(editor's note: This paper was transcribed from a handwritten cursive copy with various difficulties. For a perfect rendition, the reader might wish to consult the original, itself a copy, in the volume entitled *Literary Club Papers*, May 30, 1891 to February 6, 1892)

The Bank Of England

October 17, 1891

I cannot more fitly introduce this essay than by quoting the remark of an old and learned member of this society, to whom I applied for information as to the sort of subject which would prove most interesting to the members, at the same time explaining a doubt as to the appropriateness of the theme I had already chosen. He replied – "read that which interests you most; the club will take care of itself."

These words will serve as an apology for my selection of a subject whose sole merit is its importance as a factor in the worlds financial life – whose greatest fault is its unfitness to be treated in such a literary style is to prove most agreeable to you all. Therefore my only reason for selecting the a Bank of England is that it interests me, that I trust it will interest you, and that it represents in the best manner, a class of objects concerning which we have no clear-cut, well-defined conception.

It may be a peculiarity, but I have always felt it a species of effrontery to glibly discuss or casually referred to, things of which I am densely ignorant; and that the most profitable way to spend my leisure is to clear away the fog which obscures them, so that my conversation concerning them may be "yea, yea" or "nay, nay."

The Bank of England had always been to me a synonym for a tower of financial strength and I knew it was situated in London. Beyond that I was in the dark, but I read about it, and what I read is embodied in this essay.

It is hardly necessary to say that I am not a financier, I cannot vouch for the accuracy of my remarks upon the Bank's method of conducting business, nor can I attempt to theorize upon the position which it <u>ought</u> to occupy in the sphere of finance; my object is rather to fasten firmly in your minds some intelligible conception of the institution, and I shall therefore at

First - speak of his origin and history
Secondly - explained its workings, including its connection with the currency and exchanges.
Thirdly - describe its interior.

The Bank of England owes its origin to the necessities of the English government, at a time when the nation was deep in the war with Louis XIV of France, when, having ousted its Catholic James II, it had become the champion of Protestantism against Romanism, the enormous war expenditure compelled William III to seek for a loan which should at least have the merit of being a note of interest not over 20% per annum, a rate which the company of Goldsmiths in London had been enjoying a long time for their monopoly of advancements on the security of the revenue. During the 17th century there were many private firms engaged in banking, and these same Goldsmiths also, departing from their legitimate business of dealing in plate and bullion, issued receipts against deposits, which had a fair circulation in the community.

But a national bank was growing to be a necessity; as in the first four or five years of William's reign, a number of schemes were proposed among which that of the credit bank where the whole Mercantile world could obtain advances on their manufactures, was established for a few months, only to fail by reason of its close resemblance to a gigantic pawn-shop, containing none but unredeemed and unsalable pledges.

At length, however, it fell to the lot of a Scotchman by the name of William Paterson to catch the eye of a Montague, the Chancellor of the exchequer, with a proposal which seemed feasible. In its simplest form it was this: subscriptions for a loan of 1,200,000 £ were to be opened under certain conditions of payment: the government offered as security for forthcoming duties on malt and tonnage, agreed to pay 8% a year, and as an extra bait promised to incorporate the subscribers as “the Governor and Company of the Bank of England”.

When this bill was introduced into Parliament it became at once a party issue between the Whigs and Tories, the Whigs supporting it because they had been instrumental in deposing James and calling William from Holland, the Tories opposing because of their dislike for a measure which tended to subdue Louis to whom they looked as the protection of their exiled king and as the possible vindication of their insulted prerogatives. Happily for England, the bill passed, and in 1694 the subscription books were opened, the loan subscribed in 10 days and finally a charter granted by which the Corporation was to receive the 8% above mentioned, 4000 £ a year extra for the management of the debt, and the privilege of dealing in bills of exchange, gold and silver bullion, and to sell any goods, wares, or merchandise upon which they had advanced money.

The charter also established the form of government as follows, which has continued to this day. “That the management and government of the Corporation be committed to the Governor, Deputy Governor and 24 directors; that they shall have in their own name and for their own use severally, viz., - the Governor at least 4000 £ of stock. The Deputy Governor 3000 £ and each director 2000 £ Each Elector shall be a shareholder to the extent of 500 £, and have but one vote”.

Thus in the autumn of 1694 this Corporation began business in the [ ] with about 50 clerks. Its success, however, was not immediate; the war continued with vigor on both sides, with all possibilities of the return of the Stuart and an immediate repudiation of that debt on which the Bank was founded. In London itself opposition was extreme from the private bankers jealous of an institution with government patronage, so that not until the piece of 1697 and a renewal of the charter for 11 years did any substantial growth take place.

