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# LONDON PRIVATE BANKERS, 1720–1785

By D. M. JOSLIN

THE private bankers of the eighteenth century, both in London and in the country, have been more often prejudged than investigated. Just as the Bubble Act is often held to have inhibited industrial developments more generally, so the cost of the Bank of England's monopoly of joint stock banking in England has been emphasized by indicating the weaknesses of the private banking structure. Here a tentative sketch of some developments in London private banking is offered as a preliminary piece of fact finding before any firm judgement can be made either of the efficiency and importance of the private bankers, or of the cost of the late development of joint stock banking in the nineteenth century.[1]

## I

That banking developments should have occurred in London long before the clear rise of bankers in the country at large is not surprising. London dominated the commercial and political life of England in the late seventeenth and early eighteenth centuries, as perhaps at no other time. As the political capital and the seat of justice it attracted a growing stream of visitors from the provinces. The bulk of the aristocracy and gentry came increasingly regularly to sit in Parliament, to seek office at court, to order the legal affairs of their estates, or to arrange the marriages of their sons and daughters in the increasingly perfect marriage market of the metropolis. With these myriad attractions bringing them and keeping them in town, for career, for business, for pleasure, most likely for all three, landowners came to appreciate not only the safety and security, but also the simple convenience of transferring a sizeable part of their incomes to be held and spent in London. A second stream of income flowed alongside the first; to the centre of government were remitted the proceeds of the customs and taxes of the kingdom. Thirdly, and most important, London dominated both the foreign commerce and the inland trade of England. Payments for large business transactions between London and the provinces, or even between one place in the provinces and another, came increasingly to be made through London. Though in the late seventeenth century it did not yet rival Amsterdam as the international centre for shipping, re-exports or the provision of financial and insurance facilities, yet its growing export and re-export trades demanded a parallel increase in financial facilities. London therefore was also the focus for borrowers;

[1] For recent views on the Bubble Act, see A. H. John, 'Insurance Investment and the London Money Market of the Eighteenth Century', *Economica*, May 1953, p. 138; J. A. Schumpeter, *Business Cycles* (1939), I, 248, n. 2. On the issue of the Bank of England's monopoly and joint stock banking, see Adam Smith, *The Wealth of Nations* (Everyman edition), II, 242, and the comments of W. R. Scott, *English Joint Stock Companies to 1720*, I, 448 *et seq.*

the government, the joint-stock companies, the needy aristocrat and others all tapped here the resources which derived largely from London's metropolitan position.[1]

The question of the origins of banking in England is to some extent still obscure. Credit was common in medieval transactions and obviously there existed banking services long before the doer of those services took on the name of banker. Traders with a strong reputation and with capital to spare could undertake acceptance business, discount bills or make advances to fellow merchants. Wealthy aristocrats, merchants, money-lenders and scriveners arranged loans or lent to landowners needing accommodation. Goldsmiths and merchants made remittances abroad, and traders could make payments within the country. Among such groups there is evidence of the holding of credit balances or the receipt of deposits. But the crucial innovations in English banking history seem to have been mainly the work of the goldsmith bankers in the middle decades of the seventeenth century. They accepted deposits both on current and time accounts from merchants and landowners; they made loans and discounted bills; above all they learnt to issue promissory notes and made their deposits transferable by 'drawn note' or cheque; so credit might be created either by note issue or by the creation of deposits, against which only a proportionate cash reserve was held.[2] The significance of the goldsmith bankers in this respect should not however obscure the equally important fact that at this period they were only a group among a whole host of financial intermediaries, scriveners, brokers and merchants whose role in the embryo money market of the seventeenth century may be underestimated because their lineal descendants are either less significant in monetary history or less easy to single out.[3]

While the emergence of deposit banking, cheques and note issue[4] are fundamental developments in English banking, the particular shaping

[1] See F. J. Fisher, 'The Rise of London as a Centre of Conspicuous Consumption', *Trans. Roy. Hist. Soc.* 4th ser. XXX (1948), 37–50; K. G. Davies, 'Joint Stock Investment in the Late Seventeenth Century', *Econ. Hist. Rev.* 2nd ser. V (1952), 283–301; C. Davenant, *Works*, ed. Sir Charles Whitworth (1771), I, 59–60; Davenant, *Two Manuscripts*, ed. A. P. Usher (Baltimore, 1942), pp. 73–4.

[2] See R. H. Tawney, *Introduction to Thomas Wilson's Discourse on Usury* (1926); R. D. Richards *The Early History of Banking in England* (1929); D. K. Clarke, 'A Restoration Banking House', in *Essays in Honour of W. C. Abbott* (1941), pp. 3–48; A. V. Judges, 'The Origins of Banking in England', *History*, XVI (1931), 138–45.

[3] D. C. Coleman, 'London Scriveners and the Estate Market in the later Seventeenth Century', *Econ. Hist. Rev.* 2nd ser. IV (1951), 221–31.

[4] In Child's Bank, a fragmentary balance-sheet, undated, but clearly of the mid-1680's gives a clear picture of the size and distribution of business of Francis Child, a prominent goldsmith-banker. The total assets as revealed amount to just over £100,000; roughly a half, £57,622 was held 'in cash'; total loans came to £29,619. 8*s.* 4*d.*; the remainder was the working capital of the goldsmith's business, diamonds, rings, jewels, pearls and plate. In view of the variations in business and of size described later, this can only be regarded as an isolated instance. But it is at least clear that Sir Francis Child was not a large lender, and that his cash reserves represented a very substantial fraction of his deposits. These figures are taken from an account headed, 'Casting up of Shopp'. I am greatly indebted to Messrs Glyn Mills and Co., Child's Branch, No. 1 Fleet Street, for permission to consult the MSS. in their possession. Other acknowledgements are due for permission to consult manuscripts; to Messrs Charles Hoare and Company, 37 Fleet Street, for permission to use their records; to Martin's Bank Limited, for the

