

**BANKING REFORM; AN
ESSAY ON PROMINENT
BANKING DANGERS AND
THE REMEDIES THEY DEMAND**

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Banking reform; an essay on prominent banking dangers and the remedies they demand by
Alexander Johnstone Wilson

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ALEXANDER JOHNSTONE WILSON

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BANKING REFORM

AN ESSAY

ON PROMINENT BANKING DANGERS AND THE
REMEDIES THEY DEMAND

BY

ALEXANDER JOHNSTONE WILSON,

AUTHOR OF 'THE RESOURCES OF MODERN COUNTRIES.'

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P R E F A C E.

THE following pages deal with some of the practical questions at issue in modern English Banking, and with these alone. They are of the highest importance at the present time, and yet signs are not wanting that the lessons which recent events might have been expected to teach are being to some extent forgotten. Bank directors have fixed their attention upon points which, however important to shareholders, do not touch the heart of the difficulty. All our banks, joint-stock and private, require to be reduced to order, to be protected against themselves.

Within less than a generation the modern deposit system has reached its present gigantic developments. Until the gold discoveries of California and Australia took place, we may indeed say that there was no gigantic bank in the country. But since 1858 the liabilities of many joint-stock banks, and of some private banks also, have more than doubled. And in all directions banks have extended their opera-

tions and altered their habits since the date of the misdirected legislation of Sir Robert Peel. The time has now come, therefore, when the Legislature ought to be prepared to bring the confused and even chaotic elements thus developed into something like order.

It is the aim of this essay to indicate briefly the main lines on which the necessary reforms ought to run ; and I may say that the views it contains are not put forward as altogether the expression of outside opinion. They have been much discussed with bankers in the City, and are to a considerable extent what the most enlightened among them feel to be necessary.

An essay written by me about a year ago, and printed in the *Fortnightly Review* for August last, has been reprinted as the first chapter of the volume, for the purpose of recalling the minds of readers to the most wide-spread banking dangers of the time. The crash in Glasgow eclipsed many of these dangers which exist still, and can in no way be removed while losses in trade continue to accumulate. In short, we are not yet clear of danger ; and I fear, it must be added, not free from the dead weight of past losses, still hidden and unacknowledged to an extent that presses down enterprise and helps to

prevent a real trade revival. The fact that so much rottenness overlays our credit and clogs our trade, is one additional reason for urging that all the banks of the country, joint-stock and private, should speedily be brought to book. If we leave them much longer, it may be too late for them and for the nation. But the dangers visible on all sides also offer powerful reasons against hasty legislation or anything like imperfect patching. To deal with the questions of limited and unlimited liability, or even to try to assimilate the law of Scotland in the matter of trustees holding stock to the provisions of the English 'Joint-Stock Companies Act of 1862,' might prove highly dangerous just at the moment. The very urgency of the reform demands that it should be carefully and deliberately brought about, and therefore the best course to be pursued, is probably one that would give the banks time to prepare themselves for great changes in the law. Were the Government to appoint a small carefully chosen Commission to inquire into the present state of banking with a view to legislation, it might be the wisest thing which in the circumstances it could do. The researches of such a body would do much preliminary good ; would furnish the basis of thorough legislation ; and would, at the same

time, give the banks opportunity for putting their affairs in order against the day of compulsion. A step of this kind would not be seriously resisted by the bankers. Some among them might, perhaps, hope that an investigation of the kind would procure an indefinite respite from interference; and there would be danger of that result were public opinion to go to sleep upon the subject. There is, however, less probability of that being the case than some might suppose; for while the present trade stagnation continues, banks will continue to fail from time to time, and their collapse will keep public feeling alive. All that we shall require, therefore, is that this public feeling should be utilised for a sound practical purpose; and if the following observations contribute in any degree to that result, my object in writing will be fully attained.

LONDON, 25th February 1873.

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