For the reasons I mentioned in the introduction, it will be useless to attempt to follow its progress year-by-year, the salient features of its life can alone be recited. Taking its inception in the will of the Government and being always peculiarly dependent upon that master's whim, it follows that every ebb and flow of its tide of fortune has been identical with that of the nation, and more over each time that its charter has been renewed Parliament has not been slow to demand some large favor as the price of each renewal. Thus in 1732, 10 years' lease of life was exchanged for a loan on Exchequer and deals for 1,200,000 £ at 3%; again in 1742, 1,600,000 £ without Interest for a 22 year charter; again in 1789 a 26 year charter for 2,000,000 £ at 3% for three years and so on. At the same time of course many important advantages have been granted at such renewals. Such as the prohibition of joint stock companies within 65 miles of London; the management of the national debt for a compensation; the monopoly of note issue since 1844; and the support of Parliament in times of financial stress.

It is sufficient to say that the growth of the Company has been steady and solid; its capital has increased from 1,200,000£ Two 14,553,000£; Its yearly dividend has been about 10%; its reserve fund for making bonuses or deficient dividends is nearly 3 1/2 million£ and above all its position as the keystone of the financial structure of the world is the greatest honor or dignity for which it can ever hope.

If we examine the history of the Bank we find that those years in which it came near to destruction are alone mentioned; we know nothing, or at least very little, of the years it has moved quietly along. Over these crises then I will take a hasty glance.

The year 1720, the time of the South Sea Bubble of, was its first hard storm. I doubt if we have ever seen such a time in this country. The whole population went mad over money, and were ruined. It is impossible to read the account of such wild speculation and complete delusion without pity. The noble Lord, and the peasant, the most cautious, and the most hare brained rushed head long to throw their all into the hands of speculators.

There were promoters who would return them cent for cent on their investments, who knew places where chunks of silver could be picked up in an afternoon walk, priceless pearls were to be fished from the waves; companies were formed to build enormous tenements for the poor, and last force of all, thousands of pounds were subscribed in a single day to “an undertaking to be revealed in due course of time!”

There was the greatest temptation for the bank to enter the market; enormous sums were being made in the speculation in shares; jewels and plate shown conspicuously and pawn shops. What a time for profit. But it did not yield to the pressure; the bubble burst, the country was ruined alas; the community was still young in experience, they had yet to learn conservatism and prudence.

Again in 1745 the first great run for political reasons nearly engulfed it. Charles Stuart the younger son of James II, landing in Scotland, forced his way as far south as Derby, producing unprecedented alarm, the city’s gates were shut and guarded all business suspended; but the bank remained opened. The hoarding instincts of the depositors were too great; they wanted their coin in their hands in case the Pretender should capture London. So they surged about its doors and windows demanding coin and though it was paid to them at first, the stock began to diminish so much that a ruse was resorted to by which their clerks presented their own notes at the windows and were paid in six pences, which were again taken back of the counter for repayment. The flight of the Stuart to the North stopped the run.

Another period of 25 years between 1797 and 1821 saw the enforced suspension of specie payments. You will remember that during this time occurred the French Revolution and the war with Napoleon. As early as 1793 the distress commenced and the exchanges had been steadily against the Bank. The Government had made no provision for the 7 million £ loaned by the Bank, rumors of invasion by the French fleet caused a run from the [ ]; and England looked to as the strongest and final power to give a blow to France, was expected to provide great resources. In such extremity it was right that the Government should step into the breach. This was done by an order in Council prohibiting specie payments in 1797, an order not raised until 1821. A commission examined the Bank, and found it had a surplus of 3 million £ over liabilities, not counting what the Government owed.

The announcement of suspension caused great commotion, but the merchants of London agreed to accept notes to any amount, thus proving their confidence in the Bank's solvency. It was during this period that a great many 1 £and 2 £ notes were issued as well as 2 3/10 million £ of Spanish silver dollars at the rate of 48.9d. Finally when payments were resumed, an ample stock of gold was on hand, and 9 million £ of bright sovereigns (the first issue) were paid out the first year.