of the institutional structure within which eighteenth-century banking was to operate, occurred largely after 1688. The events are familiar enough in themselves; they are rehearsed here to spotlight their effects on financial history. The most obvious, and in some ways most revolutionary, change was the almost completely altered character of government finance. With Parliamentary control of taxation and with it the ear-marking of particular funds as backing for the payment of interest on loans began a radical shift in the status of government as borrower. Despite the financial difficulties of the wars under William and Mary and under Anne, two features stand out. The solvency of government in peace-time was established; in war-time not only were there heavier taxes, but a regular method of deficit financing was established by Montagu and Godolphin and their advisers. There was to be no state issue of paper money; the Exchequer Bills might easily have developed in this way, and did in fact circulate in the City. In addition to this short-term government paper, there were various types of more permanent security created by the longer-term issues, mainly Annuities. For the private banker as for the mercantile community generally, two major new groups of securities had been created which might be held in his portfolio. The Exchequer Bill bore interest and was highly liquid. The government's long annuities tended to depreciate in value, but were again fairly liquid. With the increasing weight of taxation and the more regular methods of departmental borrowing came two other consequences. The flow of tax income from the provincial receivers was often remitted to the London banker, who might of course be a tax-receiver himself; so the growing flow of taxes often paused to swell the deposits of the private banker. Of the various departmental issues (Navy and Victualling Bills, Ordnance debentures), which flooded the market in time of war the banker, if skilled in handling them, might take advantage, for they were often purchasable at a heavy discount, redeemable at par, and meanwhile bore interest. Lastly, the process of funding, which increased the debt owed by the State to the Bank of England, the East India and South Sea Companies, provided a tremendous addition to the volume of liquid, interest-bearing securities; these had a major disadvantage, for they were subject to heavy fluctuations in capital value, especially in wartime. The eighteenth-century money market was therefore radically different from earlier times, as the various issues of government paper provided a wide variety of liquid securities both for investment or for use as collateral security for loans.[1]

The immediate needs of government finance were the proximate cause of the founding of the Bank of England in 1694, though the long preceding discussions of Dutch finance suggest that the foundation of some sort of national bank was highly probable. In the early and more experimental

use of their records at 68 Lombard Street; to Mr W. D. Gosling of Gosling's Branch of Barclays' Bank, for permission to use the eighteenth-century records of the firm; to Messrs Glyn, Mills and Company for the use of records relating both to Glyn and Hallifax, and to Currie's Bank. My thanks are also due to Mr E. M. Forster for permission to consult the diaries and letters of Henry Thornton. Detailed references and statistics will be provided elsewhere.

[1] A. H. John, *loc. cit.* has a useful summary of the various governmental issues.

years the Bank's business varied a great deal, but certain features stand out. It received deposits and made a variety of loans to government officials or to private persons; but the bulk of its lending was to the government. Above all, it differed from national banks elsewhere in being a bank of note issue. By its immense size, its privileged position in relation to government finance, and by the large volume of notes it issued, it came immediately to occupy a unique place in the London money market. How its operations affected those of the goldsmith-bankers or merchants of the time is still far from clear. But it is arguable that the transition to the use of the Bank of England note as the major bank-note circulation in the metropolis was extremely rapid. Unfortunately there are no good or continuous estimates of the Bank of England's total issue of notes and sealed bills down to 1720. At least this much is clear. The Bank's issues are known for the following years:[1]

| | | | | |
|---|---|---|---|---|
| 1696 | Sealed bills. | 893,800. | Notes | 764,196 |
| 1698 | | | ,, | 1,340,000 |
| 1720 | | | ,, | 2,480,000 |

While it is impossible to attempt any estimate of the total note issue of the goldsmith-bankers of the few firms whose records happen to have survived, more particularly as they were not great discounters of bills, we do know that the amount of Bearer notes issued by Hoare's Bank before 1720 fluctuated around the level of £10,000. When we first have evidence of the note issue of a City discounting bank, Martins, in 1731, the volume of notes issued is £19,476. Though the note issue of these banks, if multiplied by the total number of other banks in existence, cannot have been a negligible sum, yet it is highly unlikely that the total note issue of goldsmith-bankers was more than a fraction of that of the Bank of England by 1720 at the very latest. London bankers continued to issue notes down to the early decades of the nineteenth century, but the volume of notes issued does not, in the case of any firm so far studied, assume really major proportions. The security of the Bank of England note was much greater than that of any but the most respected private banker, and the latter may well have been discouraged from heavy note issue by the extreme likelihood of such notes being cashed in time of crisis, 1720, 1745, and perhaps finally in 1772–3. In the early years of its existence the Bank's discounts were rather low and the mortgage business never amounted to a great deal. It seems a reasonable deduction, in view of the rising volume of demand for both discounts and loans on mortgage in this period, that these fields were occupied more effectively by the London bankers, together with the merchants and scriveners, so that the Bank was unable to break into them with major success.

The provisions of the Bank's re-charter of 1708 defined more clearly the Bank's privileges; no corporation or partnership exceeding the number of six persons in England was to 'borrow, owe or take up any sum or sums of money on their bills or notes, payable at demand or at a less time than six

[1] Sir John Clapham, *The Bank of England* (Cambridge, 1944), I, 44, 143, 295.

months from the borrowing thereof'. The interpretation of these provisions remained unchallenged until the early nineteenth century; the Bank was held to possess a monopoly of joint-stock banking in England. While this did not prevent the possibility of interlocking partnerships, these did not achieve any significance until they were used to link London with country bankers later in the eighteenth century. The effect was to confirm the existing system of unit banking in London which was not to change until after 1833. Alongside this major provision, two other legal decisions were important for the private banker. In 1704 promissory notes were made assignable to a third person by statute law, reversing the decision of C. J. Holt. Secondly, the legal maximum rate of interest was lowered to 5 per cent in 1714; though the usury law was often evaded in the eighteenth century, it was to have important consequences in war-time for those bankers who lent on mortgage.

The market for joint-stock securities in the late seventeenth century seems to have been a personal and somewhat haphazard affair. But by 1720 in view of heavy additions to the number of joint-stock companies, in addition to government issues, there was in operation a regular market for stocks and shares, which enabled the banker both to operate in it more efficiently and made his investments in securities more 'shuntable'.[1] Within this widened range of non-governmental paper the East India Bonds, short-dated, bearing interest, and not subject to fluctuations in capital value, was to play an important role as a lucrative and safe short-term investment for bankers, particularly if the supply of Exchequer Bills was limited. With the increasing number of stocks to be invested in, and with the London money market drawing upon the available funds of the provinces and of Dutch investors the use of 'Powers of Attorney' enabled the London banker or any London agent both to purchase securities and transfer them to a client, and to collect dividends on their behalf.[2]

Records of both Hoare's Bank and Child's Bank span the period when these changes were working themselves out. The very survival, and success of the firms, as well as their special position in the money market make them somewhat untypical, for the London goldsmith-bankers were notoriously unstable. The disappearance or bankruptcy of firms was quite common down to about 1710, and after a slight pause in the second decade of the century, a wholesale group of failures occurred during and after the Bubble year, when nearly a third of the previously listed 'goldsmiths keeping running cashes' disappeared. Yet the shifts in both businesses are interesting, and may have reflected a more general trend. In Hoare's Bank there was a fairly steady movement away from the mixture of goldsmithery, pawnbroking, dealing in diamonds, speculation in ships which were inextricably mixed up with the deposit, note issue and lending business in the first decade of the century. The bank was becoming increasingly a bank for the aristocracy and gentry, and mercantile links,

[1] K. G. Davies, *loc. cit.* p. 295; L. S. Sutherland, *The East India Company in Eighteenth Century Politics* (Oxford, 1952), pp. 11, 41.

