

**HISTORY OF THE BANK OF ENGLAND; A
COMPREHENSIVE ACCOUNT OF ITS ORIGIN,
FOUNDATION, RISE, PROGRESS, TIMES AND
TRADITIONS, MANNER OF CONDUCTING
BUSINESS, ITS OFFICERS AND OFFICES AND A
FULL HISTORY OF THE BANK, AND ITS ENTIRE
WORKING AND MANAGEMENT**

Published @ 2017 Trieste Publishing Pty Ltd

ISBN 9780649752454

History of the Bank of England; A Comprehensive Account of Its Origin, Foundation, Rise, Progress, Times and Traditions, Manner of Conducting Business, Its Officers and Offices and a Full History of the Bank, and Its Entire Working and Management by Joseph Hume Francis

Except for use in any review, the reproduction or utilisation of this work in whole or in part in any form by any electronic, mechanical or other means, now known or hereafter invented, including xerography, photocopying and recording, or in any information storage or retrieval system, is forbidden without the permission of the publisher, Trieste Publishing Pty Ltd, PO Box 1576 Collingwood, Victoria 3066 Australia.

All rights reserved.

Edited by Trieste Publishing Pty Ltd.
Cover @ 2017

This book is sold subject to the condition that it shall not, by way of trade or otherwise, be lent, re-sold, hired out, or otherwise circulated without the publisher's prior consent in any form or binding or cover other than that in which it is published and without a similar condition including this condition being imposed on the subsequent purchaser.

www.triestepublishing.com

JOSEPH HUME FRANCIS

**HISTORY OF THE BANK OF ENGLAND; A
COMPREHENSIVE ACCOUNT OF ITS ORIGIN,
FOUNDATION, RISE, PROGRESS, TIMES AND
TRADITIONS, MANNER OF CONDUCTING
BUSINESS, ITS OFFICERS AND OFFICES AND A
FULL HISTORY OF THE BANK, AND ITS ENTIRE
WORKING AND MANAGEMENT**

F8187h

HISTORY
OF THE
BANK OF ENGLAND.

A Comprehensive Account of its Origin, Foundation, Rise, Progress,
Times and Traditions, Manner of Conducting Business,
its Officers and Offices, and a full History
of the Bank and its entire Work-
ing and Management.

BY

JOSEPH HUME FRANCIS.

*THE FIRST COMPLETE HISTORY OF THE WORLD'S GREATEST FINANCIAL
INSTITUTION EVER WRITTEN.*

CHICAGO, ILLINOIS:
EUCLID PUBLISHING COMPANY.

1888.

TO

HON. WM. L. TRENHOLM,

COMPTROLLER OF THE CURRENCY OF THE UNITED STATES,

THIS

HISTORY OF THE BANK OF ENGLAND

IS,

WITH HIS KIND PERMISSION,

MOST RESPECTFULLY DEDICATED

BY THE AUTHOR.

PREFACE.

CUSTOM, which is as arbitrary as fashion, renders it necessary that this volume should be prefaced by the author.

This history is presented with the hope that it may impart useful knowledge regarding the life of the greatest monetary establishment in the world — something meagerly and imperfectly understood.

The chief merit claimed for this work is that of its being an extensive collection of facts connected with the history of the Bank of England, and of its foundation, rise and working and general management. Other subjects germane to banking and the Bank of England are touched upon. Every known source of information has been consulted, and in collecting and arranging the facts for the first complete history of the Bank of England only matters of interest and value have been treated, although we have in hand and have had the benefit of material extending over many centuries.

A rich store of knowledge may be obtained from books, but there are two entirely opposite methods of giving knowledge. The first is that which enters into extensive detail, and repels and confuses the average reader with scientific phraseology, meaningless tables and

figures, and verbose description. The second is that which seeks, by simplicity and conciseness, to make knowledge attractive, entertaining and instructive. The latter is the method adopted in this volume. The aim has been to explain and elucidate all matters of real interest connected with the bank and its history.

We wish in this connection to thank several officials and employees of the Bank of England for courtesies extended, and also for placing at our disposal all information desired.