Hardly had the Bank recovered its position when the panic of 1825 came upon it due to overconfidence in trading and extensive speculation. Statistics show that in 1824 and 25 foreign loans to the extent of 25 million £ were contracted, and mushroom stock companies, with directories containing the names of prominent lords and MPs with a total capitalization of 872 million £ of which only 17 million £ were paid in, flourished like bay trees, only to wither like the gourd of Jonah. The country banks, with their over issue of notes increased the trouble. They had to suspend or procure specie, and London was the country's bullion vault. The ordinary banks soon gave out, so <u>the</u> Bank had to give up its stock until only ones million £ remain; at this juncture the government came to their assistance with an issue of 2,000,000 £ Exchequer Bills for four months.

Again in the season of 1887-89 the era of enormous railway speculation occurred. England had bought too many foreign railway shares, and her deficient harvest demanded foreign purchases of grain with exports of gold to pay for it. This time only through the agency of the Barings, who drew several bills on France for 40 million francs each, did it avoid suspension; for which it was recently enabled to reciprocate with a helping hand when the Barings could not meet their acceptances.

From this slight sketch of the crises of the Bank prior to the charter of 1844, we may gather that it's infancy and middle age have seen some tight places - places from which it has extricated itself successfully, but only by its prudent management and the aid of the Government. During this time the greatest part of the present Capital was paid in. In 1746 it was 10,780,000 £; in 1781 11 1/2 million £. Now after the lapse of more than a century is only 14,558,000 £. Only once has she had to suspend specie payments, and her reliance upon other sources has been very rare. Her position has been steadily growing in importance. She holds the reserves of all the London banks, who in turn bank for the world. They depend on her solvency and the good faith of her management. Backed as she is by the most powerful government on earth, she may well be proud of her position. For nearly 200 years she has kept her place and bids fair to last as long as England herself.

We are now prepared to enter into a discussion of the second part – the working of the bank and its relation to the currency and the foreign exchanges. And on this subject I shall lay the most stress, counting it the important issue for our consideration. To thoroughly understand this point is to understand the bank. In the correspondence between the bank and Sir Robert Peel early in the forties, relative to the continuation of the charter, Peel made a proposition that a charter should be granted under certain conditions, and that the form of charter should be different from any issued before. He conceived that the currency should have a surer foundation than the then existing one, and, being determined to carry his idea through, and knowing his power to withhold the charter in case of her refusal to accept, he boldly advised the Bank should be separated into two departments. The issue Dept. and the banking Dept. The issue Dept. should have the sole privilege of issuing notes; the banking Dept. was to conduct its business as usual, paying a certain sum for the privilege. These two departments to be entirely separate though under the same management, and a weekly statement of their condition to be published in the Gazette. Other joint stock banks were permitted to organize in London, but could not issue notes.

The proposition was approved by the bank, and in 1844 the new charter went into effect. Peel had observed that from 11-14 million £ Bank notes had been the average circulation for many years. Therefore the act provided that the Bank should transfer to the issue Dept. Government securities to the amount of 11,015,100 £ against which notes were to be issued in denominations from 5 £ to 1000 £. Also notes against 3,984,900 £ invested in other securities. For every other note issued, gold bullion had to be deposited. Thus the notes were on a gold basis, with the exception of 15 million issued against securities. Now I wish to impress upon you that this is the distinguishing and most important fact to remember concerning the Bank, the point which must stand out in marked relief against the mass of other facts concerning it. A note issue against bullion and we will see how important it is as we proceed to examine this part of our subject.

Let me read and analyze the Bank statement for the 24th of last month. Then we can see what the assets and liabilities are composed of, what their relation is to one another, and this will lead us immediately to the foreign exchange in currency considerations. You will find the statement in the London "Economist" in the Mercantile Library. The issue Dept. had on that date

Liabilities	Assets
41 mil£	11 mil £ government securities
	5.5 " " other securities
	24.5 " " gold coin and bullion
41 mil £	41 mil £

This sum of 11 mil £ was the original amount credited to this department in 1844. Of the 5 ½ mil £ other securities, about 4 mil pounds sterling were transferred in 1844, and 1 ½ mil £ since that time, making the issue of notes against securities 16,450,000 £. The remaining 24 ½ mil £ are issued against gold. Turning to the Banking Dept. we find

Liabilities	Assets
14.5 mil£ Proprietor's capital	10 mil£ government securities
3.5 " " Rest	28 " " Other "
5 " " Public deposits	15.5 " " Bank notes
31 " " Other deposits	1 " " solid [ ] silver coin
5 " " Seven-day bills	
54.5 mil £	54.5 mil £

The proprietors capital as you see is 14 ½ mil £ and represents the loans to the government having grown from 1,200,000 £. The "Rest" is a new term to us; it is found in our bank statement under the head of undivided profits. Each year that a fairly good dividend has been earned, the "Rest" is increased, and only drawn on extensively when profits have been very low or when losses result from bad debts or forgeries.

