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"THIS IS TRUE LIBERTY, WHEN FREEBORN MEN—HAVING TO ADVISE THE PUBLIC, MAY SPEAK FREE."—EURIPIDES.

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## HISTORY OF THE BANK OF ENGLAND.\*

A work of this title has come under our notice, which is full both of amusement and instruction—amusement even of a romantic character, and instruction of that kind which operates upon the mind rather by suggestive facts than dry reflection. We propose running through the volumes in such a way as to collect some general and popular idea of the history of the great institution referred to; and we shall thus be able to afford a better notion of the varied contents of the work than we could hope to give by means of the scanty extracts to which our space would limit us.

During the Civil War, when our merchants were unwilling to be robbed for the good of the state, they were in the habit of keeping their treasury in their own houses under lock and key. But their servants and apprentices were sometimes of a more patriotic character. Nothing would satisfy them but a share of the blows that were going; and in order to be able to serve their country, they made no scruple of carrying off the money intrusted to their guardianship. In such cases it usually happened that they were never more heard of. This made the merchants who had still anything to lose, and the servants who were honest, and still trusted, very uneasy under such a charge; and it became the custom, for the sake of security, to lend whatever money was not in use to the wealthy goldsmiths. The rich were glad to make the deposit without interest; but more necessitous persons received fourpence per cent. per diem, and the goldsmiths realised a handsome profit by lending at a much higher usance to persons of real solidity, whose pecuniary matters were embarrassed by the troubles of the time. By and by they extended their business; they discounted bills; they advanced money to government on the security of the taxes; and the receipts for the cash lodged in their houses passed current from hand to hand under the name of Goldsmiths' Notes. The goldsmiths, in fact, became bankers, till the two businesses were separated by Mr. Francis Child. On the site of his banking-house stood formerly the shop of Mr. William Wheeler, goldsmith and banker, with whom Child was an apprentice. The apprentice married his master's daughter, as was frequently the case in the good old times; and at the death of his father-in-law, sinking the shop, he established a great banking business, which remains in full activity and undiminished respectability to this day.

The exact date of the commencement of this concern is not known, but its existing books go back to the year 1620. Hoares' began in 1687, and Snows' in 1685; and about the latter date a Bank of Credit was tried, but does not appear to have met with success. The want of a great bank was so sensibly felt, that the idea became an *ignis-fatuus* of enthusiasts, and was made a stalking-horse by projectors. Nothing was talked of, nothing was thought of, but money. Lottery upon lottery turned the heads of the people. Engulfed treasures were to be rescued from the bottom of the deep; pearl-fisheries were to pay impossible per centages; joint-stock companies juggled and cheated as an example to later times. At this moment an individual rose conspicuously amid the crowd, whose teeming brain originated the Bank of England,\* and the fatal Darien expedition.

William Paterson was a native of Dumfriesshire, and was educated for the church; but although he visited the West Indian islands on pretext of converting the heathen, it is supposed that he attached himself to the

roving expeditions of the buccaneers, either as a spectator or comrade in their adventures. On his return to Europe, he brought into the affairs of everyday life a brain heated by such an education of circumstances, and an imagination fired by the stories related by the wild men of the sea of mines of gold and gems, and rivers with Pactolean sands. His Darien scheme we can only allude to. Rejected in England, and in various continental countries, it met with so warm a reception among the poor and cautious Scotch, that they rushed to subscribe to the company, as Sir John Dalrymple tells us, with an eagerness not exceeded by that with which they signed the Solemn League and Covenant. Every effort was made to crush the Company at the outset, more especially by the English ministry and parliament, who, among other reasons for their hostility, feared that if it succeeded, the Scotch would in time become so powerful as to separate themselves entirely from England. Nevertheless, in 1698, twelve hundred colonists, under the conduct of Paterson himself, sailed from Leith, and arrived in due time at the golden isthmus, where, instead of unheard-of treasures, they met only with disease, famine, the sword, and above all, the determined hostility of the English government, which issued proclamations in the West Indies, forbidding supplies to be furnished to the Scotch at Darien. The result was, that they were obliged to abandon the colony; and of the whole, only thirty, including the projector, ever saw again the pier of Leith. Such was the originator of the Bank of England, which, in spite of the most violent opposition from goldsmiths, bankers, usurers, and politicians, was incorporated by royal charter four years earlier than the Darien expedition, on the 27th July, 1694.

