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Introduction

ON 14 MARCH 1783, three Bank of England directors—Samuel Bosanquet, Thomas Dea and Benjamin Winthrop—embarked on a project to 'inspect' all aspects of the institution's work. The Committee of Inspection, as they were to be known, were to 'meet at such times as may be most convenient to themselves' and 'inspect the management of every Office together with all such Books & Papers as they may think necessary'.[1] To assist them in their work, they were permitted to call before them any of the clerks or other servants at the Bank. There was no interference implied from their fellow directors, but they were also asked to, 'from time to time', report their findings and recommendations to the Committee of Treasury and, thereafter, to the Court of Directors. Their final reports run to over 80,000 words and detail all aspects of the Bank's operation and management from the issue of banknotes to the recording of ownership of the public debt, from the opening of the gates at the start of each day to the locking away of the final ledger at the end of the day. They also demonstrate the Inspectors' confidence in the value and virtue of the Bank. When they presented their conclusions to the Court of Directors, they declared the institution to be of 'immense importance . . . not only to the City of London, in points highly essential to the promotion & extension of its Commerce, but to the Nation at large'. The Bank was, they stated, no less than 'the grand Palladium of Public Credit'.[2] It must 'necessarily excite care and solicitude in every breast . . . a religious Veneration for [its] glorious fabrick' and 'a steady and unremitting attention to its sacred Preservation'.[3]

1. Bank of England Archives (hereafter BEA), G4/23, Minutes of the Court of Directors, 14 April 1779–2 October 1783, fols. 352–353.

2. BEA, M5/213, Minutes of the Committee of Inspection, fols. 178–179. See appendix 7 for the full text of the Inspectors' final report.

3. Ibid.

One can scarcely imagine twenty-first-century bankers being so confident about their contribution to the public good. The popular imagination now often sees them dwelling in the bowels of hell rather than cathedrals of credit. The directors of the eighteenth-century Bank of England, however, had little trouble convincing themselves that the business they managed was essential to the smooth functioning of the national economy and worthy of the country's esteem. This book explores the basis of that conviction: the Bank's ability to deliver a set of services that were essential to the state and commanded the confidence of a wide public. It is a story that has not been told before. Sir John H. Clapham's *The Bank of England: A History*, published in 1944, remains the only monograph-length discussion of the institution's first century.[4] Other histories of the Bank are equally dated and add little to Clapham's account.[5] Even the most recent work on the Bank, David Kynaston's fascinating portrait *Till Time's Last Sand*, unfortunately does not linger long enough in the eighteenth century.[6] This book aims to rescue the eighteenth-century Bank from its relative obscurity.

The narrative ranges from the quiet mundanities of discounting bills and keeping ledgers via the noise and chaos of the financial market and the threat from rioting crowds to the aesthetics of one of London's finest buildings and the messages of creditworthiness embedded in that architecture and in the very visible actions of the Bank's clerks. Its focus is not the sweep of the Bank's activities during the long eighteenth century but rather a moment in time: the year that encompassed the ending and aftermath of the War of American Independence. This choice is partly practical. The Minute books of the Inspection conducted between 1783 and 1784 provide a unique opportunity to study the Bank's work in intimate detail. But there are also important reasons why this moment in time is an appropriate focus. The 1780s witnessed the beginnings of the age of reform, the earliest manifestation of which was the significant reorganisation of public finance.[7] The Bank of England has hitherto been excluded from

4. Sir John H. Clapham, *The Bank of England: A History*, 2 vols. (Cambridge, 1944).

5. Notably A. Andreades, *A History of the Bank of England* (London, 1909); W. D. Bowman, *The Story of the Bank of England: From Its Foundation in 1694 until the Present Day* (London, 1937); John Giuseppi, *The Bank of England: A History from Its Foundation in 1694* (London, 1966).

6. David Kynaston, *Till Time's Last Sand: A History of the Bank of England, 1694–2013* (London, 2017).

7. Arthur Burns and Joanna Innes, eds., *Rethinking the Age of Reform: Britain, 1780–1850* (Cambridge, 2003).

discussions of what was known to contemporaries as 'economical reform'.[8] Yet, what follows will demonstrate that the institution engaged willingly with the reforming agenda and emerged confident of its value to the public. An intimate study of the institution is also necessary. The Bank's value to the state and the public during the eighteenth century rested on the level and quality of its service. It is only by exploring in detail the nature of that service that we will be able to explain why the Bank owned by, and operated for the benefit of, its shareholders came to be thought of as 'a great engine of state' and how a private organisation became the guardian of the public credit upon which was based the economic and geopolitical success of Britain during the long eighteenth century.[9]

The Bank during the Long Eighteenth Century

The Bank of England had been in existence for nearly ninety years when the Inspectors began their work. Established in 1694 in borrowed premises and with just seventeen staff, the institution had grown significantly over the intervening period. By 1783 the Bank's buildings dominated Threadneedle Street, and more than 300 clerks were required to handle the expanding business.[10] The institution itself had become part of the everyday experience of many Londoners. It was a bustling environment, noisy and filled with people. As Bosanquet, Dea and Winthrop arrived on that March morning to begin their inspection, they would have walked through streets crowded with the City's businessowners, merchants and financiers going about their business, street sellers plying their trades and, in all likelihood, pickpockets on the lookout for the affluent and unwary. Once inside the Bank, the Inspectors would have observed clerks at their desks or conveying ledgers and papers between offices, and customers managing their accounts, exchanging banknotes and discounting bills of exchange. They would have seen brokers and jobbers buying and selling government debt to a wide variety of public creditors and that same variety of men and

8. The most important works relating to aspects of 'economical reform' are J.E.D. Binney, *British Public Finance and Administration, 1774–92* (Oxford, 1958); Philip Harling, *The Waning of Old Corruption: The Politics of Economical Reform in Britain, 1779–1846* (Oxford, 1996); David Lindsay Keir, 'Economical Reform, 1779–1787', *Law Quarterly Review*, 1 (1934), pp. 368–385; Earl A. Reitan, *Politics, Finance, and the People: Economical Reform in England in the Age of the American Revolution, 1770–92* (Basingstoke, UK, 2007).

