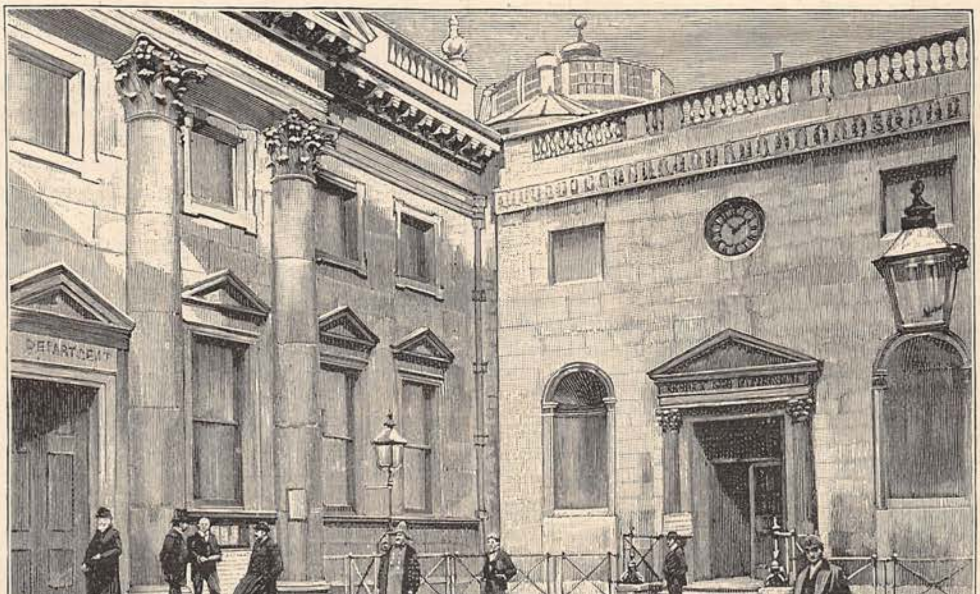
THE OLD LADY OF THREADNEEDLE STREET.

(ILLUSTRATED FROM PHOTOGRAPHS BY MR. R. W. THOMAS, 41, CHEAPSIDE, E.C.)

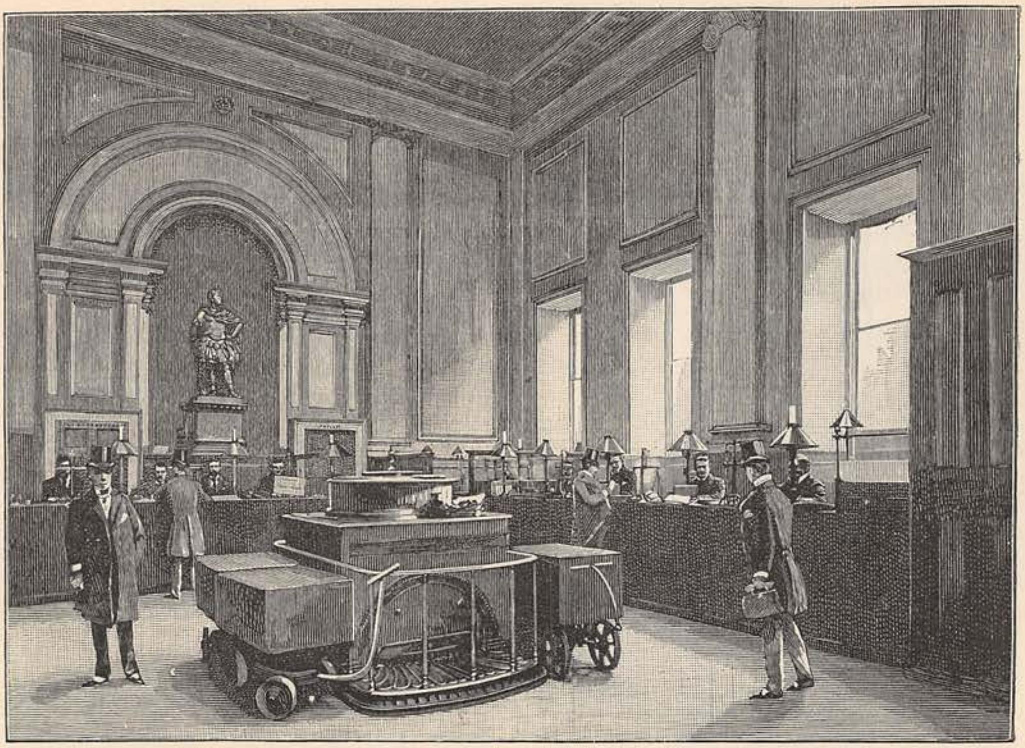
AT THE GATE: A FAMILIAR FIGURE.

