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Walter Mucklow

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The Bank of England

A ROUGH SKETCH

BY WALTER MUCKLOW

“Benk! Benk! Benk!”

One evening, when looking over some English newspapers, I could have sworn that I heard this cry as I came across a picture showing the additions which were to be made to the fabric of the Bank of England, and suddenly I felt as if I had been transported three thousand miles, carried backwards for a little more than a generation and all my senses brought successively into intense activity.

I could see the crowded streets on a week day, the deserted spaces on a London Sunday. I could taste the smoke of a November fog which shut out all sights. I could feel the push of passers-by rushing for a bus. I could smell the pavement on a hot August afternoon. But above all, more insistent than all, I heard the bus conductor standing on his small step, hanging on to his leather strap or slapping the side of the bus with it as a sign to the driver to go on, and calling “Benk! Benk! Benk!”

“Newgate, Cheapside, Benk!”

“City road, Moorgate street, Benk!”

“Bishopgate street, Cornhill, Benk!”

From all directions north of the river the bus lines seemed to end at the “benk” and the busses, having reached that terminus, set forth again and used it as a starting point.

To the conductor, and to those who heard him, the word “benk” signifies but one thing, *the bank*; it is unnecessary to add other words, for to them the “benk” means only the Bank of England which to them is *the bank* not of London, not even of England or of the world, but of the universe. To the man on the street the name “Bank of England” stands for security unequalled and beyond attack. “As safe as the Bank of England” is as final, as comprehensive, as is the phrase “as sure as death.”

Is it due to subconscious memory of the raids on the exchequer which leads a Londoner to say “as safe as the Bank of England” rather than “as safe as the government” or “as safe as consols”?

Is there any other financial institution so recognized? I doubt if there be.

The Bank of England

It seems natural then for questions without number to arise. What is this bank? Why is the word used without adjective or article? Why, when, how, by whom and for whom was it started? What kind of person was the citizen of London when it was born, what has been its history and wherein lies the secret of its power?

Here is a bank, organized by a Scot, originally supported by a politician, authorized by a Hollander, formed primarily to provide a fund from which the government could borrow heavily when all available means of taxation had been exhausted; a body of which its founders were so ashamed, or so doubtful, that they dared not mention it by name in the title of the act of parliament authorizing it but tucked it in at the end of an act imposing additional taxes; a corporation to which a charter for only twelve years was granted, and even when subsequently renewed was extended for sixteen years only. Yet this bank has exercised a greater influence on the world's finances than has any other. How has this been accomplished?

An attempt to answer the question led to a good deal of miscellaneous reading which proved so fascinating that I am tempted to try to share the charm with others.

In order to understand the circumstances surrounding the formation of the Bank of England, it is necessary to carry our minds back for two or three centuries and to picture to ourselves the chain of events culminating in the startling changes which occurred in the closing years of the seventeenth century; to try and look into the mind of the average London merchant as it then was, for the bank has always been pre-eminently an institution of "the city" of London.

During recent decades changes so startling have come so rapidly and in such numbers that many of the younger generation of the present day are prone to think that the times in which their progenitors lived were slow; and they fail to realize, or do not know, that in many ways those progenitors made changes and advances as sudden, as surprising and as great as—I had almost said greater than—those of recent years.

It is useless to attempt any general picture of England during those times, for who would be so foolish as to invite comparison with Macaulay? Still, it is necessary to try to catch the thread of events and to unravel the tangle which those events caused.

I—THE LONDON MERCHANT

During the whole of the seventeenth century, England had been in a condition of fusion, of flux and of formation, and it must be remembered that those changes occurred in a country which naturally changes slowly, where a college founded at Oxford in 1379, as St. Mary of Winchester, is still called New College, and where even today most purchasers of motor cars expect their cars to live and be useful as long as did the horse to which they were accustomed.

As compared with today, communication was slow, books were few; the newspaper was about to be born, news was spread by letters and by word of mouth, and descriptions of past events were passed along to each successive generation. The eighteenth century was well advanced before the merchant found his newspaper awaiting him on his breakfast table. Quite literally the tales of a grandfather were the favorite and principal source of information as to the events of the immediate past.

Let us recall for a moment some of the principal memories of any of those who founded the bank and some of the experiences of which their grandfathers must have told them.

These latter would easily run back to the days of Queen Elizabeth. The grandfathers might have seen Hawkins or listened to Shakespeare. They might well have been present at the death of Raleigh, the last of the Elizabethan heroes. They would recollect the troublous times of James I and Charles I. Probably some of the first directors of the bank were themselves taken to witness a great tragedy in English history—the putting to death of Charles I—and lived through the protectorship of Oliver Cromwell.

Those directors may have attended Cromwell's funeral and may have seen, a few years later, Cromwell's exhumed body dragged on a hurdle through London to Tyburn and later exposed on Red Lion field, which we now know as Red Lion square.

They saw the revulsion from the severity of the Puritans to the indulgence of the Stuarts, from the rule of the pietist to that of the worldling. Finally, they had seen the law of descent set aside and a foreigner invited to accept the English crown solely because he had married an English woman and was a Protestant.

In those days religious observance was far more general and obligatory than it has since become. The city affords a striking

example, for its square mile was divided into one hundred and twelve parishes, each with its saint and its church. Eighty-nine of those churches were destroyed in the great fire. The Protestantism of Elizabeth was followed by the sectarianism of the protectorate, after which the fear of Rome again seized men and in the civil war brother fought brother. Catholics persecuted Protestants. Protestants tortured Catholics. And scars were left on the minds of men at least as deep and as lasting as those caused by the civil war in America. Even as late as 1711 all "papists" were ordered to leave the cities of London and of Westminster. To us it may seem unreasonable, but it is true, that the twenty miles of water in the English channel formed so sharp a dividing line that north of it Roman Catholics were persecuted and disfranchised, while south of it a Protestant was regarded as being so nearly a criminal that even John Law was obliged to change his faith.

In social life there were beginning many of the customs and there prevailed many of the ideas which we follow today. The coffee house, the club, the theatre, the opera were established and a censor was provided, even as now. In dress, the magnificence of earlier days was being abandoned; and in many other matters the practices of 1700 resembled those of 1930.

Conservatives complained that women were adopting dress similar to men's, that girls even then used too much lip-stick and wore too bright colored stockings—although they showed less of them than they do today. The "vanities" of today were carried by the younger men of fashion in the lids of their snuff boxes, but women and children were addicted to smoking, and it was not unknown for a school master to grant a recess in order that the pupils might smoke and refresh themselves.

Nor was the equivalent of the ladies' cocktail unknown, for their tea was frequently fortified with "ratifias" and their still rooms were well provided with restoratives, strong waters and juleps. Jewelry was not forsworn and one of the most striking customs was the giving of mourning rings at a funeral, 128 rings being presented to mourners on the death of Samuel Pepys.

The language of the day approached closely to that of today, as is proved by *The Spectator* and *The Tailor*, and it was only among the bloods of the West End that one would hear a lady addressed in such phrase as "Madam, split me, you are very impertinent." Nor would he see, in the city, men greeting each other with a kiss, as was the habit of some in the West End.

Innumerable smaller resemblances to our customs of today could be given. For instance: wall papers were beginning to take the place of wainscotting; penny post was established; shoe blacks were numerous on the streets; fireworks frequently closed an evening's entertainment; Indian clubs and dumb-bells were used for exercise; and oranges sold for four cents each.

The taste of the cultured still preferred the classics, and French, Latin, Greek and Hebrew were taught in many a school—and memory of them appears to have been retained by the pupils better than it is today for at least one coffee house—Hogarth's—advertised that Latin was spoken there and extended an invitation to all who could converse in that tongue.

Still other subjects were offered, such as shorthand, which was used by many. Mathematics which were still taught "according to Cocker" although he had died in 1677. The ladies attended cooking schools, as they do now, and for the poorer classes free schools and burial clubs were provided. Garden clubs were not required to ensure flower growing, for the men had the leisure and the taste for gardening and many an advertisement is found for *lignum vitæ*, roses, camellias and many other of the plants which decorated the forecourts and gardens of city houses.