9. Adam Smith, *An Enquiry into the Nature and Causes of the Wealth of Nations* (Oxford, 1976), p. 320.

10. A full staff list is reproduced in appendix 1.

women collecting their dividends. Porters would have been lingering in the hallways and in the banking hall to guide customers to their destinations. This was part of their job, but they still would have been hoping for a tip to reward their knowledge and diligence. The Inspectors had seen all this before, of course, but maybe that morning they looked with fresh eyes and started to formulate questions about the way in which the Bank functioned.

As the closing remarks of the Inspectors' reports suggest, whatever questions they had about processes, they remained confident about the importance of the Bank to the public. They also asserted the virtue of that work and the diligent and honourable behaviour of the majority of the Bank's employees. They would have fully understood the Bank's prominent role in the country's financial architecture, and they would have acknowledged that it rested upon the institution's intimate connection to the business of government through the provision of services in support of the creation and circulation of both short- and long-term public debt. Attaining that position had not been straight-forward. When the Bank was established in 1694 it had been a temporary solution to a pressing problem, that of financing the Nine Years' War (1689–1697). It had been granted a twelve-year charter and in return had lent the state £1.2 million, the totality of its initial capital.[11] The expectation was that this would be quickly repaid, and then the Bank, presumably, would have been left to develop its business in the service of the public. The repeated conflicts of the long eighteenth century ensured that repayment was not possible. Instead, the Bank's capital, all lent to the state, doubled and doubled again during its first decade through direct loans and the refinancing of existing debt.[12] The lucrative nature of this business meant there were early rivals to the Bank. The Land Bank was never a strong threat, although it may have appeared so when it was first proposed. The South Sea Company posed a much greater risk until it collapsed under the weight of its own ambition.

After 1720, the Bank was able to consolidate its position and develop its relationship with the state, and by the 1770s its loans to the government exceeded £11 million.[13] It also managed nearly 70 per cent of the

11. Clapham, *Bank of England*, 1:13–20.

12. Ann M. Carlos, Erin K. Fletcher, Larry Neal and Kirsten Wandschneider, 'Financing and Refinancing the War of the Spanish Succession, and then Refinancing the South Sea Company', in D. Coffman, A. Leonard and L. Neal, eds., *Questioning Credible Commitment: Perspectives on the Rise of Financial Capitalism* (Cambridge, 2013), p. 152.

13. Clapham, *Bank of England*, 1:171.

long-term public debt. This meant that for all but a relatively few funds, transfers were handled and interest payable at the Bank.[14] And this related to a significant amount of debt. By 1763, the combined total of the funded and unfunded debt stood at £133 million and, at the end of the war with America, at £245 million. By 1819, following the conclusion of the Revolutionary and Napoleonic Wars, the debt stood at £844 million.[15] The number of public creditors rose in tandem with the outstanding debt. By the mid-eighteenth century there were around 60,000 public creditors, and by 1815 that number had increased to an estimated 250,000.[16]

The Bank's services to the state also extended far beyond debt maintenance. From its earliest days it had been involved in remittances overseas to support the state's military operations. It managed the circulation of Exchequer bills in return for an allowance from the Treasury. This was ultimately to lead to what was essentially a monopoly over short-term lending to the government.[17] It also provided both deposit and borrowing facilities for government departments and offices, many in a formal capacity from the 1780s, and it lent to the army, navy and ordnance.[18] Moreover, although the Bank was not the only financial institution to issue paper money, the fact that its notes were not only accepted widely but also accepted in payment for tax liabilities meant that its paper was supported directly by the actions of the state.[19]

Absorbed as it was in supporting the public finances, the Bank never seriously pursued private business opportunities. Early in its history there had been some forays into private loans both through 'pawnes', advancing money against goods, and through mortgages.[20] This business soon fell away. By the mid-eighteenth century, private lending was concentrated on large and quasi-state institutions. Loans to the East India Company (EIC) dominated, and its outstanding debt to the Bank was seldom less

14. Clapham, *Bank of England*, 1:102–103.

15. B. R. Mitchell with Phyllis Deane, *Abstract of British Historical Statistics* (Cambridge, 1962), pp. 401–402.

16. P.G.M. Dickson, *The Financial Revolution in England: A Study in the Development of Public Credit, 1688–1756* (London, 1967), p. 285; Ranald Michie, *The Global Securities Market: A History* (Oxford, 2006), p. 53.

17. Dickson, *Financial Revolution*, p. 360.

18. H. V. Bowen, 'The Bank of England during the Long Eighteenth Century, 1694–1820', in R. Roberts and D. Kynaston, eds., *The Bank of England: Money, Power and Influence 1694–1994* (Oxford, 1995), p. 11.

19. Christine Desan, *Making Money: Coin, Currency and the Coming of Capitalism* (Oxford, 2014), pp. 312–318.

20. J. H. Clapham, 'The Private Business of the Bank of England, 1744–1800', *Economic History Review*, 11 (1941), p. 78.

than £100,000.[21] There were also constant, although more modest, credit lines offered to the South Sea Company, the Hudson's Bay Company and the Royal Bank of Scotland.[22] The Bank's bullion business likewise was limited and returned relatively insignificant profits. It did, however, ensure that the ratio of metallic reserves against notes issued was high throughout much of the eighteenth century. Clapham estimates that it stood above 50 per cent in much of the latter part of the 1700s and, prior to the Revolutionary and Napoleonic Wars, dropped lower only during the crisis years of 1763, 1772–1773 and 1783.[23]

Out of all the Bank's offerings, it was the discounting business that grew, especially from the 1760s onwards. However, it was not particularly lucrative, relative to the Bank's work for the state. Clapham estimates that, in its most profitable year prior to the Revolutionary Wars, the discounting business yielded £168,000, only enough to pay a quarter of the dividend for that period.[24] But by the later eighteenth century, this business had allowed the Bank to become integral to the management of the London economy. Its control was neither overt nor openly stated, but there is evidence that, at key points, the Bank's directors intervened to manage the credit market through its discounting policy. Thus, as Huw Bowen has asserted, it sat 'at the heart of the nation's credit structure' and contributed to the smoothing of the effects of financial upheaval.[25]

The Bank also commanded the trust and confidence of the business community. Indeed, as one measure of that trust, its stock stayed above par throughout the eighteenth century and was, for the most part, quite comfortably above par.[26] Moreover, the Bank's considerable and sound reputation underpinned the perception of London, and indeed Britain, as a site of financial stability and opportunity. As such, the Bank was a place where the business of financiers, merchants, producers and retailers was performed, noticed and recognized. It was a place to see the economy in action and to be seen as part of that economy. The Bank of England, therefore, was at the apex of Britain's financial architecture when the Inspectors started their work. With that power, however, there was also challenge.