EVERY Londoner is familiar with the windowless walls of the building opposite the Royal Exchange, but comparatively few have been inside its gates, know its system of working, or even the origin of the heading of this short article. Many suppose it to have reference to the figure of Britannia on the corner of the notes; but it was William Cobbett who stands sponsor to what has become a household "nick-name" for the Bank of England. Bearing in mind the fable of Mrs. Partington, who endeavoured to mop up the Atlantic, he, under the impression that the Bank directors were with a financial broom endeavouring to stay national progress, in the pages of his "Political Register" called the Bank "The Old Lady of Threadneedle Street"—a title which has become a by-word.

This National Bank, which practically holds the reserve funds of all other British banks, and controls the bullion markets of the world, owes its origin to the difficulties of the Government of William and Mary, whose finances were in difficulties, partly through bad management and partly owing to the cost of the war with France. So great was its straits, that in 1691 the Government had to solicit on almost any terms a loan of £200,000 through the members of the Common Council of London; and soon after, William Paterson, a native of Dumfriesshire and the founder of the Darien scheme, came forward with a plan for a National Bank. Notwithstanding a distrust of the stability of William's Government, and many wagers that the Bank would never be formed, the subscription was completed within ten days, and the first Charter, for eleven years, was granted on July 27th, 1694. The capital of £1,200,000 was lent to the Government at eight per cent. interest. The Charter has been from time to time renewed, the two latest renewals of any importance being in 1844 (when important changes were made), and on June 27th, 1892. Various reductions had been from time to time made in the rate of interest paid on the Government debt, and by this last Act the rate on the debt—then amounting to £11,015,100—was agreed to be two and three-quarters per cent. until April 5th, 1903, and two



COURTYARD-ENTRANCE TO THE ISSUE AND DIVIDEND DEPARTMENTS.



THE ISSUE DEPARTMENT.

and a-half per cent. thereafter. By the Act of 1844 the Charter of the Bank can be revoked by Parliament on giving twelve months' notice, accompanied by the repayment of the Government loan due to the Bank.

Since 1844 the Bank has been divided into two branches: the *Issue* Department and *Banking*. The Issue Department is confined to the issue of notes, which can only be done to the extent of £15,000,000 (the amount of the Government loan and securities), plus the stock of bullion and coin in the hands of this department; and in reckoning the stock of bullion, the Bank is not to have more than one-fourth of the amount in silver. The Department also makes a small profit out of the coinage of gold. The value of this metal is fixed at £3 17s. 10½d. the ounce, and anyone taking raw pure gold to the Mint can have it coined free of charge at this rate. But there is delay in this, and consequent loss of interest, to say nothing of trouble and expense; so the Bank buys the gold at £3 17s. 9d. per ounce, paying for it in coin or notes, at the option of the holder. The Department is bound to pay on presentation gold for its notes, but as nearly £15,000,000 is locked up in the loan to the Government, it has been found necessary in times of panic to suspend this law, thus enabling the Bank to issue on its own credit and on the credit of its customers more notes (or promises to pay) than its funds in hand would otherwise permit.