To accountants it is interesting to remember that during this period accountancy received serious study, and while two or three books on the subject had appeared in England during the sixteenth century, Richard Dafforne's book, *The Merchant's Mirror*, was the first work which appears to have exerted much influence. It was published in 1636, a second edition in 1656 and still another in 1684. He believed that double-entry bookkeeping was used by the Romans long before the days of Julius Caesar, quoting Cicero as his authority, while a Dutch writer carried the origin further back and insisted that scientific accounting was used in times prior to the classic days of Greece—a claim substantiated in part at least by recent discoveries in Ur.

Accountants were in practice in London in 1694 and several were called upon to examine the accounts of some of the directors of the South Sea Company. Apparently, as was natural before the advent of the typewriter and the typist, accountants considered good handwriting as an essential qualification, for one of them, Charles Snell, described himself as "writing master and accountant", and made one of the examinations just mentioned. Apparently it was recognized even then that the value of an ac-

countant's work lay in the value of his opinion, for Snell does not call his report a "balance-sheet audit" but "Observations made upon examining the books of Sawbridge & Company."

Traffic was carried by wagons and to some extent on pack horses for about five shillings for 112 pounds each 100 miles. In London travel by the river was common and the cries of "Rest oars" or "Sculls" took the place of the later "Hansom" or "Cab" and of our present day "Taxi."

Perhaps the principal factors affecting British commerce in the eighteenth century were the development of its colonies and its colonial policy and the steps taken to protect its trade with those colonies. The geographical discoveries of the sixteenth century and their exploitation in the seventeenth placed England and Holland in the front of commercial development, and transferred the center of business from the Italian republics of the Mediterranean to the bleaker airs of the North Sea on each side of which it grew and flourished.

The rich east was the aim of new routes, and desire to reach it quickly and safely is largely responsible for the discovery of America, the foundation of the British colonies and the formation of the great companies, such as the East India Company, the Hudson Bay Company and the South Sea Company.

Holland pressed Britain hard and, to protect her own business, England passed the navigation act, requiring that only English ships should take goods into an English colony and practically placed an embargo upon foreign vessels desiring to trade at English ports.

Low rates of interest are no new thing, for Holland had rendered them practicable through its bank. In England the legal rate in 1600 was 10%, but was reduced to 8% in 1624, to 6% in 1661 and in 1681 the East India Company borrowed £600,000 at 3%.

Perhaps, as Gomme claims, London was occupied in palæolithic and neolithic times, was a city of the Celts and a place of importance in Roman days. Be that as it may, in the seventeenth century London had overtaken her European rivals in commerce, the chief of which had been, latterly, Amsterdam, and had laid the foundations of her world-wide influence.

It was but a small place, for the "city" contained only 673 acres, but it was a busy spot, so busy that as far back as Oliver Cromwell's time, the traffic was congested to such an extent that

the pedestrian was in danger of his life and the lord protector ordained that not more than 200 hackney coaches should be allowed on the streets within a radius of six miles of Charing Cross.

Attempts were made to encourage home industries, one of the most curious being an act of parliament requiring that all corpses should be robed in flannel before burial to stimulate the woollen manufacture and the curate was required to make an affidavit that this had been done.

In London the various bands of rowdies known as "Scowlers" "Hectors," "Muns" and, later, "Mohocks" assaulted persons and buildings and made the streets unsafe, while the footpad and thief infested all roads. The merchant's money was in London—he knew that a fool and his money are soon parted and, being no fool, he kept pretty close to the capital and to his capital. The London magnate lived over his shop, his warehouse or his counting house; if he journeyed even four or five miles away he could rely upon meeting those who would relieve him of his valuables, for footpads haunted Islington, Chelsea and the other suburbs.

Houses were cheap and current advertisements in 1697 offered a "good merchant's house" close to the Royal Exchange with warehouses and vaults for £60 a year; four brick houses with shops in the city were offered at £20 a year each—and a 40-year lease was offered. The Royal Exchange formed a center for a world-wide business, while many a coffee house formed a sub-center for special "lines" as we should now call them, such as Lloyd's for marine matters, "The Baltic" for trade in Russia and so forth. The stock-jobbers held market, and those from each nation could be distinguished by their dress—Germans, Italians, French, Hollanders, Dons and Jews were all there and London was becoming *the* center.

Among the modern names Child's, Hoare's, Stone's and Martin's were then to be found and the two former continued well toward the twentieth century.

The changes of the century—political, religious, social and commercial—had led to a feeling of uncertainty, and the fear of change of government was not by any means laid to rest when William III ascended the throne. The Tudors had passed, the Stuarts had come and gone, returned and fled; the protectorships had disappeared. Would things be more permanent under William III, a foreigner undoubtedly able but equally undoubtedly difficult of approach, whose manner was harsh, whose stern

composure of face was seldom, if ever, disturbed, until the tears ran unchecked down his cheeks while his wife, Queen Mary, lay on her death-bed?

To these internal conditions were added the external, the physical changes resulting from the great fire; for rebuilding was still in progress in 1694, and Sir Christopher Wren was still engaged on his masterpiece, St. Paul's cathedral, which was in course of construction.

Quite probably some of the founders of the bank had wandered about the burned city, perhaps in the company of Pepys and of Evelyn, and seen the ruins of the 13,000 houses burned and, possibly, the leaves of the books in many a library start on the windy way which carried some of them on a twenty-one mile journey to Windsor.

To sum the matter—the merchant of London was prosperous, well satisfied with himself, had an eye on world-wide business, enjoyed life and lived comfortably, was staunchly Protestant, and the events of his life-time had made him wary and weary of changes—proud of his city, loyal to the crown but somewhat suspicious of a sovereign, willing to help the government but unwilling to be imposed upon or robbed.

II—THE BANKING SITUATION IN 1694

For centuries kings had borrowed on privy seals or letters patent. When a king wished to borrow, some of these documents were made out and sent to individual persons throughout the country. A recipient filled in the amount, deposited the sum with a collector who acknowledged receipt, and the document acquired legal force and became a negotiable instrument payable at a specified date to the bearer.

Departments of the government borrowed on specified future receipts. A lender received a wooden tally notched to indicate the sum he had advanced, the tally being split longitudinally, one-half being retained and one-half being given to the lender. These became charges on the exchequer, by which they were paid, and by the end of the seventeenth century such tallies bore interest and were negotiable.

If payments were not made when due, the departments issued bills or debentures in exchange for them and hence grew the navy and the army bills. It is difficult to ascertain exactly the nature

of the debentures, but they constituted a floating debt to be repaid by the lord commissioners of the treasury.

Macaulay sketches the conditions when he writes:

“When the treasury was empty, when the taxes came in slowly, and when the pay of the soldiers and sailors was in arrears, it had been necessary for the chancellor of the exchequer to go, hat in hand, up and down Cheapside and Cornhill, attended by the lord mayor and by the aldermen, and to make up a sum by borrowing a hundred pounds from this hozier and two hundred pounds from that ironmonger.”

The development of trade demanded the development of facilities for banking, for places of deposit, for borrowing and for the convenient transfer of funds and credit from place to place, from country to country.

The Italian merchants, the Lombards, had settled in London perhaps at the end of the thirteenth century, certainly in the fourteenth, and they had been employed by successive monarchs to collect customs, duties and taxes, and in return had made many loans to the crown. Their own advanced methods of conducting business, the increasing need of such services as they offered, the expulsion of the Jews in 1290, all contributed to their success so that as far back as the fifteenth century payments were made by bills of exchange and payments in coin were the exception.