21. Ibid., p. 87.
22. Ibid.
23. Ibid., p. 79.
24. Ibid., p. 81.
25. Bowen, 'Bank of England', p. 2.
26. Ibid., p. 14.

Criticism and Challenge

Although the Inspectors characterised the Bank as the 'grand Palladium of Public Credit', not everyone believed in the institution's integrity. The Bank had faced criticism from some factions throughout the preceding ninety years. Critics argued that the dependence of the state on funds either raised by or managed by the institution was unhealthy and created opportunities for corruption. The Bank, it was said and not without justification, meddled in politics and exerted 'undue influence in high political circles'.[27] Its monopoly was resented and the necessity of opening the business up to competition clearly stated. For much of the eighteenth century this criticism remained an undercurrent, creating little pressure on the Bank. The environment of the early 1780s, however, was increasingly febrile. Criticism of financiers grew as the War of American Independence rumbled on with few successes for Britain and growing tensions in other places of nascent empire: Ireland, India and the West Indies.[28] Disruption throughout the empire was matched by recession at home with the higher taxes needed to fund the rising tide of public debt eating into incomes and economic distress leading to industrial unrest and organised extra-parliamentary opposition to the government.[29] Solutions to these problems were elusive. In August 1779 Secretary to the Treasury John Robinson wrote to Secretary at War Charles Jenkinson, 'I shall not be surprised if the whole Administration blows up even before the Meeting of Parliament'. The Cabinet, Robinson believed, hated each other, and there was no plan for remedying the crises at hand. 'Nothing done, or attempting to be done, no Attention to the necessary arrangements at Home, none to Ireland, nothing to India, and very little I fear to foreign affairs'.[30] And Robinson was a supporter of the government.

Its critics attacked the poor handling of the war and the spiralling costs that had allowed financiers, particularly those responsible for managing debt issuance, and war contractors, those who supplied goods and services to the British war machine, to profit from the nation's misery.[31] To many of these critics, financial mismanagement seemed to be at the heart

27. Ibid., p. 7.

28. P. J. Marshall, *The Making and Unmaking of Empires: Britain, India and America, c. 1750–1783* (Oxford, 2005), p. 353.

29. Reitan, *Politics, Finance, and the People*, p. 1.

30. British Library (hereafter BL), Add. MS. 38212, Liverpool Papers, Volume XXIII, fol. 57.

31. Harling, *Old Corruption*, p. 33.

of the matter, and the solution was 'economical reform': the reform of the nation's seemingly corrupt financial systems. Economical reform was particularly directed at better management of state finances, the abolition of sinecures and the weakening of the influence of the crown. Although not central to these concerns, the Bank was presented as just another aspect of a sinister monied interest which prospered from the exigencies of war.[32] The debate about the renewal of the Bank's charter in 1781 best illustrates how such criticisms may have manifested into threats against the institution.

The limited charters granted to the Bank until the middle of the nineteenth century meant that, in theory, it could have been dissolved and replaced had the government chosen to do so. In reality, the balance of power was not so one-sided, especially since charter renewals were generally negotiated during periods of fiscal emergency.[33] This was also the case in 1781 when the existing charter had more than six years remaining. Who prompted the discussion—the state in need of additional funds or the Bank's directors seeking to exploit that need—is not known.[34] However, the terms of the renewal were negotiated in secret, and the deal, renewal until 1812 in return for a loan of £2 million, was brought to the Commons with no notice. Factions both within and outside of Parliament were vehement in their opposition. Former Member of Parliament (MP) David Hartley argued that it needed to be seen as a matter of basic economy, and he chided Lord North that he should spend a 'morning or two . . . shopping with the maids of honour, till he has learnt that the best way to make a bargain is by going to more shops than one'.[35] Hartley argued that the Charter had a value, one that he put at £120,000 per annum.[36] Supposing fourteen years' purchase, therefore, the Bank should owe £1.68 million to the state, whereas Lord North was simply requiring a loan of £2 million at 3 per cent interest.[37] If other providers of the services offered by

32. Bowen, 'Bank of England', p. 9.

33. J. Lawrence Broz and Richard S. Grossman, 'Paying for Privilege: The Political Economy of Bank of England Charters, 1694–1844', *Explorations in Economic History*, 41 (2004), p. 70.

34. Clapham, *Bank of England*, 1:177.

35. Hartley lost his seat as member for Hull in 1780. He returned to Parliament in 1782 and was defeated again in 1784, whereupon he retired from politics. Christopher F. Lindsey, 'David Hartley (1731–1813), Politician', *ODNB*, accessed 7 January 2018, https://doi.org/10.1093/ref:odnb/12495; David Hartley, *Considerations on the proposed renewal of the Bank Charter* (London, 1781), p. 17.