THE AUTHOR.

CHICAGO, Ill., December 1, 1888.

CONTENTS.

CHAPTER I.

	PAGES.
ORIGIN OF AND FIRST BANKERS IN THE WORLD. —Bank First Mentioned in the Bible—Money Changers in the Jewish Temple—Origin of the Word Bank—People who Invented Banking—First Bank in Europe—All the Early Banks in Europe—First Bank in London—How Bills of Exchange Originated—First Funding System—First Permanent National Debt—Bankers of Greece and Rome—High Rates of Interest—Origin of Modern Banking—Goldsmiths as Bankers in London—English Country Bankers—Primitive Financial Methods—Necessity for Money—Fundamental Nature of Money—What Ancients Used for Money—When Gold and Silver were First Coined—Invention of Money—Money Made of Iron, Wood, Shells, Salt, Brass and Tin Current—Origin of Various Coins.....	13-29

CHAPTER II.

DUTIES AND USES OF BANKS AND BANKERS. —What is a Banker?—First Bank of Deposit—Interest from Borrowers—A Bank in its Simplest Form—How Profits are Derived—How to Pay Interest on Deposits—Security Against Fraud—Safest Way of Loaning Deposits—Securities Prudent Bankers Avoid—The Power of Credit—Keeping Deposits on Hand—The Many Uses of Banks—William E. Gladstone on Credit—Banks of Issue and Banks of Deposit—Advantages of Combining a System of Lending Money with that of Receiving It—Origin of English Pounds, Shillings, Pence, Guineas and Sovereigns—Thompson Hankey, an Ex-Governor of the Bank of England, on Bankers—Banking Schemes and Projects Prior to the Foundation of the Bank of England—The Idea of Credit Banks.....	30-48
---	-------

CHAPTER III.

FOUNDATION AND EARLY HISTORY OF THE BANK OF ENGLAND. —Why the Bank was Established—Origin of the Bank—The Governor and Company of the Bank of England—History of William Paterson, its Founder—He dies Unhonored and Neglected—Prophets who Predicted Financial Ruin—"The Old Lady of Threadneedle Street"—Paterson and his Ill-Fated Darien Scheme—Present Condition of the Bank—The Policy of the Bank Assailed by the Public—How the Bank is Officered—The Bank Charter—How it Reads—Restrictions, Impositions and Demands—Buying Property from and Lending Money to the Crown—Suspending Payment of Notes—Assistance from the Government Averts a Failure—Capital Increased—Confidence Restored—Length of Original Charter.....	49-63
--	-------

CHAPTER IV.

- HISTORY OF RENEWALS, DEBTS AND PANICS.**—Advancing Money to the Government—How the Bank Receives Pay from the Government—Persecution—The "Dead Weight"—Table of Renewals of Charter, with Capital, Debt and Conditions of Renewals—An Explanation by an Ex-Governor of the Bank—Amount of Loans to the Government—Present Capital of the Bank of England—A Panic Quieted by a Novel Method—Merchants Come to the Bank's Rescue—The Bank Attacked by Rioters—Solidity of the Bank of England. 64-78

CHAPTER V.

- PROGRESS OF BANKING.**—The Desirability of a National Bank—Success Brings Competition—The Scheme for a "National Land Bank"—Country Banks Issue their Own Notes—War for Independence in America—Great Industrial and Commercial Development—Startling Increase in Banks—Unreliable Bankers, Worthless Paper, Unlimited Credit and Prodigal Bankers Precipitate a Big Crash—Violent Revulsion in London—800 out of 850 Banks Compelled to Stop Payments—The Bank Assailed by Jealous Competitors—Its Triumph—Given Exclusive Banking Privileges—Banks Prohibited from Doing Business Within Sixty-five Miles of London—Sir Henry Parnell on Banking. 79-87

CHAPTER VI.

- SUSPENSION OF CASH PAYMENTS.**—Important Epoch in the History of English Banking—Passage of the Restriction Act—The Government Advises with the Bank—Run on Country Banks—Bank of England Again in Trouble—Suspension of Cash Payments—Embarking on a New Course—The Bank Issues a Notice to the Public—Increase in Country Banks in 1797—Cause of Enormous Failures—Extending the Field for Circulation of Bank of England Paper—History of Depreciation of Currency—Paper Raised to Par by Accidental Circumstances. 88-98

CHAPTER VII.