Later, certainly in Cromwell's day, these goldsmiths acted as money changers, and bought and sold coins—a right formerly held by the crown. They received deposits and had justly acquired a reputation for honesty and safety. It is true that individual citizens did deposit their funds for safety with the royal mint, but in 1640 King Charles I conceived the idea that his needs were greater than those of the depositors and calmly seized the entire amount then on deposit and amounting to some million dollars (£200,000). Confidence in the crown and the mint quite naturally disappeared as quickly as did the deposits, and thenceforward the merchants deposited their funds with the goldsmiths.

Apparently the idea of “banks” grew slowly, for Macaulay tells us that in the reign of William “old men were still alive who could remember the days when there was not a single banking house in the city of London” and in 1672 the business of bankers making payments for their customers is referred to by a con-

The Bank of England

temporary writer as something new and strange. As late as 1680, Sir Dudley North was annoyed at the persistence of goldsmiths seeking his business, and to a friend who asked him where he kept his cash, he replied "Where should I keep it but in my own house?" and Pope's father kept his money in his own strong box years after 1694.

However, as wealth increased, it was necessary to subdivide labors, and in the reign of Charles II a class of agents arose whose business it was to keep the cash of commercial houses, and this work fell on the goldsmiths who received deposits, discounted bills and lent money on security. Also, they looked after estates and their notes were circulated as currency—and they must have done a large business, for one goldsmith in 1666 had notes in circulation to the amount of £1,200,000.

It is a curious fact that, up to 1921, no act had ever said what was the meaning of the word "bank," and there was no decision of a court of law on this point. The following definition is the result of study by the committee of the London bankers' clearing house in 1915:

"The expression 'bank' means any person who receives from the public on current account money which is to be repayable on demand by cheque, or who uses the word 'bank' or any derivative of that word as part of the title under which they carry on business."

Often the goldsmiths lent to the king and charged him 8% interest, while they allowed only 6% to those depositing with them. However, in 1672, King Charles decided to follow his father's example, declined to pay the principal of any sums he had borrowed and reduced the rate of interest to 6%, thereby causing many bankruptcies which, it is said, affected 10,000 families.

Quite naturally such a condition resulted in the demand for a bank, and for thirty or forty years many plans were discussed. The question of a bank became involved with politics and, naturally, London had much to say. Probably it is true that London had much to do with the abdication of James II, on account of his methods, and its fear of a return to Romanism, just as earlier that same London helped to abolish the protectorate of Richard Cromwell for fear of the establishment of a military rule, and as later it invited William of Orange to become king.

Despite opposition the business of the goldsmiths grew; banking became recognized in London as a separate and important busi-

ness, and people began to consider the advisability of establishing a public bank, such as the bank of St. George in Genoa, three centuries old, or the bank of Amsterdam which was nearly a century old.

The promoter, the politician and the lobbyist were as alive in those days as in these, and many a plan was suggested and urged. The chief of these was one for the land bank which would undertake to give a landowner negotiable credit to the value of his land, thereby placing the owner in affluence by doubling his property. If a landlord had rent of a thousand pounds a year and pledged it to the bank for a hundred years, the bank could instantly issue notes for the £100,000. In 1693 such a plan was introduced in parliament and referred to a committee which reported favorably on it. Luckily its opponents contrived to raise such a storm of ridicule that the house was affected and the report lay on the table.

If an inhabitant of Mars—or any other person who knew nothing of our world's affairs—read the accounts of the foundation of the Bank of England, he might, without straining the meanings of the words used, arrive at the conclusion that it came by hap-hazard. Nor would he be so far from the truth—unquestionably there was no plan—and no idea—of its becoming the power which it now is.

It may be said that—like the immortal Topsy in this country, the British constitution and the London costermonger in England—it just “grewed.” Certainly it was never planned, as were the federal reserve bank and many others, to proceed on quite definite lines and to perform certain definite, specific and special work.

The principal outstanding facts are that an English king born in a foreign country was fighting foreign wars with foreign troops whom he couldn't pay, when a canny Scot suggested that if a bank were formed on proper lines and were given certain powers it could be arranged to lend English money.

King William III came to the throne in 1688 and the early years of his reign were shadowed by financial difficulties, for the army and navy demanded support and money was hard to come by.

Politicians had imposed all the taxes which imagination could suggest and the people would stand. A baby was taxed at birth; its body was taxed at death; bachelors were taxed, but many were taxed on being married; there were taxes on ships, on liquors and on many luxuries, on hackney carriages, sedan chairs—besides stamp taxes on documents.

During this time William Paterson had been urging his plan and induced the earl of Sunderland to favor it.

Perhaps the most outstanding political event of this period was the originating of the form of cabinet government which has existed to this day, and which is so well sketched by Green in his *History of the English People*. Up to the end of James the Second's reign no ministry, as we understand it, had ever existed, for each minister was appointed by the sovereign and acted independently of other ministers, while the king appointed or dismissed without consultation with any one.

The earl of Sunderland had been one of the chief advisors of James II; he had become a Roman Catholic; he had held office only by compliance with his master's worst tyrannies—and he must be held responsible for them. On the fall of James he retired to the continent, but eventually secured pardon from William III and returned to England, where the king visited him at his estate at Althorp. He was brilliant and charming and advised William to form his government of one party and to establish the system still prevailing. He was the father of the earl of Sunderland who married the duke of Marlborough's daughter, served under Queen Anne, and earned her dislike. She finally dismissed him and offered a pension of £3,000 a year, which he declined with the memorable saying "if he could not have the honour of serving his country he would not plunder it."

It is a curious coincidence that while writing this paper, the author read of the sale of the old National Sporting Club in Covent Garden, a building formerly occupied by the earl of Orford and in which it is said there was held in 1696 the first cabinet council ever known in England.

The opposition of the tories to King William's wars forced him to rely on the whigs who supported those wars; but money was difficult to obtain, for, since the closing of the exchequer, public confidence in the goldsmiths was shaken and money came in small quantities at high costs.

Among the whig ministers chosen by William was Charles Montague, afterwards earl of Halifax, who was one of the most acute financiers of his time and who came forward and supported William Paterson's plan for a national bank, such as existed in Holland and in Genoa. While he was working in parliament he was ably assisted by Michael Godfrey, who influenced "the city." On the monument to King William III which was erected

in the hall of the bank, the king is described as "founder of the bank" but, although it was his pressing need which led to the granting of the charter, the credit for establishing it must be given to William Paterson, Lord Halifax and Michael Godfrey.

While serving as an ordinary commercial bank, it was in reality an instrument to procure loans from the public by the formal pledge of the state to repay the money advanced on the demand of the lender, for which purpose a loan of £1,200,000 was thrown open to public subscription and in ten days was subscribed in full.

The credit of the city of London was at a low ebb and therefore a city bank would not have received public confidence. For some reasons, not very clear, the idea of a national bank with branches in the large centers failed of approval. London had had disastrous experience in lending to the crown, so the new bank was founded on security furnished, not by the state, but by the parliament, and was based on the yield of particular taxes.

Apparently all the parties concerned were fearful of the public—as much so as nowadays—and thought it unwise to present to parliament a bill for this specific purpose. So they tucked it away at the end of a ways-and-means act which provided for certain tonnage duties; consequently for years after its birth it was known as the "tonnage bank."

III—THE EARLY YEARS OF THE BANK

Finally the act was passed and received the royal assent on 25th of April, 1694, but the portions we are interested in are found in a series of clauses in the ways-and-means bill of 1694,—5, William & Mary, Cap. 20—which levied divers customs and excises and sought to raise a loan of a million and a half pounds. To the subscribers to this loan who provided £1,200,000 the act promised a charter and a title, the latter being "The governor and company of the Bank of England."

Events proved that the privileges granted to the bank later in 1697 were justified on three grounds:

1. The assistance it might render the government in times of pressure.
2. The assistance it gave to currency and credit.
3. The effect a well ordered institution would have on foreign exchanges.

