

Annual
Messages

present condition is attributable to the want of such an institution, as remedy can be provided by State Legislation. A reference to the Banking system of England will show, how far a great monied institution, connected with the government, has had the effect of limiting the number, or regulating the issue, of local and private banks.

Country banks began to spring up in every part of England immediately after the war of the revolution, and continued to increase till the year 1792: when a redundant currency and a general spirit of speculation and overtrading produced a violent reaction and consequently "an extent of misery and bankruptcy which until then had never been known in the country". Three hundred and fifty banks had been in full operation: and of this number, one hundred stopped payment, and upwards of fifty were entirely destroyed.

In 1797, another crisis occurred. In the latter part of the previous year, heavy demands were made upon the country banks; and some of these failing, all confidence was at an end, and the Bank of England was reduced to so great an extremity as to be compelled to suspend specie payments, which were not resumed till the year 1819.

In the year 1816 and the two previous years, two hundred and forty country banks stopped payment, of which number eighty nine entirely failed. One pound notes were then in circulation, and to use the words of the writer from whom these statements are taken "the failures that then occurred affected the industrious classes, swallowing up in an instant the fruits of a long life of laborious exertion".

In 1823 confidence had revived; and the banks began, as usual to enlarge their issues; and in the two following years, the amount of their paper in circulation was increased nearly fifty per cent. Speculation, overtrading, and extravagance immediately ensued: which in the year 1825 terminated in another scene of distress, bankruptcy, and ruin.

Nothing is more common than to ascribe public embarrassments to some other cause than the real one, and consequently to provide remedies which frequently aggravate the evil. Prior to the explosion in 1825, a bank partnership could not consist of more than six persons: and it was supposed that the mischiefs of the banking system were caused in a great measure by that regulation. Accordingly joint stock companies were established, without any limitation as to the number of partners. Three of these companies commenced operation in the year 1826; in 1835 the number had increased to fifty six; in 1836 forty five new companies were formed; and many of these having numerous branches it was computed that two hundred joint stock companies were established in that year. They immediately commenced the work of adding to a paper currency already redundant, and continued to increase their issues till late in December 1836: when the credit system, having been strained to its utmost limits suddenly gave way, and a change from artificial prosperity to real distress, such