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AN
ADDRESS
TO THE
PROPRIETORS
OF THE
BANK OF ENGLAND.

0211

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TO THE

PROPRIETORS

OF THE

BANK OF ENGLAND.

SUUM CUIQUE.

By A. ALLARDYCE, Esq. M. P.

One of the PROPRIETORS of the BANK of ENGLAND.

LONDON:

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1797.

AN ADDRESS
TO THE
PROPRIETORS
OF THE
BANK OF ENGLAND.

1797

TO

THE PROPRIETORS

OF THE

BANK OF ENGLAND.

St. James's Street, Dec. 11, 1797.

HAVING given notice, at your last General Court, that, at your next General Court,* I should move, " That " there be laid before the Court an Account of the Charge of managing the " Business of the Governor and Company

* This Court is to be held on Thursday next, the 14th instant, at which this motion will be made.

(6)

“ of the Bank of England ; an Account
 “ of the Expense of Building ; and an
 “ Account of all other Expenses, incurred
 “ by the Governors and Company, from
 “ the 10th of October, 1787, to the 10th
 “ of October, 1797 ; distinguishing the
 “ different Years, and the Particulars, un-
 “ der their respective Heads :”

And that, at the next General Court, ordained to be held for considering the General State and Condition of the Corporation,* and for making Dividends of all and singular the produce and profits of the Capital Stock of the Corporation and

* This Court is usually held about the end of March : my affairs will necessarily require my presence in a distant part of the kingdom at that time : I trust, however, that some of the Proprietors will take up the matter, to whom I shall very willingly communicate all the information I have been able to collect on the subject.

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the Trade thereof, I should move, “ That
 “ there should be laid before the Court
 “ an Account of the General State and
 “ Condition of the Corporation, for the
 “ Purpose of taking the same into Con-
 “ sideration ; with an Account of the
 “ Income and Expenditure for the Half-
 “ Year, immediately preceding the Day
 “ of holding the said Court. And that
 “ a Dividend of all the Profits, Benefits,
 “ and Advantages, arising out of the Ma-
 “ nagement of the said Corporation, for
 “ the said Half-Year, (the Charges of
 “ managing the Business of the said Go-
 “ vernor and Company only excepted,)
 “ shall be made to and for the Use of
 “ all the Members of the said Corpora-
 “ tion, for the Time being, rateably and
 “ in Proportion to each Member's Share
 “ and Interest in the common and prin-
 “ cipal Stock of the Governor and Com-
 “ pany of the Bank of England, as re-
 “ quired

A 4

“quired by the Statute of the 7th Year
“of Queen Anne, Chap. vii.”

I think it necessary to say, that my
motive, for moving for these Accounts, is,
that we may have a more intimate know-
ledge of our own affairs, to enable us to
form a judgement upon them, that we
may control them if we think proper.

My motives for taking the liberty of
addressing you are, that the promised
motions, and my reasons for bringing
them forward, may be publicly known to
you.

I therefore beg leave to observe, that
having, some years ago, invested a con-
siderable part of a moderate fortune in
the Stock of the Bank of England, and
thus becoming interested in the concerns
of the Bank, I became desirous to know
the

the nature and constitution of the Bank,
its management, the conduct of its Ma-
nagers, and the state of its affairs.

As to its nature and constitution, they
were to be learned from the Charter, the
Bye-Laws, and the Acts of Parliament,
which had been passed, from time to
time, relative to the Bank. The ma-
nagement, I found, was entrusted to a
Governor, Deputy-Governor, and twenty-
four Directors, who were elected, yearly,
by the Proprietors, at one of their Ge-
neral Courts. As to the conduct of the
Managers, there were various and contra-
dictory opinions: — some were of opi-
nion, that it was not only irreprocha-
ble, but meritorious; while others assert-
ed, that it was guided by narrow-minded
and illiberal principles, shackled by sys-
tems, and biassed by prejudices.

