

**THE HISTORY OF BANKS: TO WHICH  
IS ADDED, A DEMONSTRATION OF  
THE ADVANTAGES AND NECESSITY  
OF FREE COMPETITION IN THE  
BUSINESS OF BANKING**

Published @ 2017 Trieste Publishing Pty Ltd

ISBN 9780649504770

The History of Banks: To Which Is Added, a Demonstration of the Advantages and Necessity of Free Competition in the Business of Banking by Richard Hildreth

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**RICHARD HILDRETH**

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*Richard Hildreth*

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BOSTON:  
HILLIARD, GRAY & COMPANY.

1837.

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## PART SECOND.

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# HISTORY OF BANKS.

## CHAPTER I.

### Banks of Venice, Genoa and Barcelona.

THE first regular institution resembling what we call a *Bank*, was established at VENICE, nearly seven hundred years ago.

In its origin it had nothing to do with the business of banking. It began in this way.

The Republic being engaged in war, and falling short of funds, had recourse to a forced loan. The contributors to that loan, were allowed an annual interest of four per cent on the sums they had been obliged to lend; certain branches of the public revenue were assigned for the payment of that interest; and a corporation, entitled the CHAMBER OF LOANS, was created for the express purpose of looking after this business, managing those branches of the revenue assigned to the lenders; and attending to, and securing the punctual payment of the interest, as it fell due.

So far, there was no bank in our sense of the word. But the Chamber, in the course of its business, sometimes had occasion to purchase and sell bills of exchange; and as the means of

*Loans*

*Exchange*



the corporation were undoubted, and its character highly respectable, it was soon discovered that its name upon a bill, gave it additional value. The Chamber generally had some funds on hand. It was found an advantageous investment to employ those funds in the business of buying and selling exchange; and in process of time, the Chamber became a regular dealer in that branch of business; that is, it adopted the business of DISCOUNT, or lending money upon mercantile paper, one great branch of the business of a modern bank.

By degrees, the Venetian merchants fell into the habit of placing their money with the Chamber, for safe keeping; and thus was introduced the business of DEPOSIT, a second branch of modern banking.

It was presently found that a credit for money deposited in the Chamber was quite equivalent to so much cash in hand; and the custom was introduced of effecting payments by the transfer of these credits from the account of the payer to that of the receiver. In this way the trouble of counting large sums of coin, and of transporting it from one part of the city to another, was wholly avoided. So great were the supposed advantages of this method of doing business, that what at first had been voluntary on the part of the merchants, was afterwards enforced by law. Every merchant was obliged to open an account with the bank; and all payments of bills of exchange and in wholesale

*Division of Payments*

*Discount*

transactions were required to be made there, and in the manner just described. This method of effecting payments was plainly a rude approach towards the invention of bank notes; the CIRCULATION of which, constitutes the third and last branch of the business of a modern bank. That part of our circulation which consists of bank checks is only a very slight modification of this Venitian practice.

The Bank of Venice long remained without a rival; but about the beginning of the the fifteenth century, similar institutions were established at *Genoa* and *Barcelona*, cities, at that time the pride of Europe, and second only to Venice in extent of trade.

The TABLE OF EXCHANGE at *Barcelona*, and the CHAMBER OF ST. GEORGE at *Genoa* were almost exact copies of the Bank of Venice, and soon obtained almost equal credit and celebrity.

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## CHAPTER II.

### Banks of Amsterdam and Hamburg.

It is not paper currencies alone that are subject to depreciation. Currencies of coin are liable to be affected in the same way. It was formerly a common expedient with kings and states to debase the coin, that they might the

easier pay their debts in a depreciated currency ; and as violent fluctuations in prices and in trade have been thus produced as were ever caused by the depreciation of paper currencies. The English pound and the French livre were originally a pound troy of silver ; but the former has depreciated till its value is less than five dollars, while the livre is hardly worth twenty cents.

But there is another cause for the depreciation of a metallic currency, independent of the dishonesty of governments. Coins are worn and wasted by circulation ; they are clipped by the avaricious ; and by these means their real, sinks below their nominal value.

At the beginning of the seventeenth century, the Dutch stood at the head of European commerce ; and *Amsterdam*, the capital of Holland, was the central point of trade. The currency of Amsterdam consisted not only of its own coins, but principally of the coins of all the neighboring countries ; and many of the pieces were so worn and mutilated as to fall short several per cent in point of actual value. But as these coins were commonly received at par, in all small transactions, it was impossible to get any new coin into circulation ; for, as fast as it was furnished by the mint, it was collected, melted down, exported as bullion, and its place supplied by a fresh importation of light coins. But payment of bills of exchange would only be accepted in the legal money of the city ; and great difficulty was often experienced in procuring