36. Hartley, *Considerations*, p. 19.

37. Clapham, *Bank of England*, 1:179.

the Bank could be found, then the charter could be offered to the highest bidder, not given away to the Bank. Rockinghamite MP Sir George Savile agreed.[38] The 'public had an estate to sell', he raged, but it was being sold 'damned cheap'.[39]

North's counter, that he 'could not imagine there was one man living, who, after the long experience of its utility, would deny that it was the duty of parliament to cement and strengthen the connection and union between the Bank and the public as much as possible', is often used to demonstrate Parliamentary support for the Bank.[40] But North was not praising the institution; he was coming to its defence against a powerful and well-supported opposition. Ultimately, his arguments were successful and the Charter was renewed. Almost a century of accumulated experience could not be dispensed with lightly. Moreover, the most powerful argument against replacing the Bank was that the state owed it many millions of pounds, which it could not afford to repay in return for removal of the institution's privileges. But we should not suppose that the choice was merely between continuing with the Bank of England and dissolving it. There was more than one potential way of curbing the Bank's power and securing a better deal for the country. Establishing a rival public bank would have been possible. Indeed, this was the remedy most often called for.[41]

Likewise, it would have been feasible to place the Bank of England under rigorous Parliamentary scrutiny or even bring it under some form of state control, as the case of the EIC demonstrated. The EIC, also a private company, was from the late 1760s onwards under regular scrutiny. In 1773 a Regulating Bill was passed which limited the dividends the Company could pay, restricted the participation of its employees in private trade and made provisions for state interference in its affairs, especially in the governance of India. George III said of the Bill, 'It lays a foundation for a constant inspection from Parliament into the affairs of the Company which must require a succession of Regulations every year'.[42] The EIC came under further scrutiny during the economical reform period. In 1781 a Secret Committee was established under the chairmanship of Henry Dundas. Its ostensible purpose was to investigate the causes and

38. J. Cannon, 'Savile, Sir George, Eighth Baronet (1726–1784), Politician', *ODNB*, accessed 5 May 2018, https://doi.org/10.1093/ref:odnb/24736.

39. Clapham, *Bank of England*, 1:181.

40. Speech of 13 June 1781, in William Cobbett, ed., *The Parliamentary History of England, from the Earliest Times to the Year 1803*, 36 vols. (London, 1806–1820), 22:517.

41. Bowen, 'Bank of England', pp. 8–9.

42. Quoted in Lucy S. Sutherland, *The East India Company in Eighteenth-Century Politics* (Oxford, 1962), p. 261.

consequences of the recent war in the Carnatic with Haider Ali, the sultan of Mysore.[43] The Bill proposed by Dundas as a consequence of the Committee's investigations was primarily concerned with India and would result in the establishment of the Board of Control in 1784.[44] One of its key points, however, was reorganisation of the EIC in London so as to prevent shareholders from interfering in India and to allow the British government to exercise greater power over the Company's affairs.[45]

The actions that led to the Board of Control violated not only the EIC's rights as a private company but also its shareholders' rights. Arguably, this was done in the pursuit of a greater good, but it must have been a concern for the other monied companies. It certainly set a precedent for interference in the Bank of England's business, and the institution's intimate connections to the financial stability of the state would undoubtedly have provided a valid excuse for that interference had its performance been less than satisfactory. The timing of Dundas's Bill is also significant. It was introduced to the House of Commons in mid-February 1783. The debate would be postponed until later that year because of the fall of the Shelburne administration, but that could not be known in the early spring. It was under these circumstances that, in March 1783, the Bank of England's directors took decisive action. They appointed their own Committee of Inspection, empowered to 'inspect & enquire into the mode & execution of the Business as now carried on in the different departments of the Bank'.[46]

In taking this action, the Bank's directors were, in all likelihood, seeking to put a halt to any plans to impose the kinds of control seen at the EIC on their own institution. Their means of doing so were, seemingly, intelligently conceived. They appear to have replicated the response of Lord North to Parliamentary criticism of the government's handling of its finances. To head off his critics, North had formed a statutory commission to examine the public accounts. The Commissioners were asked to establish the real state of the public finances, identify defects in the systems for managing the public finances and propose solutions.[47] It is key to our story that three of their number were bankers: George Drummond, Samuel

43. M. Fry, 'Dundas, Henry, First Viscount Melville (1742–1811), Politician', *ODNB*, accessed 6 January 2018, https://doi.org/10.1093/ref:odnb/8250.

44. H. V. Bowen, *The Business of Empire: The East India Company and Imperial Britain, 1756–1833* (Cambridge, 2008), p. 73.

45. Ibid.

46. BEA, M5/212, fol. 1.

47. Reitan, *Politics, Finance, and the People*, p. 64.

Beachcroft and Richard Neave.[48] Beachcroft and Neave were directors of the Bank of England—Beachcroft had been governor from 1775 to 1777, and Neave was to become governor in April 1783.[49] Although the Minutes of the two bodies with oversight at the Bank, the Court of Directors and the Court of Proprietors, do not confirm the reasons for the appointment of the Committee of Inspection, both the timing of its appointment and the probable influence of Beachcroft and Neave allow us to assume a direct connection between the Committee and the cause of economical reform.[50]

Economical Reform at the Bank

The working practices of the Committee of Inspection closely matched those of the Commission for Examining Public Accounts, suggesting the precedent set by models for economical reform was being followed. The Bank's Inspectors, like the Commission, had wide-ranging powers and not just to inspect but also to recommend any necessary changes to improve working practices and eliminate corruption. Each body pursued a similar mode of inspection. They both visited one department after another and published interim findings and recommendations as their work continued.[51] Similarities existed between the practical agendas of the two bodies. Both were concerned chiefly with the effectiveness of working systems, the nature of the work and the integrity of the post-holder with regard to job performance and remuneration, including gratuities and perquisites. In this respect, the Commissioners, of course, were faced with problems somewhat different from those of the Bank's Inspectors. The Commissioners were dealing with a long-established system mired in tradition and dependent on sinecure posts. The Bank's Inspectors were faced with a system that was, on the whole, fit for purpose but had grown out of all proportion in the years running up to the Inspection. The result of this was systems that relied upon shortcuts and had grown lax to accommodate much higher volumes of work. Equally, the Bank's Inspectors found no obvious sinecures. Each post at the Bank was associated with a specific set

48. Ibid., p. 66.

49. George Drummond was the more junior partner in the family banking business, but Drummonds was a prosperous and influential firm. Anon., *Drummond Bankers: A History* (Edinburgh, 1993?); Philip Winterbottom, 'Henry Drummond (c. 1730–1795)', *ODNB*, accessed 6 January 2018, https://doi.org/10.1093/ref:odnb/48025.

50. BEA, G4/23, fols. 352–353.

51. J. Torrance, 'Social Class and Bureaucratic Innovation: The Commissioners for Examining the Public Accounts, 1780–1787', *Past and Present*, 78 (1978), p. 66; BEA, M5/212; BEA, M5/213, passim.

of duties and held by a working post-holder. On the other hand, as we will discover, there were poor working practices and lapses in security aplenty.