As

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As to the state of the affairs of the Bank, it was a perfect mystery, said to be known only to the Court of Directors. Every body said, that the Bank must be possessed of an immense hoard of wealth, which was continually increasing; but, when asked for what this hoard and its accumulations were intended, nobody could tell but the Directors, and they were not accustomed to answer questions of that nature. Nothing could be collected, with regard to the affairs of the Bank, but that they were governed by two systems, — the system of hoarding, and the system of mystery and concealment. It seemed very strange, however, that, while this hoard of wealth, the property of the Partners of the Company, was increasing by continued accumulations, the value of their Stock, or Marketable-Property, was continually decreasing

(11)

sing and melting away, like wax before the fire. The price of Bank-Stock, on the 14th of February, 1792, was 220 per cent. It is now below 120; yet, the profits of the Bank, during the intermediate time, must have been greater, if the affairs of the Bank have been properly managed, than in any other period of the same duration since the establishment of the Bank.

Since the year 1792, the exports and imports, the agriculture and manufactures, of the Country have been progressively increasing; the price of saleable and consumable commodities has been nearly doubled; the price of labour, the expense of living, and the public revenue, have been greatly increased. All these circumstances required a great augmentation of the circulating medium,

dium, — money or Bank-notes; and tended to magnify the profits of the Bank, by promoting a more extensive circulation of their notes, and producing a larger value of discountable bills; and discount, a very lucrative, and which ought to be the principal, branch of their business, they have had to an extent even beyond what they could desire or accomplish, as they were obliged to reject many good and *bona fide** bills; at the

* I must distinguish between *good bills* and *good and bona fide bills*: — Robert, a safe man, gives to Richard, a safe man, his acceptance at sixty day's date for £1000, and receives Richard's acceptance in exchange for an equal sum. These bills they mean to get discounted at the Bank at the rate of five per cent. per annum, with a view to purchase Navy-Bills, which produce a profit of ten per cent. per annum; these bills are good, and would be paid when they became due, but they ought to be rejected at the Bank.

John,

the same time, Government floating securities, such as Navy, Victualling, and Exchequer, bills, were at an unexampled discount, and yielded the most exorbitant profit.

At this time, when the Company were getting rich by accumulating profits, the partners were getting poor by a rapid fall in the value of their stock; circumstances inconsistent with one another. The merchants and manufacturers were cramped in their

John, a manufacturer, sells to Peter, a merchant, goods to the amount of £2000, for which he takes his acceptance payable at sixty days. This I call a *good and bona fide bill*, for which a valuable consideration has been given. Bills of this description the Bank ought to discount to any amount.

If the goods are exported, they help to turn the balance of trade into our favour, and that must be paid by gold and silver imported.

operations

operations by the Bank having narrowed their discounts, for which no rational cause could be assigned. Some thought, that the Directors, scrupulously governed by their oaths to promote the good of the Company, "by all lawful ways and means," finding that the purchasing Navy and Victualling Bills (of which there was at one time about the value of twelve millions in the market) yielded a profit of from ten to twenty per cent. per annum, while the discounting of bills to the merchants and manufacturers only produced five per cent. had employed their funds in the purchase of the former, and had therefore been obliged to contract their discounts on the latter.

But it was soon discovered, that they had employed their funds in a way not so beneficial to the interests of the Country as in the discounting of mercantile Bills of Exchange, nor so advantageous to their own

as

as in the purchasing Navy and Victualling Bills, but in a way which has brought the Bank of England, till of late the pride and glory of Englishmen, into the humbled situation in which it now stands.

A minute of the Privy-Council was issued on Sunday, the 26th of February, 1797, directing the Bank to suspend payments in specie. This on all hands was admitted to be an illegal order, and the Bank might have refused obedience to it if they had thought proper. But it is presumed there was a necessity for the order, and also a necessity for the Bank's complying with it. They acquiesced, and suspended payments in specie on Monday, the 27th.

The Houses of Lords and Commons appointed Committees of their respective members to examine and state the total amount of outstanding debts on the Bank of England,

(16)

England, and likewise of the funds for discharging the same, and to report the result thereof, and to inquire into the causes which produced the order of Council of the 26th of February, 1797. Both the Committees have made their reports, which are voluminous. They have been printed for the use of the Members of both Houses: that of the House of Lords is the most comprehensive, both in the examination of evidence, and in the papers and accounts annexed to it by way of appendix. It is a pity it is not to be purchased, it ought to be in the hands of every Bank-Proprietor.