The item of public deposits, 5 mil £, includes the balance which the Govt. leaves in its hands. The account which is kept with the Govt. is so complete and detailed that it would be impossible to attempt an explanation. The public deposits, 31 mil £, may be divided into the Bankers deposits, the greater part of which are kept there continually to be drawn against for settlement of the clearinghouse transactions and other deposits to the credit of foreign governments or large private firms. The seven day bills are acceptances by the Bank of Seven day paper. They originated in 1788. I believe that the loser thereof might have time to communicate with the Bank for the stoppage of payment.

I presume that in 1738 the thieves were so numerous and people so careless that sufficient excuse is afforded for their appearance in the present statement.

Among the assets we find investments of 10 mil £ or nearly 3 times as much in other first rate securities, 15 mil £ of bank notes, and ½ mil £ in gold and silver coin. Now what are the deductions to be made from this account?

In the first place we find that the Bank has issued 41 mil £ in notes, nearly two thirds of which represents deposited bullion but looking to the statement we observed that 15 mil £ of these notes are kept in reserve from which we conclude that about 25 mil £ are in circulation. This is a true conclusion as experience has shown for many years. We also notice that as these notes in the Banking Dept. decreased to any great extent, so does the bullion in the Issue Dept., for those who need bullion can only obtain it by means of notes, which must have been withdrawn from the Banking Dept..

It is evident that if the reserve of the Banking Dept. is greatly decreased by bullion going out, the liabilities of the Bank must be by so much decreased, or the reserve will be insufficient since it is a fixed policy to keep one third reserved against liabilities. Discounts must either be diminished or the rate of discount raised. As the Bank naturally has to guard against the increase in the scarcity of money.

In connection with this, it must be understood that the notes which are paid into the Issue Dept., for bullion or coin, are immediately destroyed and entirely new notes issued, when that same bullion returns we are thus led to a discussion of the connection of the Bank with the exchanges. And here I must take time to touch upon the method by which such operations are carried on; afterwards the effect of the operations.

To take the familiar illustration, England and America trade with each other, and at a given time, let us say England owed a balance on the transactions. She has bought more than she has sold, as at the present time, by her extensive purchases of grain and stocks in this market so that there are crowds of men over in London who wish to send money here to pay for these things. On the contrary there are much fewer men in New York who wish to send money to England. For if they wished to send the same amount, as they wished to receive, the two debts would cancel entirely. Now as you know, by the familiar and marvelous bill of exchange, these transactions are ordinarily carried on.

In the case we suppose, the bills drawn on London against consignments of wheat and stocks go a-begging in N.Y. for few wish to purchase them for remittances. In London however the bills on N. Y. are in great demand because they are few compared to the demand for them. Thus to confirm this statement we see sight exchange on London quoted in N. Y. at about $4.84 per pound sterling. While six months ago it stood as high as $4.88. It is evident that those in N. Y. who have bills in London, wishing to get their money right away want to sell them, but purchasers are so few that they compete in selling and are compelled to accept a few cents below the par of exchange which is, I believe about $4.86 per £ sterling.

They know that if they have a bill on London for 1000 £ they could at par get $4.86 for each £, but as the demand is small they prefer to sell for $4.84 or $4.85 that they may get their money on the spot, but they are will not take less per pound than it would cost to have bullion shipped to them. This cost for insurance, freight, and loss of interest on money in transit is about 2 ¢ per pound. Less than this they will not take. You can readily see therefore that this would be a good time to buy a letter of credit on England.

The opposite effect is now taking place in London; the holders of bills on N. Y. are asking more than 2 ¢ for each $4.86 drawn on N. Y. and as a result those who owe N. Y. know that they can remit bullion for 2 ¢ per pound exactly, and that is why the Atlantic Liners are bringing sovereigns and bullion to N. Y. each week. The whole transaction is founded on the fact that England owes us more than we owe her, and the difference is so great, that those effects are produced, which I have just mentioned and bullion is sent here.

I have taken the liberty of explaining this because it refers us directly to the Bank of England. Her stores are always diminished at such times. The notes flew from her reserve into the Issue Dept., crowding out an equivalent amount of bullion which flows away. Now it stands to reason that a large drain such as we have mentioned produces stringency and as the supply of loanable capital is decreased by say 10 mil £ as England's may before several months, the demand for money there remaining the same, interest must rise and naturally the discount rate, which is the same as the interest rate.

