.

	£
The saving of 2l. per cent. (being the difference between 3l. and 5l. per cent.) on the capital 11,686,890l., which is 233,736l. per annum; and, in twenty-one years, amounts to - - - - - - - - - - -	4,908,456
The interest on the first of the above-mentioned loans of 3,000,000l. for six years, at 5l. per cent. is - - - -	900,000
The saving of 2l. per cent. on the continuation of the said loan, at 3l. per cent. till 1814, being 8 years and 8 months, is -	520,000
The interest on the last loan of 3,000,000l. computed at 5l. per cent. to the 5th April, 1816, is - - - - - -	1,200,000
Which several items make a grand total of savings upon the interest of loans, from the Bank to the Government, in 21 years, amounting to - - - - - - - -	7,528,456
The contributions from the Bank, in lieu of note stamps, may probably have amounted, in the last 21 years, to - - -	500,000
And the tax on income on the Bank, during the several years of its operation, has probably taken from the gross profits of the Bank an aggregate little short of - -	2,000,000

The dividends which have been made from time to time among the Proprietors of the Bank of England, exhibit to the world an admirable proof of honourable self-denial, and of exemplary management. Alarmed and agitated, as were all classes of the King's subjects by the suspension of the cash issues, on the memorable 26th of February 1797, it was then asserted by many persons, that the nation was become bankrupt; and that the boasted credit of the Bank of England was lost for ever. But the investigations of the Bank affairs, by Committees of the two Houses of Parliament, very soon discovered that the debts of the Bank were less than its assets, by 3,826,903l., independent of the capital stock of 11,686,800l. lent to the Government for the term of the Charter. These two sums united made a total of 15,513,703l.: which was, in fact, the grand capital of the Bank, after providing for the discharge of all its debts.

By the 3d of the series of Resolutions presented to the House of Commons by the Governor of the Bank, it appears.

'That the total amount of Bank notes and Bank post bills in 'circulation in the years 1795 and 1796 (the latter being the year 'previous to the restriction on cash payments), and in the year '1814, was as follows:

'1795, 1st February,	12,735,520l.	1st August,	11,214,000l.
'1796, 1st ditto	10,784,740l.	1st ditto	9,856,110l.
'1814, 1st ditto	25,154,950l.	1st ditto	28,302,450l.'

The amount now in circulation will probably soon be made known in the House of Commons; or we shall have an opportunity to learn it, when we meet in the next General Court.

Does not our personal acquaintance with the daily business of

the city of London inform us, and are not all the counties in the kingdom ready to bear witness, that the present issues of Bank of England paper are insufficient, and inadequate to the daily wants of trade and commerce? The wonder is, not that our circulation is so large, but that the numerous and almost innumerable transfers of property, which every day occur, have hitherto been effected with so small an amount of circulating medium! and those transfers could not have been accomplished, without a far greater number of agents, and an excessive loss of invaluable time, if the bankers of London had not established and organized the settling house, with which the late Henry Thornton, Esq. made the public acquainted in his "Essay on the Paper Credit of Great Britain." If our Court of Directors had not acquired a perfect understanding of the public wants; if they had not duly considered the prodigious magnitude of the public debt, and the immense increase in the aggregate amount of our annual imports and exports, as well as the multiplied operations of our internal exchanges, in the daily progress of the arts and manufactures, and in the continued intercourse of the agricultural, manufacturing, and commercial interests, they would not (in opposition to the doctrine of popular authors,) have attempted the bold measure of adding millions to the gross amount of notes in circulation: whereby, under Almighty providence, our internal and external affairs were essentially improved; and the predictions of ingenious writers were shown to be fallacious.

The recent convulsions among the commercial and agricultural interests of this country, are the consequences of those brilliant, and never-to-be-forgotten achievements of British wisdom and British valour, which suddenly terminated the war, and gave to Europe a release from the destroying tyranny of Bonaparte, together with a prospect of that durable peace, which the grievously wounded and almost exhausted nations of the continent could hardly hope to behold. These glorious events have filled our minds with astonishment and admiration, whilst they have found us, as a great commercial country, actually unprepared for the complete enjoyment of so great a blessing. The failure of many country banks, like that of the famous Land Bank in 1697, has augmented the pecuniary distresses of the kingdom; and, therefore, the issues of notes from the Bank of England, instead of being diminished, appear to be more than ever wanted as a means of affording temporary relief, until the new order of things shall have had time to settle, and produce that revival of foreign and domestic commerce, which is absolutely necessary, at least to the preservation, if not to the increase, of public and private revenue.

Were the Court of Directors to reduce the sum of their issues

at this important conjuncture, we might expect that the merchants of London would assemble as they did at the London Tavern in March 1799, and again resolve,

'That, if the Bank of England be incompetent to afford the 'necessary and reasonable aid which the mercantile interests of 'this country require, it will be requisite that some other public 'establishment be erected to supply the deficiency.'

The resumption of cash payments was, by the authority of Parliament, made contingent on the duration of the war; and, if the wisdom of Parliament do not otherwise direct, the day for recommencing our payments in cash is now very near. The contemplation of that event has, no doubt, very frequently received the degree of attention, in the Court of Directors, which was indispensably due to the magnitude of the subject: for one of greater importance has probably never been presented to the consideration of Parliament; and certainly never to the Court of Directors, or to the General Court of Bank Proprietors.

May we not then extract a beneficial idea from the transactions of former periods, in the history of the Bank of England? Instead of demanding from the Court of Directors a distribution of our trading capital in the shape of annual bonuses, would it not be wiser and better to make an application to Parliament for power to create a formal and regular augmentation of our capital by new subscriptions (in the manner accomplished by the 7th of Anne, chap. 7)? By such an arrangement our acknowledged capital might be rendered commensurate with the visible exigencies of the present times; and the fallacy attending our usual mode of declaring dividends might be completely avoided. It would enable us to merge the sum of the trading capital in the new subscriptions; and, by consolidating the whole with the sum of the permanent loan to Government, the dividends might afterwards be declared on the aggregate amount; and, of course, distributed according to the respective interests of every Proprietor in the grand capital so to be created. The declaration of our dividends would then approximate the truth: and we should not have the mere appearance of dividing annually ten pounds per cent. on our stock, when, in point of fact, it is only seven pounds and ten shillings per cent. For you will find that a dividend, at this latter rate, on our actual capital, as it appeared to Parliament, in the Reports of the respective Committees of the two Houses in 1797, is nearly the same as a dividend of ten pounds per cent. on the sum of our stock advanced on permanent loan, as aforesaid, to the Government. But if the formal addition to the recorded capital were to be accomplished by the cancelling of Exchequer bills (as in the 7th of Anne), the Governor and Directors would probably think it

advisable not to deviate from the precedent in that Act; but, remembering the possible wants of our establishment, to keep the new capital, if possible, redeemable in the same manner as it would be if it were to continue in the shape of Exchequer bills; and also, in the event of the capital, so much enlarged, appearing, at any future period, to be more than the business of the Bank and the public exigencies may then require, to have it, in such case, legally divisible, under the resolution of a General Court, among the several Proprietors, "in their private and personal capacities," according to their respective parts, shares, and interests therein. But this matter is fit for discussion only in the Court of Directors, whose "skill and understanding" entitle them to our implicit confidence, and with whose management, I am persuaded, we ought all to be abundantly satisfied; for it has exalted our establishment to the highest degree of credit, and given us to believe in its permanent prosperity.

I have the honour to be

A Proprietor of the Bank of England,

D. B. PAYNE.

London, Feb. 5, 1816.