By it, it appears that the Court of Directors, between the 14th of January, 1795, and the 24th of February, 1797, had made nine-and-twenty representations to the Chancellor of the Exchequer, stating the inconvenience which the Bank suffered, and the evil consequences which
were

(17)

were likely to ensue from the large advances to Government, particularly on Treasury-Bills of Exchange; yet, they went on, continuing to make these advances,* when they might have stopped whenever they had a mind;† and the weekly repayments made upon what had been ad-

* “ With one auspicious, and one dropping, eye;
“ In equal scale weighing delight and dole.”

† LORDS COMMITTEE.

Die Veneris, Martii 24, 1797.

MR. GILES EXAMINED.

Q. “ Do you conceive that every exertion has
“ been made by the Bank to obtain re-payment of the
“ advances made to Government since the 1st of Ja-
“ nuary, 1795?”

A. “ Yes, save that of lending more.”

B

vanced

vanced on the Land and Malt Taxes, being the principal part of the whole, would have soon reduced the debt within a moderate compass.

It appears, that, notwithstanding the Court of Directors represented to the Chancellor of the Exchequer, on the 28th of July, 1796, that the advances on Treasury-Bills of Exchange were, as they conceived, " an unconstitutional mode* of raising money, what they were not warranted by their charter to consent to, and an ad-

000,880,811

* The purchase of Navy-Bills, payable in a limited time, and yielding a profit of upwards of ten per cent. per annum, was lawful; advances on Treasury-Bills of Exchange, payable in no limited time, and bearing only five per cent. interest, were, in the opinion of the Court of Directors, unlawful. Yet they gave the preference to the latter, and advanced their money upon them.

" vance

" vance always extremely inconvenient to themselves:"

Yet, from the 1st of January, 1795, to the 28th of July, 1796, the day they made the representation, they had advanced on Treasury-Bills of Exchange 10,338,000

And, from the 28th of July, 1796, to the 25th of February, 1797, they did afterwards advance 2,700,000

In all, since the 1st Jan. 1795, £13,038,000

Of which there remained unpaid on the 25th February, 1797, 1,512,274

It appears, from the examination of the late Governor of the Bank, of which the

B 2 following

following is an extract, that he was of opinion, that the large advances to government were the cause which produced the necessity for the order of Council of the 26th of February, 1797.

“ *Lunæ, 6 Die Martii, 1797.* ”

“ DANIEL GILES, Esq.

“ Governor of the Bank,

“ AND

“ SAMUEL BOSANQUET, Esq.

“ One of the Directors,

“ CALLED IN.

“ MR. GILES examined :

Q. “ Did you make any representations to the Chancellor of the Exchequer on the subject of the advances made to Government ? ”

A.

A. “ Yes, very often.”

Q. “ Are you of opinion, that the payment of these advances would have materially contributed to prevent the necessity of the measure adopted by the Privy-Council, on Sunday, the 26th of February ? ”

A. “ Had the Government repaid us the advances which they owed, I believe we should have been in a state of security, and what has happened would not have happened.”

The Court of Directors often resolved to restrict their advances to Government, and several times intimated their resolutions to the Chancellor of the Exchequer ; but they went on advancing to the end of the chapter.

Resolutions ought not to be adopted hastily; they ought to be well weighed and considered; but, when once taken, they ought to be adhered to with inflexible firmness.

I shall not at present farther enlarge on the suspension of payment, on the causes which occasioned it, or on the means which might have prevented it.

It may be now proper to inquire, if these systems, by which it was said the Court of Directors were governed, originated in the Constitution of the Bank.

The Constitution of the Bank, like every other human institution, must be imperfect; but these systems cannot be said to derive their origin from it.

It

It enjoins no system of hoarding,* but expressly directs, that all the profits shall be from time to time divided among the partners.

It enjoins no system of mystery, but expressly directs, that there shall be at least four Quarterly General Courts held every year, for keeping up an intercourse between the representative and his constituent, between the Court of Directors and the Court of Proprietors; and that two of these Courts should be held for the express purpose of

* A certain part only, instead of the whole, of the net profits, is half-yearly divided amongst the Proprietors; and the rest, probably half as much more, is carried forward, (cui bono?) not to increase the Capital of the Partners of the Company for the time being, but to a certain hoard, dividable at no definite time, and of which the present Partners are never likely to participate.