For example we know that a few weeks ago the Bank raised her rate from 2 ½ to 3% and I can't help believing that some of us do not see why. People say that gold may be kept at home, which means that England wishes to stop the means of paying her debts. Nothing of the kind. England is honest enough to pay for what she has bought. Her object is to repair the loss of bullion. Postulating that the rate of discount is the same as the rate of interest (for a discounter merely retains the interest on the paper for the time he has to hold it) we can readily see that the Bank acts as other banks do. They will charge more for their capital loaned. Thus when the exchanges are unfavorable, which in the money world of England means that bullion is going out of the country, we find interest growing higher and the rate of discount raised.

You may ask what is the use of such raise? Why not keep the discount rate down. For the international indebtedness will soon be met. Well the time in which this debt is paid in the case we are speaking of is too long as a rule. There is too great a liability that too much bullion will flow away and that stringency will ensue. <u>So the rate is raised to attract foreign capital</u>. Here is another proposition worth remembering, that capital seeks the place of the highest profit. Could you read tonight the quotations in France, Germany or Holland of bills on London, you would very probably see a rise in their price, which will go on steadily until the Bank rate is highest. As the rate rises above that in other countries there is a keen competition in those countries first, to remit bills on London for the sake of investing the proceeds in New Orleans for the higher rate of interest there. Second to use the proceeds in current discount bills at that rate which of course as we have seen, means the same thing.

This competition for bills on London will increase until perhaps it will be profitable to send bullion to England for investment and this is the benefit that England experiences from her increased Bank rate. She replenishes her stock of bullion and coin, and so increases her stock of notes, so that the currency resumes its ordinary [swing]. The balance of trade is restored, and discount and interest rates gradually subside. Now it may become clear why the Bank rate is watched with such eager eyes by every banker and merchant from Calcutta to San Francisco. The whole world pivots on the Bank. The market rate is always a fraction below the bank rate, so that a rise in the Bank rate indicates conclusively the state of the money market, and being authoritative it naturally commands attention.

From what has been said we observe that when the rate becomes lower indicating more abundant money, and a large stock of bullion, such a plethora is soon established that the situation is reversed, money is sent away to earn higher rates of interest, loans at low interest are easily obtained and finally when the debts again overbalance the credits, the rate must rise again, all from the plain law of supply and demand. For the financial world is as completely governed by such laws as any department of life and indeed as delicately adjusted is this whole mechanism of international exchange, that the longer one contemplates its beauty and apparent fragility, the more does he wonder at its ability to shape itself to the needs of the times, or the particular demands of the moment, and especially do we admire that crowning beauty of it all, that balance or governor, constantly regulating its action according to the wisest plan.

So much for the exchange transactions. The effect of the rise and fall of bullion on the currency, as due to the charter of 1844, next claims our attention.

England has today I suppose a gold circulation of about 110 mil £ and a note circulation of about 25 mil £. The remaining 15 mil £ constitute the Bank reserve. Situated as she is, her importations are enormous, though almost equaled by her exports. There are times when she fails to gather a good harvest, or she makes a loan to a foreign country, and then the exchanges are decidedly against her. Her Bank reserve becomes diminished through the exportation of gold, and so much is drawn from the note circulation, or maybe to such an extent that the Government has to authorize an extra issue of notes. Of course this rarely happens, as inverse exchange balances are so easily adjusted, and so rapidly, that the same quantity of notes remain in circulation ranging from 22 – 25 mil £., the bank reserve supplying the foreign demands.

But suppose some long continued drought makes food products scarce or that her exports fall off greatly, and I am sure the note circulation would be encroached very considerably. Then the Bank rate would bound upwards, more bullion would appear and more banknotes be emitted. However such a complete disarrangement of her industry is not to be anticipated. One sure thing is obtained by the charter of 44: <u>Notes are convertible into gold</u>. There is no such contrasting and ingenious variety in the paper circulation as we have. Only one kind a [ ] on a bullion basis. Certainly the perfection of the currency. Besides her system exposes another fallacy under which we labor. She manages to use about the same number of Bank notes each year, never varying over two or three million, while we assume that some 6,000,000 dollars must be added to the circulation each month because the country is growing. I wish that an increase in my stature meant an increase in income.