[2] C. H. Wilson, *Anglo-Dutch Commerce and Finance in the Eighteenth Century* (Cambridge, 1940), pp. 95–102; L. S. Sutherland, *op. cit.* pp. 43–4.

are somewhat less typical of the general run of the business. In the case of Child's Bank, City legend, not refuted by the records, has it that Sir Francis Child was the first goldsmith-banker to shed the goldsmith's side of his interests. The firm retained a strong connexion with the East India Company, but, like Hoare's, was building up its clientèle of gentlemanly and aristocratic landowners. At present no records of banking firms with strong mercantile links have been discovered which span this period, but it is at least suggestive that both the firms to be known as Martin's and Gosling's respectively, had shed their goldsmith's business by 1720.

## II

In the absence of banking statistics we are driven to make a tentative delineation of the growing and changing structure of London private banking after 1720 by using the information gained from a few detailed inquiries into certain firms to illustrate the changes shown in the published lists of London bankers.[1] Such a procedure is admittedly a makeshift, rendered the more precarious by the continued performance throughout the century of banking services by merchants and scriveners apart from the formal title of banker. Yet the decisions of merchants and traders to expand the banking side of their activities and hive them off into a separate firm, or to found banking partnerships, were most likely to take place when the demand for credit was rising fairly fast, and prospects of profits ran high. So the totals of banking firms in existence at various times and the approximate timing of the formation of new partnerships must serve, together with the statistics gleaned from surviving records, as a rough indicator of changes in the direction of banking business. Apart from these difficulties, there remains the defectiveness of the lists themselves. They sometimes list bankers rather than banking houses, so they have to be scrutinized in the light of the known evidence of partnerships to reduce them to totals of separate business units. For example, in 1736 Christopher Arnold is listed separately from Henry Hoare, though they were in partnership. Apart from this, omissions in many of the lists are numerous; the listing improves as the century proceeds, but intermittent omissions must be carefully guarded against, for the increasing efficiency of listing is easy to mistake for a rise in banking, or worse, the omissions and reappearances exaggerate an impression of instability which is partly attributable to defective information. Again to illustrate the point: Messrs Fowler and Rocke are given as bankers at the sign of the Three Squirrels in Fleet Street in 1725; there is no further mention of a bank at this address until 1754 when Messrs Gosling and Bennett are named, yet the records of the firm reveal continuity despite the changing partnerships of the intervening years.[2] By

[1] For this purpose Hilton Price's lists have been used, but corrected, where possible. The earlier lists, which were compiled from data at his disposal, which were probably derived from his researches into Child's Bank, may well be weighted in favour of the Fleet Street and Strand bankers. The totals here arrived at should be treated only for the purpose for which they were compiled, to try and assess the increases in banking firms; as absolute figures they are clearly too low.

[2] See P. Matthews and A. W. Tuke, *History of Barclays Bank* (1926), p. 99 for details of partnerships.

collating all names of banks and bankers in the lists with what can be discovered of the firm's history a new set of totals has been arrived at. There are, it is true, a number of shadowy firms and persons who appear in one or two lists, and then disappear, leaving no trace; their existence does emphasize the fluidity of the fringes of the banking world, but they are in marked contrast to the stability and continuity of a majority of the older established houses. Secondly, the years (or approximate years) of new foundations have been analysed in an attempt to throw some light, however dim, upon fluctuations in banking promotions. The totals are as follows:

1725, 24; 1736, 27; 1740, 31; 1745, 27; 1754, 29; 1759, 32;
1763, 32; 1765, 36; 1770, 42; 1776, 51; 1781, 51; 1786, 52.

However cautiously approached the figures reveal a marked though uneven long-term increase, from about twenty-four in 1725 to fifty-two in 1785. The timing of the few occasions when an increase failed to occur is at least suggestive. The totals drop slightly in the 1740's, and are roughly stationary from 1759 to 1763 and again from 1781 to 1785. This suggests—no more can be argued from fragile evidence—the possibility that in years of war, or during the later years of war, when monetary conditions were difficult, the rate of increase was damped down, and new foundations merely balanced defections through bankruptcy. Otherwise the story of the decades down to the late 1760's is of fairly regular accessions to the number of bankers. Some half a dozen new firms can be traced to the period from 1725 to 1740, followed by a gap in new foundations from 1739 to 1748. From 1748 to 1756 a further half-dozen banks come into view, followed by a fairly clear bunch of four new firms in 1758–9; the pace of foundations was quickening in the 1750's. After a lull with only three new firms traceable to the early and mid 1760's there follows a torrent, no fewer than thirteen new partnerships were formed from 1769 to 1772, years which witnessed a rapid extension of trade and industry, together with a speculative boom in East India Stock and much kite-flying in Anglo-Scottish financial relations. After the crises of 1772 and 1773 there is a small knot of new foundations in 1773, presumably partly to replace defections in the crash. Thereafter a new bank comes into being every year until 1779, but from 1780 to 1783 only one new foundation is visible. After the end of the war, in 1784 and 1785 there is a further burst of half a dozen new firms. So the uneven increase went on until a peak total of eighty-three firms was reached in 1810, after which failures particularly in 1815 and 1825 thin out the ranks, and amalgamations reduce the totals until the whole framework of London banking was changed by the legislation of 1833 allowing non-issuing joint-stock banks to be established in London. However dubious their arithmetical accuracy, these figures of totals and new foundations agree quite closely in the story of growth and do reveal the crucial importance of the foundations of 1769–73 in creating a major addition to the banking structure.

Of the instability of bankers in these years it is even more difficult to speak with any precision.[1] The ending of a partnership need not imply disaster, and the bankruptcy returns are not an entirely safe guide. It may, however, be worth while recording the following impressions; bankruptcies or suspicious disappearances are not uncommon down to 1745; they were particularly heavy in 1720 and 1721; again from 1739 to 1742 when five firms failed and during the panic year of 1745 which accounted for two more. Thereafter the number of clear failures is appreciably less; from 1745 to 1771 only five firms of bankers have been traced as bankrupts. But the crisis year and the years of the American war tell a very different story; a group of failures in the crisis was followed by a steady trickle, a bank each year, down to the end of the American war. It is curious that no bankruptcies have been found for the crisis years 1763–4 or 1783–4, but as these were mainly external drains of bullion, it is probable that merchant houses felt the strain more heavily. While some of these failures are easily correlated with the onset of war, 1739–42, or financial crisis in 1745 and 1772–3, it is equally clear that many of the failures are not explicable in this way. The practice of banking was still carried on alongside other trading ventures, and too many of its practitioners paid the penalty for rash speculation in commodities, like Sir George Colebroke's unsuccessful attempt to corner alum supplies, or else lacked the expertise necessary to distinguish between various types of assets, or to keep the requisite reserves of cash.[2] This combination of other interests and inexperience probably accounts for the high mortality among firms which came into existence from 1769 to 1773.