B 4 considering

considering of the state and condition of the Corporation, (which implies, that the Court of Proprietors should have an account of the state and condition of the Company before them,) and for making dividends of all and singular the profit of the capital stock of the Corporation and the trade thereof.

All that generally passes at the Court, or ordained to be held for considering the state and condition of the Corporation, and for declaring of dividends, is, that the Governor says, "Gentlemen of the Court of Proprietors, the Court of Directors are of opinion, that the dividend for the last half year should be at the rate of seven per cent. per annum. As many as are of that opinion hold up your hands: as many as are of the contrary opinion hold up yours." Some good-natured proprietor moves the thanks of the Court to the Court of Directors for their kind communication, which is

seconded

seconded by another good-natured Proprietor. The Court breaks up, and the Directors retire to their parlour, and the Proprietors to their respective vocations.

It may be said, that this hoard, or surplus, of profits, at the expiration of the Charter,* at the liquidation of the Company's affairs, will, with the Capital of £11,642,400, be divided amongst the

* By the act of 1694, the Bank was to continue a Corporation till after the redemption of the debt due from Government, and till after twelve months notice after the first of August, 1705.

By act of 1697, the term was prolonged to Aug. 1, 1710.

1708 Aug. 1, 1732

1713 Aug. 1, 1742

1742 Aug. 1, 1764

1763 Aug. 1, 1786

1781 Aug. 1, 1812

partners,

partners, according to their respective shares.

The present Charter does not expire till the year 1812, to which it is a long while to look forward. Many of the Proprietors of the present day will not be Proprietors then. Besides, it has been usual, some years before the expiration of the Charter, to apply for a renewal, which Government have hitherto granted, so that this hoard of accumulated profits may go on *ad infinitum*.

In all commercial concerns, there is a risk of loss as well as a chance of gain. From this risk the Bank is not exempted. There is a risk of loss from rebellions, as in 1715 and 1745; from mobs, as in Lord George Gordon's; from bankruptcies; and many unforeseen accidents.

Let

Let it be granted, for the sake of argument, that, by one or other of these causes, a considerable loss should happen to the Bank, the whole of it would fall upon the Proprietors for the time being, in proportion to their share of Stock, even to the annihilation of the whole, if the loss should amount to so much.

It is, therefore, reasonable and just that the Proprietors, for the time being, should receive their share of the whole profit.

It is from these considerations that I have given notice that, at the General Court to be held for declaring a Dividend, I should move to have an Account of the Profit and Expenditure of the preceding Half-Year laid before the Court; and that a Dividend of the Nett Profit should be made amongst the Partners to their

their full Extent, not descending to a Fraction of less than One-Fourth per Cent. If any such there be, it may go over to and make Part of the Dividend of the next Half-Year.

Any person, since the publication of the Reports of the Committees of Survey of the Houses of Lords and Commons, may conjecture,* and may shrewdly guess, but none but the Directors, and some of their Accountants, certainly know, the real state and circumstances of the Company. It is necessary that a general state of the Company's affairs, with an account of the half-yearly income and expenditure, should be laid before the Proprietors at their General Court; otherwise, how can General Courts, which are ordained to be called and held twice in every year, for con-

* See Conjectural Estimate, page 37.

sidering

sidering the general state and condition of the Company, and for making Dividends of all and singular the profit of the Capital Stock, have any grounds for consideration?

It is the duty of the Court of Directors to lay before the Court of Proprietors such Documents as may enable them to judge of the state and condition of the Company, and of the Dividend that is to be declared. It is a duty which the Proprietors who attend the Court owe to themselves and to their families, and to the stranger,* to the widow, and to the or-

* There are about 2,500 Proprietors of Bank-Stock; of which, about 4 or 500 are foreigners residing at Amsterdam, Rotterdam, Antwerp, Brussels, Frankfort, Switzerland, Genoa, and other places abroad. There are about 260 widows, and 330 spinsters.

phan,

phan, whom they virtually represent, to investigate these Documents, to revise and regulate the expenditure, to examine into the state and condition of the Corporation, that, if found prosperous, each Partner may reap his share of the benefit; and, if the reverse, that timely remedies may be applied. If this had been done, "what has happened would not have happened."