One significant difference between the Commission and the Bank's Inspectors was that the latter were appointed from within. No external views were to be brought to bear on the situation at the Bank, and this was, undoubtedly, a calculated response. It demonstrated that the Bank, unlike the EIC, could, and was willing to, put its own house in order. Yet, we should not assume that this made the Inspection a toothless process. The Commissioners appointed to examine the public accounts were arguably sympathetic to the reform agenda at hand. Thus, Neave and Beachcroft's apparent role in the establishment of the Committee of Inspection makes it likely that they followed this model and appointed men sympathetic to the cause to inspect the Bank.[52] Bosanquet, Winthrop and Dea were directors of relatively short standing. Bosanquet had first been elected as director twelve years previously, in 1771.[53] Dea had been elected in 1775 and Winthrop only in 1782.[54] Both Bosanquet and Winthrop were merchants, and both went on to serve as Governors of the Bank and thus were clearly very capable individuals. Very little is known about Dea. All three had served on the Bank's Committee for House and Servants, as did the majority of directors. As its name suggests, the Committee was responsible for various aspects of the maintenance of the Bank's premises and the pay, employment and disciplining of the clerks. The reports of the Committee for House and Servants, which met every three months, tend to suggest a rather formulaic agenda. There were warrants to approve and sign for the payment of tradesmen and suppliers and decisions to be made regarding any changes. Reports were received on the behaviour of the staff, although very few direct complaints were made and usually the various heads of department noted only absences.[55] Nevertheless, Bosanquet, Dea and Winthrop's service on this committee suggests that they were broadly familiar with the day-to-day running of the Bank and of the rules governing the working practices of the clerks and had encountered instances of how those rules could be circumvented.

52. Torrance, 'Social Class and Bureaucratic Innovation', p. 64.

53. Bosanquet continued to serve as a director until his death on 5 July 1806. He was elected deputy governor in 1789 and 1790 and governor in 1791 and 1792. BEA, M5/436, Directors Annual Lists, fol. 25.

54. Dea served as a director on and off until 1798. Winthrop served with occasional breaks until his death on 7 October 1809. He was elected deputy governor from 1802 to 1803 and governor from 1804 to 1805. BEA, M5/436, fols. 26–27.

55. BEA, M5/376, Minutes of the Committee for House and Servants, passim.

The Inspectors spent a little over a year pursuing their business. Their work stopped from the end of July to 24 September 1783 because 'some of the Committee were going out of Town', but they took no other significant breaks. They submitted interim reports throughout their tenure and submitted their conclusions in March 1784 but continued to deal with lingering business for several months after that.[56] Their work was recorded by a secretary, Mr Aslett, who, when his task was finished, received the commendation of the Inspectors as having been 'very diligent in his Duty, & in his attendance on us'.[57]

Reading between the lines of the reports allows us to make some assumptions about how the Inspection was conducted. When working, the Inspectors adopted a procedure that combined observation of the clerks with interviews and other enquiries. Notice was given of their itinerary in order to allow the senior men time to prepare their testimonies.[58] Observations appear to have taken place during business hours, and thus the process of the Inspection was obvious to all the clerks and to any astute customers of the Bank who were in the offices at that time.[59] Other than this, there is no indication that the Inspection was made public in any way.

It appears that the Inspectors' behaviour was not overtly intrusive or forceful. Indeed, on a number of occasions they consulted with staff about proposed changes. This suggests that they had respect for accumulated knowledge and an understanding that they were engaging in the alteration of physical activities and processes of which the Inspectors had less understanding than men who had been working in the same capacities for many years. Yet, while periods of consultation point to a cooperative process, perhaps we should not underestimate the possible negative effects of such operations. The milieu of criticism of public finance and public servants cannot have escaped the attention of men who would undoubtedly have frequented the coffee houses of London. Equally, the process of being observed and questioned might have led to feelings of unease. Some of the Bank's clerks must have felt intimidated by the Inspection, although, as we shall see, others used it for promotion of their own interests and to settle scores.

It seems likely that the Committee of Inspection was appointed primarily to demonstrate the value and virtue of the Bank, and this aspect of its role is acknowledged throughout the chapters that follow. But for the

56. BEA, M5/212, fols. 175–176; M5/213, fol. 180.
57. BEA, M5/213, fols. 177–178.
58. See, for example, BEA, M5/213, fol. 21.
59. See, for example, BEA, M5/212, fols. 102, 209.

historian, the Inspectors' reports offer much more than an opportunity to study the practical consequences of the economical reform movement. They provide us with an analysis of all aspects of the Bank's business and intimate details about the nature of the work undertaken by the clerks in the service of the public and of the state. Of course, the details preserved in the Committee of Inspection's Minute books cannot all be taken at face value. Undoubtedly compliance with the standing rules of the Bank was higher when the Inspectors visited a particular office.[60] Moreover, the year-long establishment of the Committee taught both supervisors and junior clerks what to expect from the Inspectors' visits and interviews. Practices were certainly adapted in advance of their visits.

Nonetheless, the diligence with which the Inspection was conducted and the systematic cross-examination of certain clerks suggest that the Inspectors, for the most part, uncovered the realities of the Bank's inner workings. Numerous other extant sources are available to supplement the information in the Minutes. Various rule books have been preserved which offer rich detail about how certain offices were supposed to operate. Diaries of the Bank's governors and Minute books from the various committees that managed the Bank also survive, as do the Minutes of the Courts of Directors and Proprietors. Details of the clerks' working lives, pay, conditions and career progression can be reconstructed from various records. And, most interestingly, one of the Inspectors, Samuel Bosanquet, kept a notebook in which he recorded his personal musings on the clerks and their work as the Inspection proceeded. Drawing on all of these records, the chapters that follow will reconstruct life and work at the late eighteenth-century Bank.