Equally as significant as these arithmetical changes are the continuing specialization of function among private bankers, together with the changes in the personnel of partnerships, so it is to the internal structure of individual firms that we must turn. But first a glance at the Bank of England.[3] In 1781 Lord North could refer to it as 'a part of the constitution' and 'to all intents and purposes the public exchequer'. In addition to its short-term advances to government, it regularly helped the Treasury to negotiate with the City financiers and bankers the terms on which new government loans were floated. The domination of government finance by direct borrowing from the great monied companies was but a phase, and by the end of the War of the Austrian Succession borrowing from the public by subscription had become the rule. With the successive additions to the National Debt, the Bank gained in importance from its management of the floating debt, and handled the service payments on the bulk of the funded debt. By the 1780's it was regularly lending to private persons to

[1] Information about bankruptcies can be found in Hilton Price, *Handbook of London Bankers* (1890); the *London Magazine* and the *Gentleman's Magazine* published lists of bankrupts. These were the main sources used. Mr L. E. Pressnell, of University College, London, has compiled a more thorough list from the records of the Court of Bankruptcy; while his figures do not differ substantially from mine, I wish to express my gratitude to him for allowing me to see them.

[2] See L. S. Sutherland, 'Sir George Colebroke's Corner in Alum', *Econ. Hist. Supp. to Econ. J.* III (1936), 237–58.

[3] Clapham, *The Bank of England*, I. Also J. H. Clapham, 'The Private Business of the Bank of England, 1744–1800', *Econ. Hist. Rev.* XI (1941), 77–89.

enable them to meet successive calls upon government stock. Again many, though not all, departmental balances were held by the Bank, which also kept the accounts of some provincial tax-receivers.

Besides this role, so vital to the money market in a period characterized by heavy governmental borrowings in war-time, the Bank had come to provide the prime method of making business payments in the metropolis by its note issue. This, though fluctuating somewhat, had shown a marked increase in the 1720's and again during and after the 1760's; by 1785 its circulation stood at approximately six million pounds. And behind the note issue lay its bullion reserves; by 1785 it clearly held a substantial fraction of the nation's bullion stock, and was treated as the ultimate provider of cash in time of crisis. For the first half of the eighteenth century its private business was rather limited. Lending on mortgage disappeared; loans to private individuals dwindled and the Bank's advances were largely to the great trading corporations particularly the East India Company. There remain the discounts, which, in common with other aspects of its private business, decreased steadily down to 1745. One wonders whether its regulations were perhaps a little demanding in these years, for commerce was expanding down to the early 1740's. Thereafter the discount business increased to substantial proportions, particularly in the crisis years of 1763 and 1772–3, and in the later years of war from 1746–7 to 1748–9, 1758–9 to 1763–4 and from 1780–1 to 1784–5, when the private bankers tended to be more restrictive in their policies. Of course the precise composition of its discounts is uncertain; the war increases probably reflect a substantial volume of discounts of Navy Bills, Ordnance Debentures and other departmental issues. But there is little doubt that it acted as the Bank of London in its commercial discounting, for it discounted only for traders living in London. Despite these fluctuations and restrictions, the immensely higher level of its discounts during and after the 1760's, while to some extent reflecting the rising volume of internal and foreign trade, does suggest that the Bank was now competing far more successfully with the London private bankers and merchants. By 1785 a radical change in its position had occurred: it was easily the largest single discounter in the City, whereas some forty years earlier its bill portfolio may easily have been smaller than those of its private competitors.[1]

In the structure of London private banking two major groups of banks are immediately distinguishable, differentiated both by their location and increasingly by the direction of their business. First we can take the group sometimes referred to as 'West end' bankers, the bulk of whose business was later described by one of them as 'not with mercantile men'. The shift away from mercantile dealings did not occur in all of them until the very end of the eighteenth century, but some revealed this tendency very early. In 1725 Hilton Price gives a total of thirteen firms in this sector, mainly in Fleet Street and the Strand; in 1785 there were some fifteen

[1] Clapham, *Bank of England*, I, 78. In the unusually slack year of 1743–4 Clapham estimated the Bank's average bill portfolio at £63,500.

firms in this area, but the composition had very largely changed.[1] Most of the best documented firms so far examined were in this group.

By 1720 the goldsmith-banking firm created by James Hoare and Sir Richard Hoare had shed its active goldsmith's business. Sir Richard was followed in the bank by a series of partnerships in which, with a single exception in the eighteenth century, only members of the Hoare family participated. It rapidly became one of the great banks for the aristocracy and gentry.[2] Working closely with the estate stewards of the landowners, it regularly received rents from their estates all over the country. Large balances were held in London and drawn on by note or by bill when required. The firm came to handle investments in the stocks and collect dividends for their customers. With its clientèle among the richest group in the kingdom, the business grew to a considerable size. In 1725 the liabilities, which were mainly deposits, totalled £209,074; on the asset side their loans and investments (mainly loans) stood at £90,868 while the liabilities were backed by a very healthy reserve of cash, £89,474. By 1785, after more than half a century of growth interrupted only by the wars, deposits and other liabilities stood at £821,002; total loans, advances and investments were £599,220; overdrawn accounts came to £47,116; with again a substantial though lower cash reserve of £156,363. Despite shifts in emphasis during the period covered, certain generalizations are valid. As its depositors and customers became increasingly specialized among the landowners and lawyers, mercantile links became less important. The bulk of its lending was on mortgage and bond, again mainly to the gentry and aristocracy. If it could not meet their needs directly, it sought for lenders on mortgage among its 'Friends' who had investible funds, and so continued to play the role of intermediary in the mortgage market. As a second line of business there was a stream of advances, for one or more months to City men upon a variety of securities, East India Stock, South Sea Stock, tea warrants, and Bank stock. The bank's own investments were largely in this range of securities. Discounting was not a major feature of its activities, though discounts occasionally reached substantial absolute totals simply because of the bank's size. It was a well conducted, cautious and entirely dependable firm which had ridden out, and was to ride out, all the crises from 1673 onwards. In a passage in the *Essay on Commerce*, Richard Cantillon, who was a banker, and had dealings with Hoare's, drew distinctions between the reserve ratios which a banker should keep, depending on the type of customers, and their liability to withdraw sums at short notice; he instances a bank whose customers were 'landowners or economical gentlemen' and argues that such a bank could afford to work on lower cash reserves than one dealing with merchants whose withdrawals were more sudden. 'Some trust one banker, some another. The most fortunate is the banker who has for clients rich gentlemen who are always looking out for safe employment for their money

[1] Hilton Price, *op. cit.*

[2] For the early years and for a general account see H. P. R. Hoare, *Hoare's Bank, a Record 1673–1932* (1932).

without wishing to invest it at interest while they wait.'[1] By these canons Hoare's Bank was well placed, though it was not unique.