This disclosure of the state of the affairs of the Company is also necessary for preventing any undue advantage being taken, by those who have an opportunity of knowing the real state of the Company, over those other Proprietors who do not.

It is most readily allowed, that the present Directors are men of integrity and honour; but it may happen, that some of their

their successors may neither think it unfair nor dishonourable to avail themselves of their knowledge of the Company's affairs; and, finding them to be in such a prosperous state as to admit of proposing an increase of Dividend of two or three per cent. which would naturally advance the price of Stock very considerably, it would be a very great temptation for them to purchase as much Stock as they possibly could, from the Proprietors ignorant of this circumstance, prior to the General Court at which such proposal of increase of Dividend was to be made; and, by this means, advance their own fortunes at the expense of the other Partners of the Company.

Now, the laying the state of the Company's affairs before the Proprietors, and making Half-Yearly Dividends of the whole profits, will put an end to all speculations in

in the Company's Stock; for, it is not to be supposed that the profits of one half-year will so far exceed that of the preceding, as to prove a very great temptation for any one to avail himself of his knowledge of the circumstance.

I come now to the motion which I am to submit to you on Thursday, the 14th, for an Account of the Charges of Management, the Expense of Building, and of all other Expenses.

I am told, but I cannot easily believe it, that, if this motion should not be agreeable to the Directors, some of the Proprietors, though convinced of the propriety of the motion, would not give it their support, for fear of giving offence; and might even oppose it, to court favour. If it were possible to conceive that any of the Proprietors could be so mean and

and dastardly, I am certain the Directors would shrink from such rotten supporters, who must proceed upon the principle, that the Directors are vindictive, and would not, according to their duty, "be equal and indifferent to all manner of persons."

I have considered it as my duty and my interest to bring the motion forward. You are all equally interested. You are the arbiters of the fate of the motion.

If it is carried, it may do good. It can do no harm. It calls for no secret which ought to be concealed. It affords the Court of Directors an opportunity of refuting the rumours which are in circulation* with regard to the expense

* Many persons, who have their all in the Stock of the Bank of England, are now denying themselves the

~~pense of building, some of which I believe to be groundless.~~

I am

Your most obedient
humble servant,

ALEXANDER ALLARDYCE,

One of the Proprietors of the
Bank of England.

the comforts of life, to enable them to preserve their Stock till better times. It may be worthy of the consideration of the Court of Proprietors, whether it would not be proper to suspend building for a time, at least while the Bank suspends its payments, and that the saving may go to increase the income of those unfortunate persons, (which can only be done by an increase of Dividend to them, in common with the rest of the Proprietors,) and so enable them to encounter a very heavy additional tax upon income, which is now coming forward. But, I trust, I shall make it appear that a very considerable addition may be made to the Dividend, without having recourse to this expedient.

A

CONJECTURAL ESTIMATE

ANNUAL INCOME

OF

THE BANK OF ENGLAND.

THE Bank receives, from
Government, interest on

the Permanent Debt being

£44,400 more than the Ca-

pital Stock of the Bank, viz.

£11,686,800, at 3 per cent.

per annum £350,604.

D 2

The

Brought over, £350,604

The Bank receives, under name of House-Expenses, 4,000

The Bank receives at the rate of £450 per million, for managing the Public Debt, which, including the Imperial Loan, Imperial, India, and Irish, Annuities, and converting the Government-Annuities, (as the law directs,) at 25 years purchase, will far exceed 400 millions, which will be still farther increased by the operations of the present year; but, take it 400 millions, at £450 per million 180,000

The Bank charge at the rate of £805 15s. 10d. per mil-

Carried over, 534,604
lion

Brought over, £534,604

lion for taking in the Loan

Say only 20 millions 16,000

The Debt, due from Government to the BANK, on Land, Malt, Exchequer Bills, &c. may be averaged at 10 millions.