- SPECULATIONS, SCHEMES, FAILURES AND LOSSES.**—Bank of England Resumes Cash Payments—Vicissitudes of Banking—Speculative Rage—No Scheme Too Hazardous—Speculation of To-day not Without a Precedent—Worthless Paper Readily Negotiated—Discounts Easily Obtained—Schemes of Country Bankers—A Cyclone of Failures—Bank of England Makes a Serious Blunder—Distrust Fully Awake—A Tremendous Run—Cause of the Difficulties—An Instructive Table—Accumulation of Securities—What the Directors should Have Done to Avoid Disaster—Loss of Three Millions of Bullion—The South Sea Bubble—A Delirium of Speculation—List of the Bubble Companies in 1721—Getting Rich Without Trouble—Philanthropist Thomas Guy. 99-110

CHAPTER VIII.

- LOOSE BANKING METHODS PARALYZE BUSINESS.**—Improving Country Banking—Suppressing £1 Notes—Repealing

	PAGE.
Laws—Circulation of Notes for Less than £5 Forbidden—Speculative Schemes Again in Abundance—Rage for Establishing New Banks—Voluminous Issue of Notes—Raising the Rate of Interest—Shock to Industrial Undertakings—How the Bank of England Escaped Failure—Natural Obstacle to Formation of New Banks—The Railway Mania—Gigantic Frauds Perpetrated by Projectors of Imaginary Railroads—The Country Wild with Speculation—The Crash Wrecks Thousands—A Banker's Duty—The Penalty of Neglect	111-124

CHAPTER IX.

BANK OF ENGLAND HANDLED BY PARLIAMENT. —The Famous 1844 Bank Act—Sir Robert Peel Battling for Reform—Providing a Remedy for Instability—Financial Writers Interested—Peel's Speech on the Renewal of the Bank's Charter—Important Provisions of the New Law—Price Paid for Exclusive Privilege of Banking—Suspending the Bank Act in 1866—Fundamental Principle upon which English Currency Rests—The Law and the Bank—The Bank's Control of Its Capital	125-135
---	---------

CHAPTER X.

RADICAL CHANGES IN THE MANAGEMENT OF THE BANK. —Privileges of Officers and Directors—Groundless Nature of a Charge Often Made—Plausible Objections to New Laws—Amount of Notes Issued—How to Determine an Excess of Currency—Notes in the Banking Department—Great Changes Wrought in the Management of the Bank—Restricting Banks for the Issuing of Notes—Convertibility of Bank of England Notes—Variations in the Rate of Discount—Temporary Suspension of the Act of 1844 to Avert a Panic—Effect of Modification of Usury Laws—Particulars as to Number and Class of Depositors—Development of the Methods of Economizing Money—Transitory Credits—Discount Variations—Credit and Capitalists—No Change Probable in the Methods of the Bank of England—Should Banks be Prohibited from Issuing Notes—True Way to Remove Danger—Modification of Banking Laws—Bank of England Notes Made Legal Tender	136-154
--	---------

CHAPTER XI.

FRAUDS, FORGERIES, THEFTS AND DEFALCATIONS. —The First Forged Note on the Bank of England and Execution of the Forger—How Discovered—Counterfeiting—Decision of the Lord Chief Justice—Defeating Counterfeiters—Great Theft of the Head Cashier of the Bank of England—A Loss of £320,000—Inventing a Safety Paper—Men Executed by Scores for Counterfeiting—Ingenuous Schemes for Swindling—Sir Robert Peel Victimized—Another Thieving Official—Fauntleroy Secures £360,000 by Forgery—A Rascally Clerk Escapes to the United States and is Apprehended—Losses by Forgery—A Chief Clerk Swindles the Bank to the Amount of £800,000—His Novel Method that went Undetected for Five Years—Bidwell's Million Pound Swindle ...	155-177
---	---------