The Banking Department, in addition to the ordinary work of a bank, manages the accounts of the nation in the payment of interest and the principal of the National Debt, aids in the collection of the Revenue, lends to the nation, and is practically the banker of all the other banks. As regards the national portion of the work, it receives £100 per annum for each outstanding million of Treasury or Exchequer bonds or bills, and £200 for each million of other Government bills and the National Debt. On Deposits, whether from other banks or private individuals, it pays no interest, but makes its gross profit on the employment of the money.

Now let us look at and compare two of the weekly returns which the Bank, by its Charter of 1844, is compelled to issue :—

BANK OF ENGLAND.

An Account pursuant to the Act 7 and 8 Vict., cap. 32, for the week ending on Wednesday, January 3, 1894 :—

ISSUE DEPARTMENT.

Notes Issued	£39,332,720	Government Debt ..	£11,015,100
		Other Securities ..	5,434,900
		Gold Coin and Bullion	22,882,720
	£39,332,720		£39,332,720

BANKING DEPARTMENT.

Proprietors' Capital..	£14,553,000	Government Securities	£10,387,433
Rest	3,244,437	Other Securities ..	29,384,504
Public Deposits* ..	6,237,235	Notes	13,584,610
Other Deposits.. ..	31,152,556	Gold and Silver Coin	1,966,869
Seven-day & other Bills	136,188		
	£55,323,416		£55,323,416

* Including Exchequer, Savings Banks, Commissioners of National Debt, and Dividend Accounts.

January 4. H. G. Bowen, Chief Cashier.

BANK OF ENGLAND.

An Account pursuant to the Act 7 and 8 Vict., cap. 32, for the week ending on Wednesday, January 10, 1894:—

ISSUE DEPARTMENT.

Notes Issued	£40,245,535	Government Debt ..	£11,015,100
		Other Securities ..	5,434,900
		Gold Coin and Bullion	23,795,535
	£40,245,535		£40,245,535

BANKING DEPARTMENT.

Proprietors' Capital..	£14,553,000	Government Securities	£11,760,317
Rest	3,426,491	Other Securities ..	25,712,643
Public Deposits* ..	4,899,202	Notes..	14,893,380
Other Deposits ..	31,350,264	Gold and Silver Coin	2,018,455
Seven-day & other Bills	155,838		
	£54,384,795		£54,384,795

* Including Exchequer, Savings Banks, Commissioners of National Debt, and Dividend Accounts.

January 11. H. G. BOWEN, Chief Cashier.

A comparison of the figures shows, first, that the Issue Department has issued about £913,000 more notes against a similar increase of bullion in its hands, thus showing that the country required the extra amount for the payment of taxes and other obligations. As these notes are returned to the Bank, the bullion held against them will be given out in exchange.

Secondly, as regards the Banking Department. The Government has had to pay the interest on its debts for the quarter, its salaries and other expenses; but, on the other hand, has been collecting revenue. The net result has been that its deposits have decreased by £1,338,000, and the Bank has lent it a further £1,373,000. The money paid out has enabled the other banks, discount houses, and the public to repay £3,672,000 borrowed from the Bank of England on "other securities," while there is £1,362,000 more bullion in hand for the Bank to employ.

The management of the Bank is peculiar, and of late called for much adverse comment. There is no permanent General Manager—the Board consists not of bankers, but of merchants. One of these is annually elected as Deputy-Governor, serves for one year in this position, then for another year as Governor, and then retires into the Court as an ordinary member. It is urged that the two years in office really only suffices as an apprenticeship to the work, and that the Governor has to retire just as he becomes actually efficient. Further, having their own affairs—and large affairs—to attend to, proper time and thought cannot be given to their duties. But the discussion of the merits or demerits of this custom is out of the province of this MAGAZINE. Similarly, complaint has been made that insufficient information is given as to the method on which the securities held are valued: whether at cost or at present market prices.