The Bank of England

Fear led to the imposition of several restrictions: the company was permitted to deal in bullion and bills, to issue notes and to make advances on merchandise, but it might not trade in its own securities, and the fear that the whigs would use the money to undermine the constitution led to the insertion of a clause in the bill which prevented the bank from lending to the government, except with the consent of parliament—a rule which protected the bank although it was violated by the younger Pitt, and the bank suffered one of its greatest risks, in 1797.

Although the act barely got through in a very thin house with only forty-two members present and in the house of lords had a majority of only twelve, the public supported it and commissioners were appointed to receive subscriptions. The subscriptions commenced to come in on 21st of June and the entire amount was subscribed by 2nd of July, a list of the subscribers being still preserved in the archives of the bank.

On July 10th, Sir John Houblon was elected governor, the first twenty-four directors were elected on the 11th and on the 22nd of July the charter was sealed by the lord keeper of the great seal. Sir John was quite a personage, for, beside being governor of the bank, he was lord mayor of London, a lord of the admiralty and master of the Grocers' Company.

The sittings were held in the Mercers' chapel until December, 1694, when they moved to Grocers' hall, of which a lease for eleven years was taken, and the bank remained there for forty years.

The year 1694 was disastrous in many ways. The harvest in England was the worst known for thirty years and, with one exception, the worst recorded since Elizabeth's reign. Rumor was rife; the pope was finding money for the exiled king; the French were preparing to descend on the English coast; the army was necessary but no money was available to pay it; the spring storms had been unusually severe and had brought about losses to shipping amounting to £400,000, a large sum in those times.

The goldsmiths bitterly opposed the formation of the bank. They gave bills on the deposits made with them and those were regarded as the equivalent of money so deposited. It was the avowed and recognized practice of the goldsmiths to make use of so much of their deposits as experience taught them was not necessary for the current calls made upon them.

This distinguished them from the continental banks, of which there were three great ones, at Venice, Genoa and Amsterdam.

The first of these appears to have commenced business in 1161, the second in 1407 and the last in 1609. Each had greatly affected business and governmental affairs; the bank of Genoa was really itself a republic, it founded an empire, as did the East India Company; it owned the island of Corsica and was still in good repute. However, the bank of Amsterdam was the greatest power at the close of the seventeenth century, and even eighty years later Adam Smith paid to it more attention than he did to the Bank of England. It is said that it held regularly £36,000,000 sterling.

In theory, the notes given by the European and earlier bankers were in the nature of dock warrants, or warehouse receipts, for a specific number of coins, and entitled the holders to claim, not only the amount deposited but the very coins forming those deposits. Herein this practice differed radically from that in England, where it was always understood that the bankers used a portion of the funds deposited with them and thus entered into direct competition with the goldsmiths.

Notwithstanding passage by the government, notwithstanding the support of the public, it was inevitable that in England and in the circumstances there should be widespread and bitter opposition to the bank:

1. Naturally the goldsmiths and money-lenders opposed it for they feared loss of their profits—a fear which future events proved to be well founded.

2. Equally naturally the tories opposed it, partly for the fundamental reason that it was new, partly because it was supported by the whigs, and partly because of the curious feeling that, as the great banks of Europe had flourished under the rule of a republic, it would fail under a monarchy or, if it succeeded, it might imperil that monarchy and lead to a re-establishment of a republic.

3. The popularity with which the bank met led the supporters of rival schemes to urge their plans as we shall soon see.

“The city” was essentially whig and largely non-conformist, which led to its being hated and feared by the country squires and clergy.

When thinking of these early days we must keep in mind the conditions so briefly sketched in the introduction: political ties and religious convictions both affected commerce. The general public hardly realized the importance of the changes which had been effected. Prior to the revolution the princes had held that

The Bank of England

the subject must conform to the religion of his rulers; after the revolution the people insisted that the ruler must conform to the religion of his subjects. This one fact placed William III on the throne, it involved England in the wars which were the immediate cause of the poverty of the government, which, in turn, led to the granting of the bank's charter; therefore, it might be said that religious feeling, namely, the fear of Romanism, was a principal factor which led directly to the foundation of the bank.

It was the infancy of stock-exchange transactions and prices fluctuated then even as they do now, and as suddenly. Hudson Bay stock fell in two or three years from 250 to 80 and East India stock from 146 to 37. Still London was the business and credit center and the fact that the Bank of England was managed by London merchants gave it a standing from the first.

The original principles of the Bank of England were unlike modern practice, for the governors lent their entire capital to the government and their profits consisted of 8% on the loan plus £4,000 a year paid to the bank for management. This was the first permanent loan to the government, and although the bank charter could be revoked in 1706 if the debt were repaid in 1705, none ever dreamed of such repayment or the extinguishment of so useful an institution.

It can hardly be said with truth that the English national debt originated with the bank, for probably no such debt was contemplated. However, it is true that the loan made by the bank to the government was never paid back, that the debt increased enormously during the eighteenth century and that it still exists. The increase in Queen Anne's reign was so rapid that in 1717 the house of commons appointed a committee to consider the best method of reducing it. The Bank of England and the South Sea Company both made extravagant bids in order to secure the prestige of handling the government debt, and the offer of the South Sea Company was preferred. This proved to be fortunate for the bank as it would have had difficulty in fulfilling the terms.

Even as it was, when the South Sea bubble burst, the bank was strained to meet the calls made upon it and, among other devices, was forced to the expedient of paying demands for cash in shillings and sixpences in order to gain time for its friends to rally to its support. This plan was further developed by employing a number of agents to present notes and as the first presented were

first served, these agents, when paid in sixpences, occupied much time and, on receiving their money, went out of the front door and immediately brought it in by the back door.

The first business considered was the method of giving receipts to those who desired to deposit with the bank their "running cash"—descriptive phrase!—for in those days cheques were unknown. And although orders in writing may have been used as early as 1698, cheques did not come into general use until a century later. Depositors lodging money with the bank received receipts known as "running-cash notes," which circulated from hand to hand as money. If the holder of such a note received part of the value in cash, the amount so received was endorsed on the note which was returned to the customer.

The bank paid 4% to its depositors and to this some objected, as they claimed that the giving of an income to a depositor "was hindrance to energy and enterprise." It had power to lend on pledges but apparently never developed this branch of business; it was never a pawn-broker, but it did require collateral security in certain cases, for we are told by Michael Godfrey, writing in 1695, that

"they lend money on mortgages and real securities at five per cent. per annum. If the letters of land were made more secure, money would be lent at four per cent. per annum, and in times of peace at three per cent. Foreign bills of exchange are discounted at four and a half per cent.; inland bills and notes for debts at six per cent. They who keep their cash in the bank have the first of these discounted at three per cent. and the other at four and a half."

The bank allowed "two pence a day" interest on bank bills which cost it £36,000 a year, and so drew money out of the goldsmiths' hands, which naturally made them its enemies, as they allowed no interest on deposits. But the bank never claimed to supersede the goldsmiths, and it bought not one inch of land until it bought the house of the governor, Sir John Houblon, in 1724.

Premiums were not unknown. The bank offered £2-10-0 per cent. rebate on all subscriptions made on the first three days. £2-0-0 for those made on the Monday, June 25th, after which the advantage was reduced five shillings per cent. each day, and the loan to the government of £1,200,000 appears to have been

paid £720,000 in cash and £480,000 in bills, as £720,000 was all the capital called up.

In July, 1694, the stock was quoted at 102, and on October 25, 1694, at 105, but on November 2nd, it dropped to 57, probably because the public learned that only 60% of the capital was paid in and that £480,000 of liabilities had been created.

However, it quickly recovered and on November 30th it stood at 70, and, notwithstanding a shock caused by the queen's death on December 27th, it stood at 99 on the 22nd of March, 1695; on the 31st of January, 1696, the stock was quoted at 107 and on the 14th of February, 1696, it had fallen to 83.

At the beginning of 1696 the bank had to face two great difficulties: first, the terrible condition of the currency and, second, the opposing scheme of the land bank.