Historiographical Contexts

The narrative follows a day in the life of the Bank, beginning as the gates opened at dawn and continuing through a twenty-four-hour cycle. This is more than a conceit. As in John Brewer's discussions of the Excise in *Sinews of Power*, the 'heroes' of this story are clerks—in this case, those who managed the business of banking.[61] For them, as a general rule, every day was the same. The quest for control of a vast amount of business in a manner

60. Bartrip suggests a similar effect after the establishment of a full-time professional agency for factory inspection. P.W.J. Bartrip, 'British Government Inspection, 1832–1875: Some Observations', *The Historical Journal*, 25 (1982), p. 613.

61. John Brewer, *The Sinews of Power: War, Money, and the English State, 1688–1783* (London, 1989), p. xvi.

that gained public confidence necessitated a regimented system which depended upon specific tasks done at specific times. It will also be argued below that it was the seeming reliability and regularity of the systems at the Bank that helped make it an indispensable part of the apparatus of public credit and one which lent credibility to the state's financial promises.

The chapters that follow consider how work was organised at Britain's primary financial institution, but they represent more than just a discussion of the management of eighteenth-century money. By the 1780s the Bank's operations and numbers of staff employed were considerable. It employed more than 300 permanent clerks, and its work was supported by numerous supernumeraries, porters and watchmen. This was more than double the number of white-collar workers of the EIC, ten times the numbers employed by large insurance companies such as the Royal Exchange and Sun Assurance companies and five times the numbers employed by the Admiralty and the Treasury.[62] The Bank of England's clerks dealt with thousands of customers and thousands of transactions a month. They were employed in specialised capacities and required to develop specific skills. Because of the nature and the scale of the work, they had to coordinate with their fellows to ensure that work was completed in a timely fashion. There was seldom any leisureliness about this business and little room for error.

Indeed, work at the Bank could be thought of as an industrial process: complex; requiring specific equipment, spaces and skills; time-defined; specialised and coordinated. It was also one of the more precocious sites of labour management in the eighteenth century. Long before Samuel Greg began managing Quarry Bank Mill by the clock, the Bank of England regulated its business by strict clock time, kept an appearance book and imposed rules about hours and modes of working. Thus, from a discussion of the Bank's work we can learn something about the stock and value of human capital available to eighteenth-century employers. Focusing on the potential industrial workforce, Joel Mokyr has argued for the existence in eighteenth-century Britain of a 'class of able and skilled people, larger and more effective than anywhere else', with abilities that made Britain into the workshop of the world.[63] Robert Allen's rather more pragmatic take

62. Bowen, *Business of Empire*, p. 139; H. M. Boot, 'Real Incomes of the British Middle Class, 1760–1850: The Experience of Clerks at the East India Company', *Economic History Review*, 52 (1999), p. 639. The EIC employed a total staff of over 1,700, if warehouse labourers and dock workers are included in the count. B. Supple, *The Royal Exchange Assurance: A History of British Insurance, 1720–1970* (Cambridge, 1970), p. 70; Stephen Conway, *War, State and Society in Mid-Eighteenth-Century Britain and Ireland* (Oxford, 2006), p. 39.

63. Joel Mokyr, *The Enlightened Economy: An Economic History of Britain, 1700–1850* (New Haven, CT, 2009), p. 111.

does not ignore the endowment of 'human capital', but it stresses that the incentive to innovate was a result of the high costs of labour.[64] The contested nature of these arguments need not detain us for long. More important in this context is the neglect of the service sector in such accounts.[65] Yet, the scale of the Bank's business necessitated forms of 'industrial' organisation, and although there was little mechanisation, innovation in its practices was substantial and wide-reaching. And if a key factor in the development of the British economy was the quality and productiveness of labour, as is suggested by Kelly et al., then the neglect of white-collar work in this debate is inexplicable.[66] Our understanding of the contribution of human capital to 'precocious Albion' will only be enhanced by exploring the eighteenth century's primary site of clerical labour.

The main beneficiary of the Bank of England's organisational skill was the state. It is hoped that one outcome of this book will be to encourage scholars to place the Bank at the heart of debates about the nature of British power during the long eighteenth century. Thus, one of its key contributions will be to extend the discussion of 'credible commitment'. As expounded by Douglass North and Barry Weingast, credible commitment posited a direct connection between the political change brought about by the Glorious Revolution and the ability of the British state to raise public funds.[67] North and Weingast argued that although seventeenth-century Stuart monarchs had been unreliable, and thus were constrained, the Glorious Revolution placed decisions about borrowing in the hands of Parliament. Parliament had the right to veto government borrowing and the right to audit spending that had been approved.[68] For North and Weingast, the fundamental institutions of representative government created 'multiple veto points' supported by the protection of property rights in the courts. This operated to create a credible commitment on the part of the government to honour its financial promises over the long term.[69]

64. Robert Allen, *The British Industrial Revolution in Global Perspective* (Cambridge, 2009), pp. 238–271.

65. A useful summary and extension of the debate is offered by Morgan Kelly, Joel Mokyr and Cormac Ó Gráda, 'Precocious Albion: A New Interpretation of the British Industrial Revolution', *Annual Review of Economics*, 6 (2014), pp. 363–389.

66. Ibid.

67. Douglass C. North and Barry Weingast, 'Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England', *Journal of Economic History*, 49 (1989), pp. 803–832.

68. Ibid., p. 816.

69. Ibid., p. 829.

North and Weingast's arguments have been contested and extended by numerous scholars.[70] It has been decisively demonstrated that credible commitment was not in evidence until the latter part of the eighteenth century, and indeed property rights remained insecure throughout the period.[71] The fate of the EIC is, of course, a case in point. Yet, the people, from the aristocracy to their servants, were still willing to lend to the British state, and, despite more than thirty years of debate on the topic, we are not any closer to understanding why. In the chapters that follow, I will argue that the answer lies, in great part, in understanding the operations of the Bank of England. The Bank functioned to underpin the rights of lenders through its administrative processes and its willingness to review those processes. The Inspection was a strong symbol of that commitment. The institution itself was also an enforcement mechanism which operated, through the actions of its directors, to hold the government to account and allowed the public creditors to associate and act in defence of their own rights. In addition, the Bank was a visible symbol of credible commitment through its buildings and the openly displayed actions of its clerks as they maintained the record of ownership of the national debt.