The present market price of the stock of the Bank of England is about £330 for every £100 paid up; but it has had many vicissitudes. It was £83 in 1696, and in that year the Bank had to pay fifteen per cent. on account of the notes presented, marking and returning the note for payment of the balance at a future time. At about the same time the notes were at twenty per cent. discount, and the stock was almost as low in price when, in 1707, an invasion from the Pretender was feared. Forgeries have resulted in heavy losses. "Old Patch" in 1784 defrauded the Bank of more than £200,000; Aslett in 1803 of more than £342,000; and in 1824 no less than £360,000 was lost through Fauntleroy.

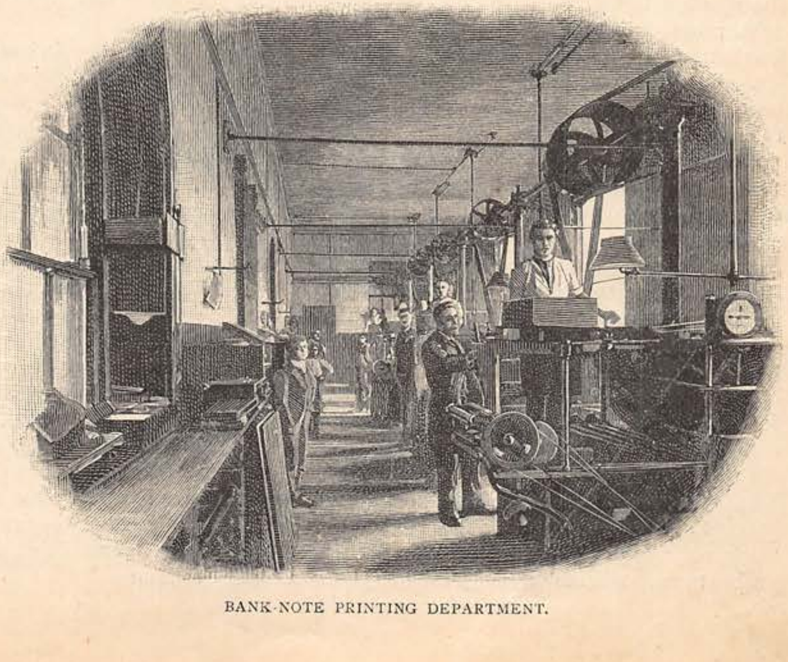
As the National Bank of the country, it has the management of the Public Debt, the making out of the Dividend Warrants, etc. Under the Act of 1892 it receives for this work each year:—

£325 for each million of the National Debt up to five hundred millions, and £100 for each million above that amount, with a minimum payment of £160,000.

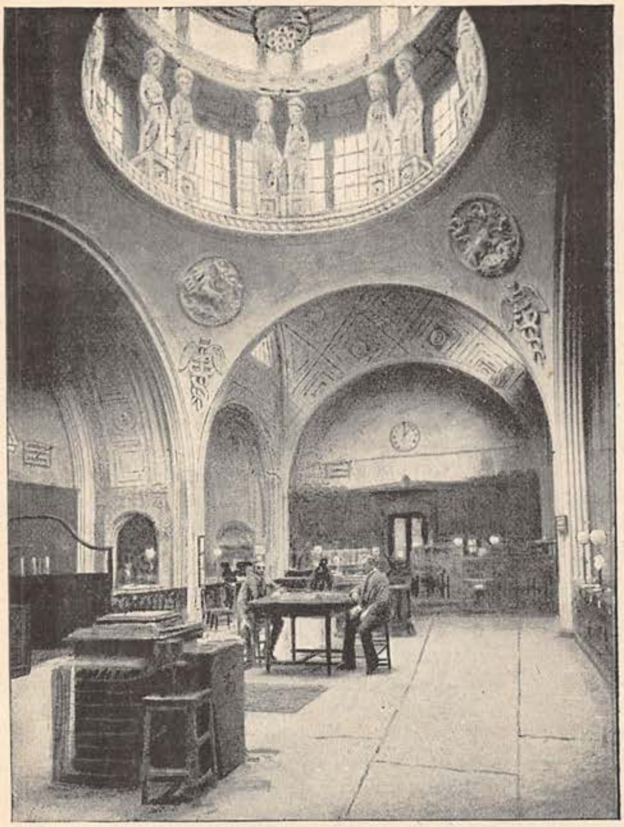
£100 for each million of Exchequer bonds and bills, and £200 for each million of Treasury bills outstanding on the last day of each previous financial year.