The bank had undertaken to receive the old clipped coins and to issue new coins therefor, but this brought such heavy losses that the bank was endangered. It is difficult to realize the state of the currency or, rather, the condition of the coins passing current. Coins of the Plantagenet days and some of the base money of Henry VIII and Edward VI were still circulating. In some cases a half or even two-thirds of the alloy in coins was base. Innumerable foreign coins also were circulating in England—pistoles, doubloons, dollars, florins, pieces of eight, moidores, ducats—all the coins we read about in Elizabethan tales of adventure and many another whose very name is forgotten.

To all this must be added the fact that coins were clipped to such an extent that in extreme cases they were only a third of their proper weight. It is difficult to find an explanation for this as coin clipping was a capital felony and "clippers" were sentenced and put to death by the dozen, with all the formalities of the old treason laws. Just as there are epidemics of diseases, so certain crimes spring into frequent practice—one had almost said popularity—and coin clipping had become the vogue. Finally bullion brought so much more than light coin that clipping offered a still stronger temptation.

Parliament placed on the handling of bullion restrictions almost as severe as those provided on paper today against alcohol. There was a penalty of £500 on any one casting ingots of gold or silver; any one having in his possession or dealing in clippings was to be fined £500 and branded with an "R" on the right cheek. No one could transport bullion unless it bore the stamp of the

Goldsmiths' Company and all unstamped bullion could be seized by the custom house as is whiskey today, although the gold was not poured down a sewer.

Added to all this, the warden of the Goldsmiths' Company and his assistants could break into and search a house for bullion. Rewards were offered to informants. If a convicted clipper could get two others convicted by his testimony he was pardoned; and an apprentice successfully informing against his master was immediately made a freeman of the city—no small honor.

This condition of the currency affected foreign exchanges terribly and the discount on an English bill drawn on Amsterdam rose to 36.9%—that is to say, if the bank drew on the bank of Amsterdam and placed £100 to the king's credit it would take £136-18-0 sterling to meet the bill at maturity. This led to the re-coinage act in 1696 and, although it required some three years to finish the work, exchanges improved rapidly and by November, 1696, English bills were at par or a premium—but it cost £2,703,164 5s. 10 $\frac{1}{3}$ d. which was provided by the house-and-window tax.

During 1696 the new coinage was being turned out at the rate of £80,000 a week, under Sir Isaac Newton, and the proposed land bank and the treasury continued negotiations. The clipped money ceased to be current May 1, 1696, when only £400,000 of the new coin had been issued, but there was not then sufficient new money to replace it and a run on the bank occurred. Bank stock had fallen from 107 to 83, partly because the formation of the land bank had weakened confidence in the Bank of England and the situation was critical, but the governor, Sir John Houblon, pacified claimants by offering them part in coin and pledged the bank to supply the rest as soon as, and as fast as, the mint could supply it. Macaulay states that the goldsmiths organized, or aided, the run on account of their enmity to the bank, by collecting as much paper as possible and demanding immediate payment in cash.

The second difficulty was the attempt to found the land bank which was to furnish loans to the land-owners.

The idea was launched by a Doctor Chamberlain who had been an accoucheur, but who failed to deliver this child alive. He secured the support of Lord Harley and Lord Foley and an act was passed in April, 1696; but the public was not responsive and so few subscriptions were received that the idea died immediately. The proposed plan was grotesque and was based on some remark-

able theories, one being to the effect that a lease for 100 years was worth four times as much as the fee simple, but the story is too long to give now.

One result was that the Bank of England was forced to advance the rate of interest from two pence a day to three pence a day. It made no fresh call on its shareholders, but borrowed of them 20% of the capital for six months, which was lent to the government and later repaid to the shareholders.

The bank was forced for a time to pay its notes in instalments, but the treasury finally came to the rescue and ordered, under a resolution of the house of commons, that no notary public should enter a protest on any bill of the Bank of England for fourteen days, which constituted a moratorium, as in those days a commercial bill was effective only when drawn up by a notary, and further ordained that no other bank should be established by act of parliament.

The demands of the government added greatly to the difficulties of the directors, for the assurances of those supporting the land bank had led it to expect a loan of at least £800,000, and on the failure of the land bank, the government was in despair. At length the governors of the bank called a special court of the proprietors and on 15th of August, 1697, they voted approval of a further loan to the government of £200,000 raised by a call of 20% on the proprietors. A vivid account of this matter is given by Macaulay.

Finally it was agreed that the government would support the bank, and a new act was passed in 1697, and the capital stock was "engrafted on" to raise it from the original £1,200,000 to £2,201,171-10-0 and, apparently, an audit was directed to ascertain the value of the bank's assets. The legal duration of the bank was extended to 1710 and the establishment of other banks by act of parliament was forbidden. The Bank of England could borrow in excess of the £1,200,000, but such loans must be earmarked in some way. The old exchequer bills were to bear interest at 5 pence a day.

Forgery of Bank-of-England notes was punishable by death, but it was practically impossible to secure conviction for embezzlement or for forgery of any papers, except certain documents specified by law.

At the end of 1700 Isaac Newton was raised from the post of warden of the mint to that of master.

Government finances were still weak and no remedy appeared but the income tax of 1700—which imposed 20% on all sources of revenue, the capital of chartered companies being exempt. At first it was an ad-valorem tax on moneys, on the laborer's wage and the landlord's rent. However, the officers who collected it levied such high fees (tolls) that it was said that the tax enriched only the officers. This system of tolls was general and, in addition to the percentages allowed, officers could speculate with funds in their hands up to the time when an audit was due. Up to 1857 the compensation of the vice-chancellor of Oxford university was derived from the profit he could make by dealing with the university balances during his term of office.

Even as today, in those times there were arguments regarding the army and navy and, while the southern counties lived in fear of French invasion, the rest of England insisted that it was far easier to collect an army than to disband one. Mr. Pepys tells us of some of the troubles connected with the navy. However, in the end, all conspiracies failed—and resulted in strengthening the management. The directors wished to make money, as was natural. That they made it is notorious; that they incurred envy of rivals is certain, but they never forfeited their good reputation and the bank was firmly established when Anne ascended the throne. Its stock was quoted at 125¼ on September 11, 1702, and on 17th of September, 1703, was 138¾. By 1703 it had become the financial agent of the British government.

The relations between the bank and the government became more and more intimate. In 1706 the bank became the direct agent of the government in undertaking the circulation of exchequer bills, and in 1708 parliament passed an act which prohibited corporations of more than six persons from issuing notes, thus giving the bank a monopoly of what was the most lucrative part of its business. In 1717 the government transferred from the exchequer to the bank the management of various government securities.

It was imperiled by panic in 1708, 1711, 1714, 1715 and in 1745, when the invasion of England by the young pretender led many to rush to the bank to withdraw their deposits. At the close of the century Pitt turned it from what it originally was—a bank of issue, the amount of whose notes was left to the sagacity and experience of the directors—into a bank of deposit whose issues were to be regulated automatically—although no legisla-

tion imposing a limit on the bank-note issue was passed until 1844.

A Yorkshire friend tells me the following incident which, although it occurred somewhat later, illustrates the methods of bankers and their customers:

Over a century ago some dispute arose between the earl of Darlington (who became duke of Cleveland) and the Quaker banker, Jonathan Backhouse. The earl gave notice to his tenants that they were to pay their rents in Backhouse notes, intending to allow them to accumulate till he had collected a greater number than the banker could pay in gold on a sudden demand. This project became known to Jonathan Backhouse, who immediately posted to London and obtained a large supply of bullion with which he hastened back to Darlington. When passing through Croft (three or four miles short of his destination) it is reported that one of the front wheels came off the chaise and sooner than wait to have the wheel repaired the banker piled the gold at the back part of the chaise, so "balancing the cash" and drove into Darlington on three wheels. By this sudden coup, when Lord Darlington's agent presented a very large parcel of notes they were all promptly cashed, the Quaker quietly remarking, "Now tell thy master that if he will sell Raby castle I will pay for it with the same metal."