Child's Bank, like Hoare's, was to become a favourite bank for the landed groups. Among the depositors aristocracy and gentry came to loom large; again rents were received, investments in stocks made and dividends collected. Together with a sizeable group of mercantile customers in London, there are quite a few country correspondents, mainly traders, or, as in the case of Livesey Hargreaves of Manchester, identifiable as manufacturers. But it is unlikely that by the end of the period covered mercantile interests accounted for more than a fraction of the firm's business. From admittedly incomplete evidence, it seems that the asset structure increasingly resembled that of Hoare's. Loans were made to the aristocracy and gentry upon mortgage or assignments of mortgage, upon personal bonds or upon the deposit of stock at collateral security. After 1720 there are, it is true, a very few loans of the traditional goldsmith type, on the security of silver or gold plate and precious stones, but they were insignificant. There were important advances made to City dealers, upon parcels of stock. For the rest, the firm's heavy investments in East India securities are eloquent of the connexions of the partners with the politics and finance of the East India Company. Sir Robert Child was a Director of the Company in 1719–20, and Sir Francis Child in 1731. Robert Devon, a partner, was one of the financial powers behind Lawrence Sulivan in his struggle for control of the Company. But the evidence of the strong links with the East India business is incomplete. We know little of the discounts in the early part of the period, and from the 1760's it is clear that the firm disliked discounting for its provincial customers. It is unfortunately impossible to give any accurate estimate of the size of the business; we do know, however, that in 1712 the total assets were over £100,000, with loans and interest outstanding totalling £47,777, 2*s.* 9*d.* and the cash at £59,982. 3*s.* 4*d.*; by 1829 total assets had risen to £1·7 millions. A guess, based on the remaining accounts of annual profits, together with the volume of loans and investments, coupled with its growing similarity in asset structure to Hoare's, would suggest that it was of comparable size with Hoare's by the end of our period.[2]

A much more flexible policy, despite its location and ultimate similarity, is to be found in the third bank in Fleet Street. When in 1742 Francis Gosling entered the firm which was ultimately to bear his name, the concern was still a small one. The goldsmith size of the business had died out before 1720; the profit and loss accounts suggest that the firm had been rather less prosperous in the late 1730's than previously. However, when we can first make an overall survey of the business in September 1742, total deposits were no more than £38,754, with a further liability on notes issued of £660; the assets were fairly evenly distributed between investments in securities and loans to clients amounting to approximately £14,000 each; the remainder consisted of some bill discounts and hard cash.

[1] R. Cantillon, *Essay on Commerce*, ed. H. Higgs (1931).

[2] F. G. Hilton Price, *The Marygold by Temple Bar* (1902); Sutherland, *East India Company*, p. 102.

The firm held just over a hundred accounts at that date, including country people, gentry and of course, some of the local lawyers. The connexions of the new bank partners with the structure and clientèle of the business are striking. Francis Gosling was a man of some substance, having been a bookseller and printer in Fleet Street. A few remaining letters from this part of his career suggest that he may have been in the habit of making payments on behalf of customers who held credits with him. In 1743, his original partner having died, he was joined in the bank by Sam Bennett, a retired East India trader. With Gosling the links of the firm with publishers and authors are clearly visible, Rivingtons, Longmans, Lintot, Tonson, Edward Gibbon and Samuel Richardson all had accounts at the bank. There is a slight trace of previous East India connexions in the person of Diamond Pitt, but Sam Bennett solicited further business from his East India acquaintances. A letter of 1744/5 written to the bank from Fort St George speaks of Mr Bennett as 'desirous of having money matters recommended from his Indian acquaintances, that might engage them to you'. The firm received remittances home from Company servants in India, and carried out a wide variety of services for these distant acquaintances and correspondents; the knowledge of affairs in India sent from correspondents on the spot must have been useful in the activities of the firm in East India Company politics at home. For they too became involved in the contest between Clive and Sulivan; Sir Francis Gosling became one of Clive's financial agents, and in 1762 when Bennett retired, George Clive, a cousin of Lord Clive, was brought into the partnership. It is not surprising that the firm was to number some of the 'nabobs' among its customers—Clive, Wedderburn, Impey, Hastings among the great, and a large number of lesser figures. By 1790 the firm had over a thousand customers, which is indicative of its speed of growth; among them are a steadily increasing number of gentlemen and aristocrats. With its mercantile links the firm moved heavily into the discount business, and remained heavily in the discount market until the last decade of the eighteenth century. Yet this was only part of its business; the rest consisted in the usual advances to its City and aristocratic customers, on the security of stock, or notes; mortgages became increasingly common as the firm acquired its aristocratic customers and became sufficiently large to tie up a portion of its resources in this way. Thirdly, there was the usual range of investments, Annuities, East India Bonds, Bank Stock, Navy Bills and Exchequer Bills. By 1785 the bank's total liabilities were £476,399. 13*s*. 8*d*.; of these the bulk were ordinary deposits; just over £20,000 were the balances of country bankers, while the note issue was just below £4000.[1]

How similar these firms were to the remainder in the West End can only be discovered by more detailed research. At least this is clear; while the asset structure of Gosling's differed substantially from the other two, the trend of landowners as customers, and loans on mortgage is apparent in all three. By the end of the century it is fairly certain that, alongside its connexions with Scottish banking, Coutts Bank resembled these and

[1] Matthews and Tuke, *History of Barclays Bank*, pp. 79–96; Sutherland, *op. cit.* p. 102.

probably so did Drummonds. Thomas Coutts constantly sought aristocratic customers, and declared that he was averse to dealing with industry. Meanwhile one of the newer foundations, Herries Bank in St James Street, was specializing in the issue of traveller's cheques for the special convenience of wealthy gentlemen going on the Grand Tour. In this sector of bankers personal friendship, family links, political colour or religious persuasion mattered a great deal in attracting and holding customers. For example, Wright's Bank in Covent Garden specialized in the Catholic gentry.[1]

