THE CORMORANT OF THREADNEEDLE STREET

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SIX SHILLINGS.

THE

CORMORANT

OF

THREADNEEDLE STREET.

BY

JAMES ROBERTS,

AUTHOR OF

"One Sided Free Trade, a Gigantic Mistake," "Panics and their Causes," The French Treaty a Terrible Mistake," "The Poisoned River and the Suspected Rivulets." &c. &c.

"LET MOLTEN GOLD BE THY DAMNATION
Timon of Athens."

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PREFACE.

On a subject of this nature it is to be expected that great diversity of opinions will arise upon almost every point that is touched upon; the reasons are that most of those who take up the subject argue from different bases or points; or in other words, that they form a judgment on what they perhaps have only superficially glanced at, or they blindly follow the opinions of men who have received great credit for committing what are now discovered to be most serious errors so far as the practice and result have shewn us.

It is to me a matter of little import whether my opinions are or are not accepted in my own time, but I feel perfectly sure that the deductions I have drawn, and now place before the reader in a plain and homely manner, will one day force themselves upon the reasoning powers of the then rulers.

Whatever may be the result of my labours my motives are totally disinterested and free from personality, I write under a strong conviction that I am just in my deductions and assertions, and have many times wished that I could find myself wrong that I might wipe the subject from my memory, I cannot do so, because day by day I see the effect being produced which my studies have told me must come so long as the cause is permitted to exist.

I ask the reader to start with me from certain given points as bases for my arguments, and to look upon them without being biassed by any recollection of the reiterated sentences to be found in the money articles of nearly every morning paper, these sentences evidently emanating from the same quarter, and which I have found to be totally erroneous. I am firmly of opinion that the views I have struck out are purposely shirked by many writers on the subject, who cannot help seeing that Lord Overstone and Sir Robert Peel made a great mistake in establishing the Bank Charter Act of 1844, which Mr. Joseph Hume and others well knew at the time, and in which opinions

the House of Lords also agreed as their Report upon the question entirely condemns the Bank Charter Act. I start then by propounding the following bases for our calm consideration, and I say

1. That circulating medium was originally invented and made to facilitate the interchange of commodities, trade, and to simplify barter, and not to shackle all such operations or give enormous profits to Banks.
2. That money or currency of any kind is valuable for its power of purchasing commodities, property, or necessaries, and not for its own intrinsic value.
3. That the internal trade or domestic purposes of England and her Colonies could be perfectly carried out with a note currency as in Scotland and Ireland, provided £1 notes were also issued in England for general circulation, they being convertible into gold and properly secured.
4. That money never rises and falls—although the charge for the use of it may.
5. That a standard of value is as important as a standard of measure in conducting the affairs of the world; of which England is undoubtedly the great centre.
6. That the issue of notes should be a State prerogative only, and that the State could secure the validity and convertibility of its issues.
7. That 5 per cent. should be the highest charge made by a National Bank for the use of circulating medium, and that it should be lent on sound security only.
8. That no notes should be issued by the State or any other Bank unless based upon undoubted and unquestionable security, and that all should be payable in gold on presentation.
9. That interest of money at present means interest for the use of Bank of England credits or notes, and that to charge 10 per cent. per annum at any time for the use of notes is too much, as this charge has to be paid out of the profits of trade and passes into the coffers of the Banks.

10. That credit is a mine of wealth which England is possessed of, but as a nation has hitherto omitted to make use of, and that if she did so it could be made an enormous source of Revenue, as even Postage Stamps are now used as currency for small payments.
11. That the enormous increase in the wealth of England and her trade are the reasons why more circulating medium is required.
12. That if Gold were her only wealth England would be poor indeed, as there are less than 80 millions of coined gold in the country.