In the bank's books the following entries appear:

"6 month 25th To bank and cash to London	£32,000/-/-
7 month 31 Wheel demolished	2/3/0"

No outstanding event, no remarkable change in policy occurred until the closing decade of the eighteenth century and the governors met successfully the minor crises, which were brought about chiefly by speculation.

In January, 1793, Louis XVI of France was sent to the guillotine. The French ambassador was ordered by Pitt to leave England. In February the French convention declared war against England and there commenced that series of wars which we associate with the names of Napoleon Bonaparte, Nelson and Wellington.

The establishment of the French revolution, the failure of many English banks, principally due to the excessive issue of notes, had strained the bank until its cash reserve was exhausted. Confidence was only partly restored when the government agreed

to advance merchants five million pounds on the security of commodities, but the people continued to hoard gold while the government increased its demands on the bank for money to pay naval expenses and foreign subsidies. The directors repeatedly opposed these demands, but Pitt was insistent until 1797, when conditions became so acute that the bank was saved from suspension only by a hasty action of the prime minister, who ran a bill through the house of commons in one day, which prohibited the bank from paying in gold and authorized it to tender its own notes as a legal substitute—a perilous procedure which saved the day, although it proved impossible to resume cash payments for more than twenty years. The embargo was raised in May, 1823, although the directors on several occasions expressed their willingness to resume payments in cash, and did anticipate the date so that cash payments were resumed in May, 1821, after which no more £2 and £1 notes were issued, except during the crisis of 1825.

Of course, Pitt's opponents insisted that this action was inspired by his desire that the government should obtain possession of the bank's gold, and then published James Gillray's famous cartoon in which the bank was, for the first time, referred to as "The Old Lady of Threadneedle Street." That name may have been suggested by the speech in which Richard Brinsley Sheridan on the 24th of March, 1797, referred to the bank as "an elderly lady in the city of great credit and long standing" who had "unfortunately fallen into bad company."

By the way, there is some doubt as to the origin of the name "Threadneedle": perhaps the most plausible suggestion is that of Stow who in his *Survey of London*, published in 1598, spells it "Three Needle Street" which suggests that it was named in honor of the Needlemakers' Company, the arms of which were three needles.

In 1793 the bank began to issue £5 notes, but the demand for a smaller currency after the restriction of cash payments in 1797 led to its obtaining permission from the government to issue notes for £2 and for £1. To meet the immediate needs of the public the bank put into circulation many Spanish dollars owned by the government. These dollars had been taken from captured vessels. Before issuing them, each coin was stamped at the mint with a small impression of the head of George III imposed on the neck of the Spanish king, which led some irreverent but witty person to compose the couplet

“The bank, to make the Spanish dollars pass,
Stamped the head of a fool on the neck of an ass.”

The matter of the currency was referred in 1810 to a bullion committee of which Sir Robert Peel became chairman, and, after a long and careful study, he secured in 1819 the passage of the cash-payments act, the first of the great banking acts associated with his name.

Culminating in 1824–1825 there had been wild speculation which appears to have equalled even the recent trading on Wall street. Two centuries ago it took the direction of investing in mines of all kinds in all parts of the world. The less a place was known, the higher went the premium. Unusual names became common, e.g., Tlalpuxahua, and in one month some stocks varied from £10 to £155 or more a share, and fears of an over-production of gold were not unknown. In one year 532 new companies capitalized at £441,649,000 were formed.

At this time any country bank could issue notes without limit, the only penalty being that, if the bank could not pay them when they were presented, bankruptcy resulted. Sixty-five banks failed in six weeks. From all parts of England came demands upon the Bank of England for gold, until on the 17th of December, 1825, the bank had in its cellars only £1,027,000. At this time some one made to the directors a “casual observation” that there was in the house a box of £1 notes left over from the old issues which had stopped in 1821, and the government allowed these small notes to be used temporarily. Inasmuch as the public actually needed small currency, rather than gold, this supply again saved the day. For example, it is said that the Messrs. Gurney merely placed a thick pile of these notes on their counter and “they worked wonders.”

The nouveau riche was as well known two centuries ago as he—or she—is now, for his kind abounded *after* the South Sea bubble and the Mississippi scheme. Washington Irving repeats the story of a much-be-diamonded lady in a coach who was described by her footman as “a lady who has recently tumbled from a garret into this carriage.” While a suddenly enriched footman who had bought a magnificent carriage, when he went for his first drive in it, instead of getting in at the door, mounted, through habitude, to his accustomed place behind.

In 1826 an act was passed permitting the establishment of joint-stock banks at any place not within sixty-five miles of London,

and the Bank of England was authorized to open branches. When the bank's charter was renewed in 1833 the prohibition as to other banks opening within the sixty-five mile radius was omitted, but such banks were not permitted to issue notes and the Bank-of-England notes were made legal tender, except at the bank itself.

In 1844 Peel secured the passage of his second important banking law, "the bank charter act," concerning which there have been discussions without end and volumes without number.

Under this act the bank was divided into two departments: (1) the issue department for the management of the note issue under government regulations and (2) the banking department carried on without government interference for the benefit of the stockholders.

The banking department turned over to the issue department securities to the amount of £14,000,000 (of which the government debt formed a part, although it was a book entry only) together with all the coin and bullion not needed.

In exchange, the issue department handed over to the banking department notes which together with the notes in circulation equalled the amount of securities, bullion and coin in the issue department.

The act stipulated that gold must be held against all notes issued in excess of £14,000,000 (the amount of silver not to exceed one fourth of the gold coin and bullion held at the time) and, while existing banks were allowed to continue the issue of notes, no banks established subsequently were to have the right to issue notes. This gave the Bank of England a virtual monopoly, for many country banks surrendered to the bank their right of issue against annual payments and, as years passed, most of the smaller banks were absorbed by larger concerns and forfeited their rights to issue notes.

The act of 1844 was partly repealed by the currency-and-bank-notes act of 1928, although during the war regulations were suspended and the currency became a paper one with an undefined backing of bullion. The act facilitating the return to a gold standard was passed in 1925.

The experience of these years has proved the stability of the bank and has justified the conclusion that the act should be maintained. In 1919 the Cunliffe committee recommended "that matters be left entirely as at present."

IV—THE BANK ITSELF

It was natural that the bank should spend its early years in the halls of two of the livery companies, for as we have seen, the bank was essentially a London concern and London itself was ruled by the livery companies or guilds, as it had been for centuries and as it still is. Even today the lord mayor, the sheriffs and some other of the officers of the city of London are elected only by freemen of the city and each freeman must belong to one of the guilds.

Each guild had certain rights connected with the trade it represented, the most enviable of these, at the present day, being, perhaps, that of the vintners who have the tasting of all wine. As early as the fourteenth century certain companies were charged with encroaching on the fields of other craftsmen and it was ordained that each must select and abide by its own "mystery," that is, its own "mestier," or in modern French its "métier," or occupation or business.

The fact that the plays were given by these "people of mysteries" or guilds led to the name "mystery play," the name being derived from the métier and not because such plays were connected with any hidden or secret rite.

There are still seventy-six of these guilds in existence and of them the mercers take precedence of all, while the grocers are second in rank. The mercers' is the oldest and richest of all the guilds and dates from the twelfth century or earlier. It was originally composed of the "silkmen and throwsteres" and is closely associated with the name of Dick Whittington.

The grocers' guild was formed by the union of the "pepperers" and "spicers" in 1345 and had the right to inspect or "garble" all spices and other "subtil wares."

The governor and directors were elected on July 11, 1694, and after the charter was granted the bank opened for business on July 27, 1694, in the Mercers' "chapel" in Cheapside which had been rebuilt after almost complete destruction in the great fire. This chapel still remains tucked away on the north side of Cheapside between Ironmonger lane and Old Jewry and is the only chapel remaining to any of the old London guilds. Probably the business was conducted, not in the chapel itself, but in the adjoining ambulatory, which appears to have formed the nave of a much older church, or in the hall of the company.