Moving out of this area which, despite certain specific links with the East India Company or the mercantile world, was increasingly devoted to serving the landowning groups, we come into the very distinct world of the City, where bankers clustered in and around Lombard Street. Most of the banks in this area in the early eighteenth century were the creation of goldsmiths. We know that by 1714 in the partnership of Surman and Stone, the bulk of the older business of goldsmithery had died away, for the partnership agreement of that year makes no mention of it, but specifies that the capital of the firm was to be employed 'at interest, or in Discompt of Bills, Buying Stocks or Securitys'. The partners were not to be actively associated with any other bank or with any other trade. In 1731 the surviving accounts permit increasing precision about the nature of its operations. The depositors and customers were largely City men, and in addition there were a number of country correspondents; there are no aristocrats easily identifiable in the early years. Instead there are well-known mercantile financial firms and names—Sir Matthew Decker, Ironside and Co., William Braund, together with a goodly sprinkling of Anglo-Dutch and Anglo-Portuguese personalities, Van Neck, Van Notten, de Vries, Crellius, da Costa, Lopez, Suasso and the ubiquitous Samson Gideon. Yet in comparison with Hoare's, or even Child's, it was not an immense concern. At Christmas 1731 total deposits stood at £139,995 and notes were outstanding to the value of £19,476. Almost half these liabilities were covered by cash, while the income producing assets were fairly widely distributed; first, loans to City men and more occasionally to country correspondents upon the security of parcels of stock or personal bonds; secondly, there were the bill discounts—the main part of the business; then investments in a wide variety of securities, Bank Stock, East India and South Sea Stock, lottery tickets and departmental issues; lastly, loans on Respondentia bonds which increased in the 1750's. As might be expected both from the clientèle and the direction of the business mortgages were extremely rare. By 1789 the firm had grown, fairly steadily but not very spectacularly, so that its deposits now totalled £370,210. Though there were slight modifications in the type of customer —some gentry are now identifiable, and there is an occasional mortgage— there were no major shifts in the internal structure of the business. Note issue was on a modest scale, usually below £10,000 issued to bearer. The

[1] See E. H. Coleridge, *The Life of Thomas Coutts, Banker* (1920); Sir William Forbes, *Memoirs of a Banking House* (Edinburgh, 1860) pp. 17 *et seq.*; W. F. Crick and J. E. Wadsworth, *A Hundred Years of Joint Stock Banking* (1936), p. 287.

firm continued as a stable and cautious bank, mainly devoted to serving the City merchant by advances and discounts. It took an important part in making up lists of subscribers to loans during the Seven Years War, and its relations with the Bank of England were friendly, for it participated in the lucrative business of the Subscription to the Circulation.

But the country customers of the bank should not be overlooked. Bills drawn on a London house or accepted in London were sent to Martin's who credited the customer's account with the sum due, when it was paid, unless of course it was drawn on a banker and immediately payable. In its turn the bank granted acceptances to the customer's bills or notes, provided such acceptances did not exceed the cash balance on the account. If they exceeded this sum, the bank discounted sufficient bills payable to the customer to cover the difference. Or else the bank might discount bills at the request of the correspondent, and would make arrangements for payments he might have to make out of London. The rules of the house were strict; it reserved the right to limit the discounting it did for its correspondents, more particularly reserving the right to refuse to discount finance bills. It consistently refused to negotiate bills, regarding this as the proper function of the City merchants. In addition to conducting the account in this way, the bank would include the names of correspondents on its lists for new flotations, and performed the usual functions of purchasing securities and collecting dividends. Advice about investments was mingled in its letters with the latest political or East India gossip. Occasionally they acted as intermediaries, informing a borrower of the possibility of accommodation among their 'friends', but this does not seem to have been a very usual practice. Lastly, the country correspondent had access to the bank's usual lending facilities, but it was firm in its refusals to lend money on mortgage. For these various services the bank charged no commission, but expected a fairly substantial deposit of cash upon the account, which it could profitably employ.[1]

At present there is insufficient evidence to judge how similar this bank was to the other, older City bankers. That its dealings in the City itself were fairly typical, seems highly probable from the structure of its business. But of the country correspondence we cannot be so sure; in striking contrast to the majority of City banks it did not accept the agency to country bankers, though among its country correspondents there were probably many who either entered that business or were carrying it as a sideline.

So far, both in the West End and in the City we have dealt with firms of long standing, however much, as in the case of Gosling and Bennett, new partners brought fresh energy and a different thrust to the business. It remains to sketch the origins, and, where this is at present possible, the business of a few of the newer eighteenth-century foundations. A small number of the new firms were the result of divergences in existing partnerships. The bank of Surman, Dineley and Cliffe was formed by the breakaway of a partner, possibly an ex-clerk and a customer of Martin's in

[1] J. B. Martin, *The Grasshopper in Lombard Street* (1892); L. B. Namier, *The Structure of Politics at the Accession of George III* (1929), pp. 69, 241.

1749; in 1756 an internal disagreement caused William Backwell to secede from the partnership of Child and Backwell to form a separate firm; in 1770 the bank of Boldero, Carter and Co. seems to have split into two separate partnerships. There are several banks in which the senior partner was previously in another firm, though the reasons for his leaving it are unknown. Such were Vere, Glyn and Hallifax (1753); Wickenden, Moffatt, Kensington and Boler (1775); Raymond, Harley, Lloyd and Cameron (1778); and Dorsett and Mackworth (1785). Secondly, there are the London banks founded by existing country banks, who moved into London in order to manage their own agency there, Smith, Payne, Smith; Hanbury, Taylor, Lloyd and Bowman and Jones Loyd. Still keeping within the range of bankers, there are ample cases of bankers moving from one partnership, or a failed partnership, into another; so James from Messrs Roffey, Neale, James and Fordyce entered the new firm of Mason, Currie, James and Yallowley (1773) or J. H. Tritton, a junior partner in Brown, Collinson and Tritton, which failed in 1782, joined Barclay, Bevan and Company. Or again the translations or promotions of clerks to partnerships was common. Outside the range of existing bankers and their clerks a few minor categories are visible; an army agent might make the transition to banking, or a landed gentleman, Sir William Pulteney, might become a bank partner. But apart from the existing bankers, many of whom were either engaged actively in trade, like Sir George Colebroke, all other sources fade into relative insignificance compared with the mercantile and manufacturing origins of the bulk of the new partners and firms. Often it implied merely specializing a little further in banking services previously performed. Brewers and distillers, Roffey, Currie, Lefevre; the son of a linen-draper, Barclay; the son of a great merchant and remitter, Thornton; a glass manufacturer, Rogers; together with a number difficult to classify, being engaged in trade and finance, Herries, Hanbury, Magens, Amyand. They were almost invariably men of considerable substance, for a bank partnership needed considerable capital, estimated at £20,000 by a contemporary writer.[1]

The personal history of Henry Thornton is well documented; the firm he joined was founded in 1774 under the style of Marlar, Lascelles, Pell and Down. In its early years it must have been a fairly small concern for its profits were between £1,500 and £2,000 a year. In 1784 the firm was joined by Henry Thornton and became known as Down, Thornton and Free. Thornton wrote of his own background: 'We are all City people and connected with merchants and nothing but merchants on every side.' The young Henry was apprenticed from 1778 to 1780 to a near relation, Godfrey Thornton, and was employed in his firm 'chiefly in carrying out bills to be accepted and taking the weight of hemp, flax, etc. at the Custom House, or in mere copying in the Counting House'. Thereafter he entered