On the 25th of February, 1797, it was £10,672,490

On the 11th of November, 1797, it was reduced to £4,258,140

Carried over, £550,604
D 3 The

Brought over, £ 4,258,140

The Bank have since agreed to advance, on land and malt, 2,750,000

And, on Exchequer-Bills, 3,000,000

£10,008,140

Brought over, £ 550,604

Say, Government-Debt on Land, Malt, Exchequer-Bills, &c. 10 millions, at 5 per cent. 500,000

Loan to the East-India Co. on mortgage of £1,200,000 annuity, £700,000, at 5 per cent. 35,000

5 per Cent. Annuities for Navy, funded, £795,000 39,750

Carried over, £ 1,125,354

5 per

Brought over, £ 1,125,354

5 per Cents, 1797, (Loyalty,) 1 million subscribed, at £112 10s. per cent. 56,500

American Debentures, 1790, £50,000. — Navy - Bills, £15,000 3,250

Take the Average-Discount of Mercantile Bills of Exchange at 5 millions and 5 per cent. 250,000

£1,435,104

Out of which, the Bank pays to the Proprietors a Dividend of 7 per cent. per annum on the Capital of £11,642,400, 814,968

Balance to be accounted for, £620,136

In the above Estimate, I have chosen to be rather within than beyond the truth.

D 4 There

There is hardly an item that will admit of dispute but the last, of discounts on mercantile Bills of Exchange, and that is thought to be within the mark. If the Bank gives the accommodation it ought to do to merchants and manufacturers, it should be a great deal more.

If the foregoing estimate is near the truth, which I have every reason to think it is, and that the gross annual income of the Bank is £ 1,435,104 instead of seven it would admit of a dividend of ten per cent. on the Capital Stock £ 11,642,400 among the Partners, which would be 1,164,240 leaving a balance of £ 270,864

which, being much more than sufficient to pay the charge of managing the business of the

the Company, the expenses of building, and all other expenses, what remains may go over to the hoard, for which the Court of Directors have such an affection, but of which I cannot see the use.

It would appear that this hoarding system has not been of very long standing; for, the hoard does not now amount to quite four millions. Had the small sum of fifty thousand pounds been set aside, each year, for the first fifty-three years* since the establishment of the Bank, and the sum of one hundred thousand pounds, each year, for the next fifty years, to the present time, and had been allowed to accumulate at the rate of four per cent. per ann. compound-interest, it would at this day have amounted to a sum far beyond eighty millions; (I have not time to

* The Bank was established in 1694.

calculate

calculate it exactly;) by far too large a sum to be entrusted to any corporation. The act of Queen Anne,* therefore, wisely prohibited any accumulation of that kind, and directed all the profits to be divided amongst the Proprietors for the time being.

BYE-LAW XII.

General Courts for Dividends, half-yearly.

Item, It is ordained, that, twice in every year, a General Court shall be called and held, for considering the general state and condition of this Corporation, and for the making of dividends out of all and singular the produce and profit of the Capital Stock and Fund of this Corporation, and the trade thereof, amongst the several Owners and Proprietors therein, according to their several shares and proportions; the one of which

* See the following page.

said

said Courts shall be held on some day, between the 10th* and 25th day of September; and the other on some day, between the 10th and 25th day of March; yearly.

Extract from the Act of the 7th year of Queen Anne, (1708,) Chapter 7.

And be it farther enacted, That the original fund of the said Governor and Company of one hundred thousand pounds per annum, before-mentioned; and all the profits, benefit, and advantage, from time to time arising out of the management of the said Corporation, and also the said annuity of one hundred and six thousand five hundred and one pounds thirteen shillings and four-pence, and likewise the said allowance of three pounds per centum per annum, for circulating the Exchequer-Bills, to be made out by

* See the following page.

virtue

virtue of this act, shall (the charges of managing the business of the said Governor and Company only excepted) be applied, from time to time, to the uses of all the members of the said Corporation, for the time being, rateably and in proportion to each member's part, share, and interest, in the common capital and principal stock of the said Governor and Company of the Bank of England.

THE END.

SHORTLY WILL BE PUBLISHED,

P O S T S C R I P T

TO

A N A D D R E S S

TO

THE PROPRIETORS

OF

THE BANK OF ENGLAND:

WITH

A N A P P E N D I X.

0233

RECEIVED
 DEPARTMENT OF THE ARMY
 WASHINGTON, D. C.
 APR 10 1954
 THE ASSISTANT
 SECRETARY OF THE ARMY
 WASHINGTON, D. C.

Handwritten:
 100-100000-100000