The old church was built in 1190 and was dedicated to the memory of Thomas à Becket, who was born on the spot, and in it are the relics of Sir Richard Whittington of Bow-bells fame.

The original staff consisted of nineteen persons in all—a secretary, three cashiers, three accountants, ten tellers and two door-keepers. A teller received £50 a year and the salaries of the higher officers varied from £80 to £200. All attended from 8 A. M. to 5 P. M. except the tellers who were required to attend at 7 A. M. No regular vacations were allowed, but saints' days and public holidays did much to compensate for this. Of course lodgings were cheap and obtainable within easy walking distance of the bank.

The bank remained in the Mercers' hall only until the end of December, 1724, when it moved to more convenient quarters in Grocers' hall in the Poultry, and here it must have been that Addison saw the directors, secretaries and clerks working as he describes them on the 3rd of March, 1711, in *The Spectator* No. 3.

The lease of Grocers' hall ran until 1733, but the directors, having an eye to the future and finding the business of the bank constantly growing, bought in 1724 the house of the first governor, Sir John Houblon, which was on Threadneedle street. The governors did not expect, or wish, to build immediately and negotiations were opened with the Grocers' Company for an extension of the lease of its hall. However, these failed for a very human reason.

In the seventeenth century, the merchant, the professional man and the tradesman usually lived over his warehouse, office or shop—this being the origin of the practice still prevailing in many country banks in England where the manager lives over the counting house.

In the case of the Bank of England, several of its employees lived in the hall, as did the clerk of the Grocers' Company; in fact, the lease provided that this latter gentleman should reside within the gates and have free access to his house. Apparently he was of a convivial disposition and complained bitterly of the fact that the bank interfered with his pleasure by having the gates locked at ten o'clock at night, which frequently subjected him to the "precarious and mercenary humour" of the gate porter. The clerk asked for a latch key—or what may have corresponded to it—but the directors of the Old Lady of Threadneedle Street de-

The Bank of England

clined his request—as have so many ladies, before and since—and as the Grocers' Company upheld the demand of its clerk, negotiations ceased in 1730.

The directors appointed a committee to “receive proposals from artificers”—a far more dignified course than to ask for bids—and finally the design of George Sampson was approved and the estimate of Thos. Dunn & Company was accepted. The foundation of the new building was laid by the governor, Sir Edward Bellamy, on the 3rd of August, 1732, and then commenced the building which formed the nucleus of the bank as we know it today.

The building faced on Threadneedle street with an entrance gateway of stone, with rooms above, while a large banking hall replaced the mansion house, behind which were other buildings surrounding a courtyard with an approach by a passage from Bartholomew lane on the east. The bank moved into the new building on 5th June, 1734.

No addition to the buildings was made until 1744 or 1750 when the bank erected buildings in Nag's Head court, Bartholomew lane, on land at first leased from St. Bartholomew's hospital and subsequently purchased in 1760, as the European wars had led to an increase in the national debt which, in turn, added greatly to the work of the bank.

In 1760 the directors petitioned parliament for power to acquire the property in the angle of Bartholomew lane and Threadneedle street—the southeast corner of the present site. The present triangular space in front of the Royal Exchange was occupied by buildings, and the bank sought and obtained authority to buy the piece opposite its main entrance for the purpose of opening a street from Threadneedle street to Cornhill. In 1764 the act was passed and Robert Taylor, an eminent architect of the time, was entrusted with the building of additional offices on the site east of the bank and also with the erection of houses on both sides of the new street known as Bank street. The chief result was the rotunda and four vaulted halls, built between 1765 and 1770.

The rotunda was from the first used as a market for dealing in stocks, and this continued until 1838. The four halls served as offices for the transfer of stocks.

Tranquillity prevailed until June, 1780, when certain of the Protestants under Lord George Gordon indulged in rioting as a protest against the Catholic emancipation act. Boswell gives us Doctor Johnson's “concise, lively and just account” of the

riots, and says that after numerous houses and chapels had been destroyed on Tuesday, 6th of June, on the 7th the mob broke open the Fleet, King's bench, Warehouse and Clerkenwell prisons. According to Dr. Johnson, the magistrates and the public were too cowardly to act and King George III himself ordered out the necessary troops.

The mob attacked the bank and made two desperate attempts to sack it on the 7th of June, but was beaten off by soldiers who were stationed in the bank and in the adjoining property and killed several of the attackers. According to Dr. Johnson the safety of the bank was due solely to the king's action—which may be regarded as some compensation for acts of his predecessors who had themselves looted the public funds.

Across the way from the new bank were the lord mayor's stocks, and this caused the parish in which the bank stood to be known as St. Christopher-le-stocks. After the Gordon riots it was thought that there was danger to be feared by the bank from the proximity of the church, so parliament was petitioned for the right to buy the church, and an act was passed in 1781. Apparently the bank bought the church, churchyard and entire parish, lock, stock and barrel.

The church was removed, some of the monuments and paintings being placed in the church of St. Margaret, Lothbury, where they still are. In the bank war memorial the figure of St. Christopher and child appears, perhaps as a reminder of the old connection.

Additional offices were built, but a part of the churchyard was laid out as a garden, although no more interments were made, except in 1798 when the relatives of a bank clerk named William Jenkins were allowed to bury his body there because they feared that, as Jenkins was six feet, seven and one-half inches high, his body would be stolen by body-snatchers.

The architect, Sir Robert Taylor, died in 1788 and was succeeded by Sir John Soane, who held office for forty-five years and under whom nearly all the old building, as we know it, was designed.

Security required that the buildings should be lighted solely from interior courts and, therefore, the external walls are windowless, but they are relieved by blank windows and Corinthian columns. There are only four entrances, one on each side of the building, each guarded and each allowing a glimpse only of the interior, perhaps of a garden, perhaps of distant doors—which is typically English.

The Bank of England

Under powers granted to it by an act passed in 1793, the bank acquired all the remaining property contained in the site as it is today. The old Princes' street ended opposite St. Margaret's church, but the bank was allowed to move it westward to its present position and to include within the bank walls the space so gained. As a result of Soane's work, there remained little of his predecessor's buildings except Sampson's hall and Taylor's courtroom. Practically no changes in the building were made for nearly a century and when the new additions were commenced in 1924 the buildings were substantially as Sir John Soane left them.

In 1838 the Royal Exchange was destroyed by fire and the corporation of the city decided to acquire the land in front of the exchange, which now forms the open triangle between Threadneedle street and Cornhill. This led to the destruction of the buildings thereon, to the disappearance of Bank street and, as the present Mansion house had been built by 1753, this central point of the city began to assume the appearance we all know.

In 1840 the bank carried out a long contemplated plan of widening Bartholomew lane, which necessitated the removal of a second church known as St. Bartholomew Exchange, some of the plate being transferred to St. Margaret's, Lothbury, and some fittings to St. Gile's, Cripplegate.

Ever since the Gordon riots, with rare exceptions, a military guard has been furnished each night, the government insisting upon the necessity of this, although the city corporation objected, as it considered the guard to be an interference with its control of the city, and many of the citizens complained of the arrogant bearing of the soldiers who marched two abreast through the narrow streets and jostled any person who got in their way.

Probably in the early days the roof of the building was patrolled by sentries, but this has not been done within living memory. However, a guard is still maintained and is supplied by different regiments in turn. It consists of thirty men, with a sergeant and an officer, usually a lieutenant. It goes on duty at 6 P. M. and the bank pays the men a shilling each for refreshments and provides them with breakfast before they leave in the morning, while the officer is provided with a dinner to which he may invite a guest.

In my boyhood it was generally believed that the bank maintained an arsenal, left over from the Gordon riots, but if it were so, the arms have now been removed.