The importance of the visible bureaucracy at the Bank of England also connects this book directly to the work of John Brewer. Brewer's 'fiscal-military state' was one that was capable of operating a central bureaucracy dedicated to securing substantial taxation and borrowing which could then be employed in the prosecution of war. Brewer's exemplary bureaucratic processes were those of the Excise. His reasons for making this choice were clear. Eighteenth-century Britain's sizeable debt was underpinned by tax funds allocated to pay the interest. The connections are logical ones: commitment is linked to the ability to pay, and efficient taxation was the cornerstone on which the ability to pay was built. One of the consequences of Brewer's work, however, is that taxation and its

70. G. Clark, 'The Political Foundations of Modern Economic Growth: England, 1540–1800', *Journal of Interdisciplinary History*, 26 (1996), pp. 563–588; Gary W. Cox, *Marketing Sovereign Promises: Monopoly Brokerage and the Growth of the English State* (Cambridge, 2016); Anne L. Murphy, 'Demanding Credible Commitment: Public Reactions to the Failures of the Early Financial Revolution', *Economic History Review*, 66 (2013), pp. 178–197; N. Sussman and Y. Yafeh, 'Institutional Reforms, Financial Development and Sovereign Debt: Britain, 1690–1790', *Journal of Economic History*, 66 (2006), pp. 906–935; Mark Dincecco, *Political Transformations and Public Finances: Europe, 1650–1913* (Cambridge, 2011). See also Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity and Poverty* (London, 2013).

71. Julian Hoppit, 'Compulsion, Compensation and Property Rights in Britain, 1688–1833', *Past and Present*, no. 210 (2011), pp. 93–128.

bureaucratic underpinnings have been the subject of much scholarship, while the question of how the state borrowed, and from whom, has been neglected.[72] Yet, although taxation was essential, borrowing provided the immediate funds needed in emergent situations like war. Taxation, to a great extent, could be enforced; lending was voluntary. To understand the geopolitical success of the eighteenth-century British state, it is necessary to understand much more fully the bureaucratic processes that supported its borrowing.

Brewer also argued that the 'fiscal-military' state 'produced a military strength out of all proportion to population and domestic natural resources'.[73] Recent scholarship has qualified his findings.[74] Brewer's assertion of a strong, centralised state has been tempered by a better understanding of the wide dispersion of powers through British society and persistent weaknesses in national defence.[75] In particular, Conway accepts that the state operated with increasing efficiency but asserts that this was the result of symbiotic relationships with both private interests and local authorities. The centralised power of the state operated in partnership with other entities, and it was those partnerships that were 'key to Britain's ultimate success in mobilizing such impressive quantities of manpower, material, and money'.[76]

A particularly informative account of how those partnerships worked can be found in Roger Knight and Martin Wilcox's work on the British navy's victualling service. Knight and Wilcox offered an alternative to the 'fiscal-military state' in the 'contractor state', a shift that focuses attention on the way 'Britain expended the taxes and loans which the government

72. See, for example, William J. Ashworth, *Customs and Excise: Trade, Production, and Consumption in England, 1640–1845* (Oxford, 2003).

73. Quoted in Richard Harding and Sergio Solbes Ferri, 'Introduction', in Richard Harding and Sergio Solbes Ferri, coords., *The Contractor State and Its Implications, 1659–1815* (Las Palmas de Gran Canaria, Spain, 2012), p. 8.

74. For a useful starting point, see the volumes produced by the Contractor State Group and its predecessors: H. V. Bowen and A. González Enciso, eds., *Mobilising Resources for War: Britain and Spain at Work during the Early Modern Period* (Pamplona, Spain, 2006); Rafael Torres Sánchez, ed., *War, State and Development: Fiscal-Military States in the Eighteenth Century* (Pamplona, Spain, 2007); Stephen Conway and Rafael Torres Sánchez, eds., *The Spending of the States: Military Expenditure during the Long Eighteenth Century: Patterns, Organisation and Consequences, 1650–1815* (Saarbrücken, Germany, 2011); Harding and Solbes Ferri, 'Introduction'. See also A. González Enciso, *War, Power and the Economy: Mercantilism and State Formation in 18th-Century Europe* (Abingdon, UK, 2017).

75. Paul Langford, *Public Life and the Propertied Englishman, 1689–1798* (Oxford, 1991); J. E. Cookson, *The British Armed Nation, 1793–1815* (Oxford, 1997).

76. Conway, *War, State and Society*, p. 34.

collected'.[77] The concept of the contractor state is generally applied to the process of converting financial strength into military power, but, at its heart, it denotes a system that turned to 'agents outside the government, for procuring goods and services to enable it to carry out its functions'.[78] Although not previously written of in these terms, I would like to assert that the Bank of England was, in fact, the most successful and long-lived of all the contractors employed by the British state. Indeed, it survived as a private firm, owned by its shareholders and controlled by a directorate elected from among those shareholders, from its establishment in 1694 to nationalisation in 1946. It was a contractor because it received fees to manage the state's debts. It was a contractor because the collective mind of its directors understood and could negotiate with markets for money to which the state did not have easy direct access. It was a contractor because it connected public and state in that profitable relationship which delivered funds to the British war machine while rewarding the public creditors with regular dividends. It was a contractor because it delivered the efficiency that state machinery can seldom achieve.

A central part of what follows, therefore, is directed at understanding the Bank's connections with the British state not at the level of high politics but at the level of service-provider, particularly through the prolonged periods of war that punctuated the long eighteenth century. This will involve an assessment of the bureaucratic and organisational effectiveness of the institution and the value for money that it represented for the state. Here we must consider much more than simply the costs of the services the Bank provided. There were also intangible savings offered by the Bank becoming the face of public credit. Equally, the Bank was not just the primary intermediary between the state and the public creditors; it also provided an interface between the state and the money market.[79] As O'Brien asserts, given the level of debt issued during the wars of the eighteenth century, this was a function not to be taken lightly. The pathways from debt issuance to public uptake of the debt operated mostly through loan contractors, and the Bank facilitated that relationship.[80]

77. Roger Knight and Martin Wilcox, *Sustaining the Fleet, 1793–1815: War, the British Navy and the Contractor State* (Woodbridge, UK, 2010), p. 10.