[1] These remarks are mainly based on Hilton Price, *op. cit.* and on London Directories covering the period. The movement of mercantile men towards financial interests after 1740 is remarked on in L. B. Namier, 'Brice Fisher, a Mid-Eighteenth Century Merchant', *Eng. Hist. Rev.* XLII, 516 and L. S. Sutherland, *An Eighteenth Century Merchant* (1933), pp. 15–16.

the private counting house of his father John Thornton, who carried this business on separately from his partnership in the firm of Thornton, Cornwall and Co.; here he observed his father's operations, speculating in wheat and tobacco—unsuccessfully, or making a handsome profit in which Henry shared, in contracting for loans during the American War. So when he became a banker, Thornton knew the working of trade in commodities, understood the business of bills of exchange, had operated in the market for government paper, and was accustomed to the large correspondence system of merchants. It is not surprising to discover his bank dealing in acceptances, in government paper, or 'having the wisdom to become connected with the rising country bankers of the time'.[1]

Next the case of a manufacturer acquiring an interest in banking as a sideline. In 1773 the partnership of Mason, Currie, James and Yallowley was founded. Of John Mason the senior partner little is known; according to Hilton Price, Charles James was a partner in the firm of Neale, Roffey, James and Fordyce which had failed in the crisis of 1772; Jacob Yallowley was a clerk in this firm; William Currie was a distiller. It is noteworthy at least that Neale and Roffey, James's former partners were brewers. By June 1774, the first surviving balance sheet enables one to see the new firm at work. The number of customers was small, just under a hundred, but total deposits were just over £87,000. Presumably some of the Bank's clientèle were former customers in James's previous bank. Of those who lived in London and can be identified, the major depositors and borrowers were traders and manufacturers; the largest groups are merchants, linen-drapers, and wool-drapers, followed by smaller but still visible categories, the distillers and brewers, Manchester warehousemen, Blackwell Hall Factors, together with other ancillaries of the textile and food industries, silk brokers, hatters, packers, tea dealers, meal and hop factors. The links of the partnership with the particular groups from which a partner emerged and still served, are clear. William Currie the distiller 'was wont to speak rather contemptuously of it (the bank) saying that one good back of spirits was worth more than a year's profit in Cornhill'. But the distilling was important to the bank: 'The large purchases of barley which he had to make in the course of trade as a distiller gave him a good deal of influence in the corn market, and when (his descendant B. W. Currie) first came to Cornhill in 1816 we still had the accounts of many Mark Lane cornfactors on our books.'[2] The firm tapped the spare cash of substantial tradesmen and merchants, including some in the provinces, and provided working capital for the same group by the discounting of bills. For in its early years the bank was almost entirely concerned with discounting, which made up the vast bulk of its assets. There are few investments in securities, and no loans on mortgage, but by the 1780's the bank was making advances, not only to London merchants, but also to a major London consumption industry—brewing and distilling. With the existing connexions of an

[1] Henry Thornton, *An Inquiry into the Nature and Effects of the Paper Credit of Great Britain*, edited with an Introduction by F. A. von Hayek, p. 24.

[2] B. W. Currie, *Recollections* (privately printed).

ex-banker, and with the wide correspondence carried on by a man like Currie in his distilling business, the firm possessed the necessary expertise both to enter the discounting business and to begin accepting the London agency to a few country banks.

Or thirdly, there is the firm of Vere, Glyn and Hallifax, which came into being in 1753. Joseph Vere had been a banker in partnership with Charles Asgill; Richard Glyn was a drysalter; Thomas Hallifax was an ex-clerk in Martin's bank; the bank therefore again combined the banking links and experience of two of its partners with the mercantile connexions of another. According to its historian, the firm's business was largely with mercantile men; it discounted bills, entered into connexions with Scottish bankers in the late 1760's, and lent money to an industrialist, Francis Garbett, on the security of Carron stock. In addition to its City connexions, it too attracted to itself in the later decades of the eighteenth century an increasing number of country bankers to whom it acted as agent.[1]

After 1750 there was a rapid increase in the number of country banking firms, which often were again only specializing still further in the business of discounting bills or making remittances, in which they had long since been engaged. These country firms employed a London agent, usually a banking house, to honour their bills drawn on London, to cash their notes payable in London, and either to make investments in securities for them or to send cash into the country. The London banker held a deposit of cash from the country agent which could be profitably employed, or else charged a commission for these services. Considering the similarity of their origins, in trade and manufacturing, with many of their country counterparts, it is noteworthy that it was the newer London bankers, with existing mercantile connexions and correspondences, who tended to specialize in the business of the London agency to the country firms. Though many of the old established houses in the West End had country correspondents for whom they did business, yet this group did not respond to the opportunities offered by the agency business. While there may have been a certain amount of sorting out in the interim, by 1797 (the first year for which a reliable list has been found and analysed) the London reaction was quite clear. At that date seventeen London banks, just short of a quarter of the total, did not appear as London agent to a single country banker. The vast majority of West End bankers are to be found in this group; Anderson, Chambers, Denne, Devaynes, Drummond, Edwards, Hoare, Hodsoll, Marsh, and Wright held no agencies. Most of the few remaining firms in this area held only a handful; Childs had one agency, Goslings had four. None were or became agents for a large number of firms. Among the abstainers from this business were also a few of the older City firms, Martins and their offshoot, Walpole, Clarke and Sisson. The vast bulk of the City bankers entered the agency business; forty-four London banks, both in the City and the West End held between one and ten agencies. But equally as significant are the giants of the country agency business, each holding above ten agencies, Down, Esdaile, Robarts, Forster, Master-

[1] R. Fulford, *Glyn's 1753–1953* (1953).

man, Sanderson and Barclays. Of these all but one were firms created either during the banking boom of 1769–73, or afterwards. The exception is Barclays. Here doubtless their ties of religion and of consanguinity with the Quakers in the provinces who became bankers goes far to explain their prominence. It is clear that the rise of country banking created a marked change in the structure of London banking; though at present it cannot be proved in detail, it may be suggested that the increasing weight of inland correspondence and with it, the tendency to act as London agent to a country firm, may have led, in part, to the creation of this fresh sector of the London banking world in the decade after 1770. The business was new and risky; it needed commercial knowledge; and the willingness to take risks and the expertise needed was more likely to be found among the newer bankers. The following letter, written by Childs' Bank to an applicant country banker at Durham on May 4th 1784 sums up the history and attitude of an old established firm.