From time to time there have been rumors of attempts to force an entry into the bank, and it has been reported that a house in Lothbury was rented and used for the purpose of running a tunnel under the street into the bank. These reports are probably all apocryphal, but there may be some truth in a story that a man found his way through the sewers into the gold vaults of the bank, although the bank records are silent on the subject.

The formation of a library and luncheon room for the clerks necessitated many minor alterations in the nineteenth century, but the main features of Soane's building were preserved until after the world war. The additional services required of the bank had led to a trebling of the staff and additional premises were rented in various parts of the city. Re-building was decided on and work was commenced in 1924. A portion of the addition is now in use, but it will be several years before the lofty central block is completed within the familiar and unchanged lower outer walls and before all the business of the bank can be transacted in Threadneedle street.

V—PERSONNEL

One cannot omit some mention of William Paterson, yet it is difficult to say much, for his biography has never been written and comparatively few facts about him are known.

He was born at Traillflatt, in the county of Dumfries', Scotland, in 1658 and died, probably somewhere in London, on the 22nd of January, 1719. Fear of religious persecution drove him from Scotland and he travelled through England with a peddler's pack on his back.

He proceeded to America, although that country does not claim to be the mother of the bank; he lived for some time in the Bahama islands and, probably while there, prepared his plan for colonizing the isthmus of Darien—but that is another story. Little is known of his activities there, but, manifestly, it was impossible for a man of his abilities and energy to be idle, so some accounts state that he was a predicant, or preacher, while others insist that he was a buccaneer. Unquestionably he was well qualified to serve in either capacity—and we must, I fear, leave it at that and let each one choose for the Scot the calling he may prefer. My friend, the receiver general of the Bahama islands, tells me that such information as is available indicates that Paterson, while in Nassau, was a merchant and made a good deal of money.

He returned to Europe, visited Hamburg, Amsterdam and Berlin, seeking in vain for support for his scheme, and finally settled in London, engaged in trade and "rapidly amassed a considerable fortune." In 1690 he formed the Hampstead Water Company and in 1694 the Bank of England. Later he went to Darien, and watched his dream fade before he returned home an invalid. He recovered his health and continued to devise scheme after scheme, each fully worked out to small details. He worked hard for the union of England and Scotland and for the development of trade, and finally parliament allowed him a claim of £18,241 which he eventually collected.

It is interesting to note that in 1671 there was born another Scot, John Law, himself the son of a goldsmith and banker, a voluminous writer on finance, who undertook to help the king of France who was in even worse plight than the king of England. Law attempted to take advantage of the feeling which the failure of the Darien scheme aroused against Paterson to establish another bank, but the canniness of the Scot merchants led them to decline his offer. He wandered about England and finally under Louis XV established a firm in Paris, which developed into the royal bank, the Mississippi scheme and utter failure. He preached that money was the cause, and not the result, of wealth, and that multiplication of money meant multiplication of wealth.

In 1695 the bank lost the services of two of its founder-directors, for Paterson resigned, owing to a disagreement with other directors, and Godfrey, who had been elected deputy-governor, was killed by a cannon ball in the trenches before Namur, where he had gone to confer with King William as to the best means of prompt and speedy remittance of money from England to the army. They were conversing on the "front line"—where commanding generals stationed themselves in those days—as Mr. Godfrey was curious to see real war. Shot was falling about them and the king rebuked his visitor for needlessly risking his life when, in the midst of a sentence a cannon ball laid Godfrey dead at the king's feet.

As has been said, the original staff of the bank consisted of nineteen persons, and when the great war broke out in 1914 the staff numbered less than one thousand, but the additional work of the next four years more than trebled the size of the staff.

In the last decade of the eighteenth century, the directors gave a good deal of attention to the welfare and discipline of the staff

and re-adjusted salaries. However, it was not until 1845 that a regular system of leave was instituted. An age limit for retirement was not fixed until 1870, when a pension system was introduced. Up to that time it was quite common for men of seventy and eighty years of age to be found in active service.

The governors have always avoided, rather than sought, anything in the nature of publicity, and little is known of them. In the early days many of them were aldermen of the city and several of them became lord mayor. At no time have they been trained bankers. I am told on the best authority that even the bank has little information regarding past governors. As a rule they have been wealthy merchants engaged in their own business and acting as do the directors of other corporations.

The present governor is the Rt. Hon. Montagu Collett Norman, P.C., D.S.O. Of the other directors the name of Sir Josiah Stamp, G.B.E., is probably the best known to American accountants.

Of a few of the twenty-six members, the official list contains no information, but from the particulars given it appears that the ages of twenty of them run from forty-six to seventy-eight and average 56.4 years. Nineteen of them were educated at the universities or the great public schools of England.

VI—IN CONCLUSION

No reader can realize as keenly as does the author the paucity of this sketch. None can be more conscious of the impossibility of trying to compress into one essay anything approaching a full picture of a wonderful institution. It seems as if, from first to last, one has heard a voice over one's shoulder: "Oh, leave that out" or "Condense that"; and, as a result, the omissions appear to be far more numerous than the inclusions. The omissions are over, the condensation is as complete as seems possible, although one would like to have said something of the influence, something of the methods, something of those weekly statements telling the world how the bank stands. One would have liked to dwell on the method of reckoning interest "twopence a day," that is on £100, or about 3% per annum; on the "running cash" which is so appealing to us and which describes so accurately the habit of cash in all times. Even the very statement itself is not a "balance-sheet" or a "statement of affairs" but a "bank return" in which there still appears the item of "rest" meaning, in the language of

today, reserve and profit and loss, which together must never be less than £3,000,000; any surplus above that amount being available for dividends on the "proprietors' capital," which stands at £1,455,300 ever since 1833 and sells for nearly three times its par value.

Surely all those speaking the English language must feel pride in an institution which has lived for so long, which has never failed in its obligations, which has never been charged with any impropriety, which has exerted an influence so powerful and so widespread. Perhaps in those readers who are Londoners the feelings are sufficiently strong to lead them to agree with Dr. Johnson's dictum, "No, Sir, when a man is tired of London, he is tired of life, for there is in London all that life can afford." Are they to be severely blamed if, when they compare some of the methods followed anywhere else, they whisper just to themselves: "Ah, well, they do things pretty well yet in old London town"?

NOTE.—The author gladly acknowledges his indebtedness to W. Marston Acres, Esq., of the Bank of England staff, for many interesting facts which he has furnished, and for permission to quote from a lecture delivered by him.

Should any reader desire to follow the subject further, the following list may be of service.

History of the Bank of England from 1694 to 1844, by John Francis. The American edition was published in 1862 and is out of print, but is to be found in some public libraries. It is full of interesting incidents quaintly described.

The First Nine Years of the Bank of England, by Thorold Rogers, published by Macmillan & Company in 1887.

History of the Bank of England, by Eugen von Philippovich, a classic published by the National Monetary Commission in 1911, described as senate document 591, of the 61st congress, 2nd session.

A History of the Bank of England, by A. André Ades, English translation 1906.

Threadneedle Street, by A. S. Cobb, 1891.

Chronicles of the Bank of England, by B. B. Turner, 1897.

The Bank of England Restriction, by Henry Adams, published in "Historical Essays" by Chas. Scribner's Sons in 1891.

Social Life in the Reign of Queen Anne, by John Ashton, published by Chas. Scribner's Sons in 1925.

Lombard Street, by Walter Bagehot, published by John Murray
—fourteenth edition 1927.

Macaulay's *History* is invaluable for its descriptions of the times, of the persons involved and of their actions.

Green's *History of the English People* is also useful, and the *Encyclopædia Britannica* has many articles bearing on the subject.

The author has also found assistance in John Drinkwater's *Oliver Cromwell*, Muirhead's *London*, Bell's *Unknown London*, the *Diaries* of Evelyn and Pepys. *The Spectator* and *The Tatler* and Creaser's "The Bank of England and Its Influence," published in *The Accountant* dated May 31, 1894, and, above all, "The Bank of England," by W. Marston Acres, published in the *Journal of the London Society* for July, 1929.