78. González Enciso, *War, Power and the Economy*, pp. 187, 186.

79. Patrick K. O'Brien, 'Mercantilist Institutions for the Pursuit of Power with Profit: The Management of Britain's National Debt, 1756–1815', in Fausto Piola Caselli, ed., *Government Debts and Financial Markets in Europe* (London, 2008), p. 185.

80. Ibid.

Finally, focus on the Bank as one of the state's key contractors allows a further exploration of a central platform of Brewer's thesis: the efficiency of state administration. Brewer's view of Britain as the paradigm of state effectiveness has been tempered by scholars who point to Aylmer's more realistic assessment that British administration was an 'extraordinary patchwork' of efficiency and incompetence.[81] What follows will reveal that there were numerous failings in the Bank's systems, many of them the result of human error and some the result of the mendacity of clerks who knew the failings in their systems and how to exploit them. Yet, the Bank got the job done and could be seen to get the job done. In the end, whatever the criticisms of the Bank, few doubted the veracity of Lord North's praise of its 'prudent management'.[82] The achievements of the institution and its workers, therefore, offer powerful new evidence that adds to our understanding of how bureaucratic processes underpinned the geopolitical success of the British state during the long eighteenth century.

Outline of the Book

The chapters that follow will re-create a day in the life of the Bank. Its gates opened early in the morning. There was much to do before the customers arrived, including the domestic work of cleaning the building, lighting lamps, winding clocks and laying fires. The clerks, many of whom arrived early to work, also had the task of readying the offices. This included the disgorging of the safes and vaults and the preparation of the ledgers and paperwork needed by the clerks whose daily business took them outside of the Bank. Chapter 1 discusses these routines and demonstrates their importance to the maintenance of order. It also situates the Bank in its surroundings in the City through an exploration of what the clerks saw when they arrived at work. Thus, it details the development of the Threadneedle Street site, noting the Bank's aggressive protection of its own space and its concern to create an aesthetic that combined security, transparency and integrity.

Chapter 2 focuses on the business that dominated the early morning at the Bank, that of the management of London's payment systems. The

81. For an overview, see Rafael Torres Sánchez, 'The Triumph of the Fiscal-Military State in the Eighteenth Century: War and Mercantilism', in Torres Sánchez, *War, State and Development*, p. 20. See also G. E. Aylmer, 'From Office-Holding to Civil Service: The Genesis of Modern Bureaucracy', *Transactions of the Royal Historical Society*, 30 (1980), pp. 91–108; Philip Harling and Peter Mandler, 'From "Fiscal-Military" State to Laissez-Faire State, 1760–1850', *Journal of British Studies*, 32 (1993), pp. 44–70.

82. Cobbett, *Parliamentary History*, 22:518.

primary focus of this chapter is the Cashiers Department, one of the two great departments of the Bank. It will outline the offices that could be found in this department and give examples of the management of their work and its risks and rewards. The business conducted by the Cashiers Department embedded the Bank in the wider economy through the issuance of banknotes and the discounting of bills of exchange. Thus, chapter 2 will explore the Bank's developing role as an institution and its acceptance of, and resistance to, taking responsibility for regulating the British economy.

During the late morning the Bank shifted gears as the market in government debt opened in the Brokers' Exchange, bringing with it the noise and confusion of an open outcry market and a significant flurry of activity as brokers, jobbers and ordinary investors sought to confirm their transfers and collect their dividends. Chapter 3 negotiates the confusion of the market to present a picture of public finance at work. It demonstrates the importance of the Bank to the process of maintaining the public credit and situates it as the primary embodiment of the credible commitment to honour the financial promises made by the state. This was work which involved both administration and demonstration. This chapter will argue that the Bank, being seen to deliver secure and well-ordered public credit, was just as important as its administrative service to the public. But it will also show that the transfer clerks consistently violated the Bank's rules by acting as brokers and jobbers sometimes to the aid, and sometimes to the hindrance, of the investors.

Early afternoon was viewed by the Inspectors as one of the times during which the Bank was at its most vulnerable. This was because most of the senior men would leave for the day at around three o'clock, some to pursue second jobs and others to take advantage of the leisure 'earned' by their seniority. It was an action that the Inspectors regarded as 'very extraordinary' and certainly not what was expected from men in positions of responsibility.[83] Chapter 4 will explore how the routines of the Bank echoed those of the wider City and why they allowed the Bank to be left in the charge of some of the most junior clerks. It will then explore the hierarchies at the Bank, noting who held responsibility, how the senior men achieved their positions and how the committees of directors interacted with the chiefs and supervisors of the Bank's offices. The chapter will also explain the 'sticks and carrots' mechanism that was used in an attempt to keep clerks honest in an environment where they often were not closely supervised.

83. BEA, M5/213, fol. 173.

The Bank of England essentially operated a pattern of shift work. The first, in the early morning, revolved around the preparation for the day. The second was the period during which the public had access to the Bank. That period generated a very significant amount of paperwork. Thus, the final shift of the day, during the late afternoon and into the evening, involved a number of workers updating ledgers and accounts. Chapter 5 details the work of the Accountants Office and traces the bookkeeping procedures and checks and balances that ensured the maintenance of accurate accounts and records of ownership of the national debt and Bank stock. It explores in detail the risks of this system, which placed the most junior men in charge of vast sums. And it discusses the instances when the system failed and allowed some clerks to use their knowledge of the Bank's processes to commit fraud.

During the late evening and night the Bank was most at risk from intruders, from acts of revolt and from fire. As a consequence, its precautions against those risks were elaborate and significant. The final chapter traces the processes of locking up the Bank and securing it from risk. It explores the failures in the technologies of security employed by the Bank, including a system where keys had proliferated, safes and treasure chests were inadequate to the task and the gates stood open late into the evening, allowing people to enter the Bank without being noticed by the watchmen. But it will also demonstrate that the Bank was innovative and active in its own defence using its political leverage to remove the physical threats in its environs, funding its own fire prevention systems and, from the time of the Gordon riots of 1780, having the advantage of a military guard at night, in violation of the City's privileges but much to the appreciation of shareholders and public creditors, both domestic and foreign.

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Note: Page numbers in *italics* indicate figures.