> The only Country banking house we keep cash for is that of Messrs Baker and Hedley of Newcastle. Their business is conducted much to our satisfaction. Many applications have been made from others, but the plan of their business was in general so contrary to the line observed in ours, we could not comply with it. The chief objections to a connection of this kind were that we did not permit any notes of hand to be addressed to us, that we discount no bills, and that the cash on the face of the account (exclusive of bills in our hands not due) should at all times be adequate to the amount of our payments and accepted Drafts. Another objection was the extensive circulation of small drafts and bills which Country Banks must fall into. Without a very large credit of cash in town occasional demands for drafts might create a difficulty from only to the extent of that ballance. The established usage of our house would not admit of the accomodation required and on a due consideration we tho$^{t}$ it right to decline connections where no advantage could be expected to either party. These difficulties always offered to a connection of this sort and I am afraid they would arise in that you mentioned.

This policy was maintained, with the obvious consequence that Childs, in common with most of their West End confrères, remained outside the agency business.

The rising volume of inter-bank payments, which was in part due to the increasing country business, led to the establishment, in 1773, of the London Clearing House. This formalized and facilitated the exchanging of notes between banks and economized the cash necessary to transact the business. Only the City bankers took part in its operations and establishment. A list of thirty-one clearing bankers in 1777 includes none of the West End bankers (who had developed their own method of exchanging bills and notes by direct exchanges by peripatetic clerks) but included most, thirty-one out of thirty-six, of the City bankers, whose transfers were more important to them, and who needed to formalize the previously haphazard private exchanges by clerks. And as the habit spread of London bankers opening accounts with the Bank of England, and of rediscounting with it, it was again the City bankers rather than those in the West End who held such accounts. The particular configuration of the nineteenth-century London money market, with the Bank of England as the banker's bank, and the ultimate settling of inter-bank debts by transfers at the Bank of England was foreshadowed in these developments.[1]

## III

This paper has been confined to the period prior to 1785 partly to emphasize that London banking in the eighteenth century is liable to be misunderstood if it is approached primarily from the angle of industrial finance; the 1780's are merely a convenient watershed, for during this decade the industrial changes were rapidly getting under way. The London money market had been nurtured upon government finance and the needs of commerce and the landowners. With certain difficulties, a certain restriction of facilities for private borrowers, the government had been able to borrow the increasingly large amounts necessary in war-time. Most of the London firms so far studied participated in the market for government securities; most switched their resources into them in the later years of each war, from 1745 to 1748, from 1759 to 1763 and from 1778 to 1783, and restricted credit to their private customers. They were a vital link in the chain of government borrowing, making up subscription lists to bid for loans or to appear as 'boarders' on the lists of the loan contractors; when the loans had been floated, they helped to create a wider market for investment in government securities by making purchases for their customers, and conducting the tedious routine of dividend collection. They were of course, not alone in these functions, but their partial role in providing credit for the government in war-time, and that with fairly considerable success, needs no emphasis. Next to the government it is apparent from the increasing specialization of West End firms in aristocratic customers that from the late seventeenth century onwards the landowning groups were adequately, perhaps generously, provided for, in peace-time. Further research from the landowners' angle alone can determine with any precision why they borrowed. The best opinion at present available suggests that some of their borrowings were for consumption purposes, to cover debts incurred at gaming and high living; they also borrowed to build and to make the necessary arrangements for marriage settlements. But whatever its weight in their total borrowings and therefore in the objects financed partly by bank loans, the landowners also borrowed to finance enclosures, and to finance the building of better roads and cutting new canals.[2] Such improvements in agricultural efficiency and in transportation were vital to the progress of industrialization, and it is therefore of prime significance that throughout the eighteenth century, save in years

[1] H. T. Easton, *The History of a Banking House* (1903), pp. 110–12; J. H. Clapham, *Econ. Hist. Rev.* XI, 83. The uneven distribution of country agencies and the existence of a sector of London Bankers less susceptible to the full weight of an internal drain may throw additional light on the weaknesses of the banking structure in years of crisis. It is noteworthy that several of the firms specializing in the agency business failed; Down in 1825, while in 1837 Esdailes suspended payment.

[2] H. J. Habakkuk, 'Economic Functions of English Landowners in the Seventeenth and Eighteenth Centuries, *Explorations in Entrepreneurial History*, VI, 92–101.

of very heavy government borrowing, a first-class market existed in London for borrowing on real securities at rates which were only slightly above the yield on long dated government securities. In this market the West End London banker played an important role, either as leader or as intermediary. The suggestion that such borrowings for investment purposes were perhaps only a fraction of total borrowings, though a highly significant one, may throw some light on the relative ease with which these banks could cut off their lending in war-time in this direction, either substantially reducing its volume by their action, or driving the landowner to non-institutional sources of loans. As some of this lending for consumption purposes in peace-time may have sustained effective demand, so its lessening in war-time may provide one clue to the relatively slight degree of inflation occurring during the wars of the eighteenth century.[1]

How efficiently the London bankers assisted trade and industry it is even more difficult to judge with any confidence. It is probable that throughout the eighteenth century a substantial volume of lending and discounting was carried on between merchants, traders and industrialists without the interposition of a banker. The London bankers so far examined, particularly Gosling's and Currie's, contributed mainly to the provision of working capital for commerce and industry by discount, and in the case of Currie's by advances, though the instances of the provision of long-term help to important pioneer ventures, such as the assistance given by Glyn Mills to Francis Garbett in 1772–3, or Child's loan's for the Duke of Bridgewater's canal building, are not negligible. Yet because of the partial role of the banks as discounters, their discount rates should be treated with caution. These discount rates appear to have been particularly inflexible; 5 per cent was normal for inland bills. The Bank of England, whose discounts expanded rapidly after the turn of the half century, charged 5 per cent on inland bills from 1742 to 1823. The foreign bill, a more reliable instrument, was discounted by the Bank at 4 per cent from 1722 to 1742 and from 1746 to 1773; thereafter the rate stood at 5 per cent until 1823. If the poor organization of the bill market and deficient commercial intelligence partially explain the high rate on the inland bill, then such deficiencies persisted over a very long period. This argument is less easily applicable to the foreign bill. After 1773 there is more than a suggestion that the rapid extension of internal and foreign trade strained the resources of the banking structure to the utmost. It is equally clear that fluctuations in bank lending are vital in this period rather than variations in discount rates. It may therefore be that the private banking structure was less successful in bearing the weight of rapid economic expansion in wars and post-war depressions, and that these imperfections persisted and were so apparent to its early nineteenth-century critics.

*Pembroke College, Cambridge*

[1] Available statistics of bills for turnpike trusts, enclosures and canal building show a marked dip in the later years of the American War of Independence, which tends to confirm a connexion between ease of borrowing and investment in agriculture and transportation at this period.