The object and end of my writing upon the subject is to endeavour to persuade the powers that be to look into it once more from my points of view, to examine the position of the nation as if it were simply the cause of an individual, and to consider whether they as private individuals would transact their own money matters as those of the nation are conducted. If one did so, I go so far as to say he would be considered by his fellows as only fit for a lunatic asylum, for no man in his right mind would pay the Bank of England or any other establishment £200,000 per annum for taking care and having the use of the government balances, a continual deposit, the average of which is upwards of 5 millions of money in hard cash, and which they have lent out at 10 per cent. in times of panic for their own benefit.

My earnest wish is to see the continual advancement of England and the happiness and prosperity of the people, and I will endeavour to shew that if interest of money is double here to what it is in other countries, trade in England must periodically languish and be continually disturbed by panics.

I argue then that the Bank Charter Act is at the root of the mischief, and I will do my best to prove my case, believing as I do it is a matter of most vital importance.

I have the honour to be

Your obedient servant,

J. ROBERTS.

ON THE ORIGIN OF BANKS.

The origin of Banks is somewhat remote; so far back as the days of the Crusades it is recorded that Banks were in existence, and in Venice in the year 1171. It is known also that there were Banks in Amsterdam in the year 1609.

Shortly before the end of the 17th century there was a kind of Banking carried on by Goldsmiths in England, but previously there were no Banks either in England or Scotland.

The Bank of England was originated in the year 1694, by the celebrated William Paterson; its original capital was £1,200,000.

The Bank of Scotland was the first Scottish Bank. It was founded by John Holland in the year after the commencement of the Bank of England. He was an Englishman, but there were 11 Scotch gentlemen associated with him. The Marquis of Tweedale and his son, Lord Foster, were the first subscribers. The capital of the Bank of Scotland was £66,666 13s. 4d. sterling to be subscribed by Scotland, and the rest up to £800,000 was to be subscribed by foreigners, so that the latter amount was to be the real capital of the bank; the smallest share that could be held in the Bank of Scotland was 1,000 Scots, and the largest share that any one could hold was limited to 20,000 Scots, Each proprietor or shareholder had a vote for every £1,000 he held, so that the largest holders had 20 votes.

The Bank of Scotland was commenced in a first floor in Parliament Square, Edinboro'. This Bank had granted to it the exclusive right to the issue of notes in Scotland, and in January 1699 they first commenced the issue of £1 notes, but in consequence of forgeries and other causes the Bank of Scotland passed through various vicissitudes and temporarily stopped payment on two occasions.

ON BANK NOTES.

The reasons for the issue of Bank Notes are public convenience, as also for the Bankers' convenience, the payment of large sums hourly in specie would be a matter of great labour, much trouble, and serious inconvenience both to the payer and receiver, the holding and carrying of large sums of specie was formerly attended with very great danger and would even now be attended with some risk, and as the transfer of these large sums was found to be so inconvenient, Bank Notes were devised or originated, it always being supposed that the banks who issued them held gold enough to meet them on presentation, or in other words that banks were merely the trustees of the gold held by them, for the holders of the notes, whoever they might be.

It is easy, therefore, to see that so long as banks act faithfully to the public upon the original principle—the more notes issued by any bank the more gold it must have in its coffers—because banks knowing that they have to meet their notes in gold, would not hand them to anyone without receiving their full value in gold before they issued them for circulation; the fundamental principle, then, of honest banking is that every bank should be able to meet its engagements, or to redeem its notes by giving gold for them when required. But there are various reasons why banks, after having been well established and in full working order, have found that it was not absolutely necessary for them to hold gold for all the notes they had issued. In the course of years the total loss of bank notes is very considerable. Fire consumes many. Individuals lose them in a variety of ways, so that they can never be presented for payment; people have hidden or hoarded notes for many years, and by reason of the death of the owner they could not be found and have been entirely lost to the heirs, and the result is that such notes become an entire gain to the bank who issued them. A bank then, which has a very large issue of notes, may safely calculate that a reasonable per centage of the issues will never return to them for payment in any shape.