There were at this period only four considerable banks in Europe—those of Amsterdam, Venice, Hamburg, and Genoa: the first three being merely establishments for the convenience of the merchants, and the last connected likewise, for its own advantage, with the state by means of a perpetual fund of interest on public loans. It was on the model of this Genoese bank that the Bank of England was planned, which began business in Mercers' Hall, and then removed to Grocers' Hall, where the twenty-four directors and fifty-four secretaries and clerks were seen at work together in a single great room. The salaries at this time amounted to £4350; and it appears that interest of three or four per cent. was allowed upon deposits. Paterson was in the direction only one year, when, after his ideas had been made use of, 'the friendless Scot was intrigued out of his post, and out of the honour he had earned.' These, however, are not the words of Mr. Francis, who is inclined to receive with caution such easily made accusations. Godfrey, the zealous coadjutor of Paterson,—for between these two the Bank may be said to have been established—met with a sadder fate, after as brief a career. He undertook the difficult task of carrying specie to William at Namur, and while in conversation with the king in the trenches, was killed by a cannon ball.

The directors had at first no fixed remuneration, but submitted to what the general court chose to allow them. Dividends were paid quarterly; and so small was the business, that in 1696, according to an account delivered to parliament, the balance in favour of the Bank was only £125,315 2s. Indeed, for the first ten years, it was engaged in a struggle for existence, and so low in its treasure, that it was sometimes obliged to cash, by quarterly instalments, notes payable on demand. A new charter was granted, extending to 1700, and on such favourable terms, that we hear of great fortunes being made, and one of £60,000 by a bank director. The public at the same time was benefitted by the lowering of interest, running notes and bills being discounted at three per cent., and money advanced on merchandise at four per cent. This was a great change from the time

of the old goldsmiths, although that was only a few years before, when the ministry was now and then obliged to solicit the Common Council for an advance of one or two hundred thousand pounds on the land tax, at ten or twelve per cent., and when the common councilmen themselves went round from house to house in their respective wards for the loan of money.

The convulsions produced by the South Sea Scheme in 1720 did not affect the Bank of England unfavourably. On the contrary, by the subsequent purchase of four millions of the stock of that illusive concern, it cleared above £600,000. In 1722, by a new subscription, the capital of the Bank was increased to £9,000,000; and at the same time was commenced the well-known RESERVE, or reserve fund laid aside for casualties, which has increased with the increase of the business, and has frequently proved of great service. In 1726 we find that no notes were circulated of less value than 20l. The Bank removed in 1734 from the hall of the Grocers' Company, and established themselves in Threadneedle Street, on the site of the house and garden of Sir John Houblon, first governor of the establishment. The new office was comparatively a small structure, almost invisible to passers-by, being surrounded by private dwelling houses, a church and three taverns. In 1742 the charter was reconstructed, and forgery on the Bank, and trust-breaking on the part of its servants, were declared capital felonies. In the famous 'forty-five,' when the Highland army was at Derby, and London in momentary expectation of being sacked, we find the Old Lady of Threadneedle Street employed, somewhat indecorously, in warding off a run upon her, by employing her own adherents to present themselves foremost of the crowd with notes, for which they were paid in sixpences. This gained much precious time, without the sacrifice of specie; for the friendly creditors, making their exeunt by another door, immediately returned their small change to the treasury. About the same time she attempted a meaner, as well as a less successful trick upon her rival Childs', by collecting about half a million of their receipts, and sending them in at a single blow. The wary bankers, however, had got scent of the plot, and were provided with a cheque upon the enemy for 700,000l., drawn by the celebrated Duchess of Marlborough. When the notes were presented in a great bag, they were examined singly, to give time for the cheque to be cashed in Threadneedle Street; and the malicious Old Lady was then paid in her own notes, which, chancing at the time to be at a considerable discount, a large sum was made by Childs' upon the transaction.

The first forgery took place in 1758, after the Bank had freely circulated its notes for sixty-four years. The criminal was Richard William Vaughan, a Stafford linendraper, who was tempted to the deed by nothing more than a desire to pass for a rich man. At this time it was decided that the Bank was liable for the amount of stolen notes. In the following year, 15l. and 10l. notes were circulated for the first time, in consequence of an unusual scarcity of gold and silver. During the Gordon riots, we find the Bank engaged in actual warfare, with the old inkstands cast into bullets, and the clerks with swords by their sides instead of pens behind their ears. Military were posted within the walls lest matters should come to extremity; two assaults of the rioters were repulsed with great gallantry, Wilkes rushing out during the pauses of the fray, and dragging in some of the ringleaders with his own hands. Several persons were killed, and many wounded in this skirmish, which inspired the directors with so wholesome a caution that a military guard have ever since passed the night in the interior of the establishment. The officer on duty has a capital dinner for himself and two friends, and the hospitality of the City is said to be highly appreciated.

The Bank suffered more on an occasion of an opposite

\* History of the Bank of England, its Times and Traditions. By John Francis. 2 vols. Third edition. London: Willoughby. 1848.

\* Paterson is also generally represented as the originator of the Bank of Scotland, which was established by an act of the Scottish parliament in 1695. We shall by and by show some reasons for doubting his alleged concern in the origin of this bank.