This remuneration being payable before the 5th of July of the following year.

Bank of England notes are the only legal tender (except gold) for payments beyond £2 in amount; were this rule done away with, every payment made in the country would, as regards payments, depend upon the stability of the Bank or other concern making payment in its own notes or promises to pay. Since the



BANK-NOTE PRINTING DEPARTMENT.



DIVIDEND ROOM.

6th of May, 1844, no new bankers in the United Kingdom have been allowed to issue notes, and any of those then existing which have discontinued their issues are not allowed to resume them. Until 1759 the smallest notes issued by the Bank were of £20 value; by an Act of 1775 the minimum limit was fixed at twenty shillings, two years later increased to £5. Forgeries of the notes have from time to time been attempted; in 1773 the punishment for copying the water-mark was death.

Great care and expense are exercised in the preparation of the notes, which are said to cost from 5d. to 6d. each for manufacture. The paper is specially made from pure linen rags, each sheet sufficing for two notes. The water-mark on the paper is specially designed. Attempts at forgery in this direction have always been made by hot-pressing; and apart from the peculiar crisp feel of the paper, a ready test is to damp the note, when the water-mark so made on a forged note will at once disappear. The ink is indelible, the design plain and difficult to forge, and, in printing, the machine automatically registers the quantity produced.

Other banks pay a tax on each note issued, the Bank of England a compounded amount of £70,000 a year. So, directly each note returns to the Bank, there being no inducement to re-issue it, and it being desirable to maintain the original crispness and freshness of its notes, the Bank destroys them on their return. Consequently, many notes, being at once repaid, are very short-lived. The largest amount of a note in current circulation is £1,000; but it is said that notes for £50,000 and for £100,000 have been engraved and issued.

After the expiration of forty years from their date of issue, all notes are treated as lost or destroyed, and are written off the books of the Bank, which so makes a profit. But any *bona-fide* holder possessing such a note, and proving his title, can nevertheless demand payment for it. The finder of a lost note who may use it is liable to prosecution as for theft. It is usual to stop the payment of lost notes, but this really only gives facility for tracing through whose hands it has passed; for anyone taking in the way of trade and giving value for a lost note becomes possessed of its value, and he who has lost it becomes the loser, with his remedy, if he can trace the finder, for making use of the note.

After taking into account the probable movements of bullion during the next few days, the amount of gold in the vaults of the Bank governs the Bank rate of discount: that is to say, the lowest rate per annum at which the Bank will discount the best secured bills of its regular customers for this accommodation, much higher rates being required by this and other banks for trade bills, according to the commercial standing of the drawer and acceptor. But this rate now by no means governs the market rate of other banks and discount houses, for frequently the plethora of unemployed cash in the hands of the market is such that they are often glad to discount well-secured bills at a lower rate than that charged by the Bank of England.

When the stock of gold is diminishing the Bank rate is put up; as it increases the rate goes down. So as the rates of discount depend upon the amount of bullion in the country, they influence the exports and imports of gold. If our rate is lower than that of another nation, then a foreign banker makes a profit by buying gold from us in exchange for his bills and employing it abroad at a higher rate. When the rate here is higher, the reverse operation takes place. The Bank of England takes and buys foreign coined gold by weight, and so similarly sells it, so that a foreign banker prefers taking, when he can get it, coins of his own country which are worn and of a light weight, making a further profit by issuing it at its current or face value. As regards English coin, the Bank guards itself by refusing light coin, or by making the tenderer pay the difference between the nominal value and the value as simple metal, often to the annoyance of the innocent holder; but Government offices do the same, the coin in each case being mutilated to prevent it from being re-issued.

W. J. W.