Of course over this act of 44 there has been as much controversy as over a theological question. I am totally unable to decide on the merits of the question, so I do not take sides, except to this extent, that I almost reverence that system to which we cannot directly attribute present evils. In this country it is so easy to prove that any unwonted state of affairs is the result of a certain tariff act or silver bill, that we look with suspicion upon a measure said to cause as much distress. I am forced to say that the Bank works pretty well under the present systems, but if you wish to witness vituperation and pitying sarcasm, read Ernest Seyd's work on the "Bank of England – The note issue and its error."

The Governor and Deputy Governor are elected according to seniority by the directors, though a few votes are cast by the stock holders for formality. A committee of the Treasury composed of the Governor, Deputy Governor and three directors who have passed the chair, conduct the intercourse with the Government, and are of course are very considerate of the abuse of their distinguished patron. Though they are careful to act as they please in any time, the position of director is one greatly sought by business men as it gives them a most valuable prestige among their fellows. No director can be a director in another banking company.

It may be noticed that the dividends earned hardly equal one half of those paid by most joint stock banks. This is due to the Bank's immense capital. The first joint stock associations were only founded in 1832, and they have had the advantage of the Bank's history to help them conduct their operations. The Banking Dept. carries on a regular discount and loan business as any bank does. It does not deal in paper drawn for more than two months, as a rule. Its investments are made as we have seen in first-class bills and Government securities. It pays no interest on deposits and allows no overdrafts. It pays all the dividends on the funds and advances money on Exchequer bills, which are something like Government bonds bearing about 3% interest. It advances loans to the Government, acts as the reserve banker for all the London banks, and keeps books with the members of the clearing House Association whose accounts are debited or credited each day after the clearing.

The Issue Dept. has the issuing of all the notes and the weighing and storing of coin and bullion. Its profits are derived from the interest on the securities against which part of its notes are issued, and the difference between its buying and selling price of bullion, which is about 3 half pence an ounce. It pays yearly 70,000 £ in stamp duties on its notes.

It is highly possible that by this time you are looking for a description of the institution we have been talking about, and I admit the paper would not be complete without it. But I have reserved this for the conclusion, as at a dinner one sets before his guests the substantial necessities first, and then the airy nothings, less useful but no less complementary. As you come from the [ ] upon the crowded square upon which faces the Royal Exchange, the Mansion House and the Bank, you are conscious of being in the presence of mighty powers. If you are at all imaginative, you will almost look for the genius of money to emerge from some huge building nearby, and wither you with his haughty glance and seek his lair within the Bank. But being a matter-of-fact person come to visit the Bank, you will dodge a few hansoms, climb the steps, and engage in conversation with a keen eyed porter in flaunting garb of blue and yellow, with an outrageous cocked hat who will see you conducted where you wish to go.

You will pass through the stock transfer, annuity, dividend, and 3% course rooms, all well lighted, and lined on either side with busy clerks, from whom you are not separated by a high walnut partition with brass bars. Then you will visit the Issue Dept., passing through an inside court off of which is a small enclosure set with trees and shrubs, who's waving green in the spring time must be a refreshment to the busy broker. In the large hall of this department you find yourself surrounded by a continuous counter on which are many scales for weighing bullion, and the metallic click of the coins makes a pleasant music to the ear. Then you descend to the basement through the well appointed lunchroom, where substantial meat and excellent beer provide for the daily wants of the employees. You see the printing room where from the marvelous presses completely printed notes from 5 £ two 100 £ are turned out at the rate of 60,000 per day. The Bank's mills in Kent supply the paper of a peculiar watermark known only to themselves. You see the wonderful bullion weighing machine resting on solid concrete under cover of a glass case and capable of weighing at one time 360 oz of bullion so exactly that the weight of a postage stamp will tip the beam.

Then there are the coin testers – 12 in number – into which sovereigns are put by the handful, and a delicate tap given to those of the lightweight separates them from the good. You are told that the vaults will contain 300 mil £ of bullion, that nine families sleep in the Bank and other officials nearby, that and 6 o'clock each night a guard of soldiers marches into the Bank to stand guard, as a result of the attack of a mob during the Gordon riots in 1780. That old clerks and officers are pensioned, that a physician is in constant attention, that each canceled note is kept five years for reference, and then burned, in the dead of night, and that the stock of these notes on hand at any one time is about 2 billion pounds. Well after you have heard all this you make your escape into the crowd of brokers and messengers who are thronging Lombard St. and if you are of a thoughtful turn of mind you will seek the shelter of a friendly tap room, call for a beer and cigar and meditate upon what you have seen.

Walter De Camp

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