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PUBLIC MONIES AND THE DEVELOPMENT OF ENGLISH BANKING[1]

By L. S. PRESSNELL

I

Amongst the half-truths of economic history is the generalization that British Governments did not finance the Industrial Revolution. That public financial aid was not a regular and conscious process cannot be doubted; equally, it is indisputable that Government was not distinguished during the eighteenth and early nineteenth centuries by the provision of financial facilities commensurate with a period of economic expansion. In practice, however, a considerable volume of public money swelled the funds of private bankers, and in this indirect fashion helped to fructify private enterprise; the story of this forms one of the more fascinating aspects of banking history.

There were two ways in which the financial activities of Government affected the supply of credit during the eighteenth and early nineteenth centuries. The first, and more familiar, was by fluctuations in borrowing and expenditure.[2] The second, to be considered in this article, was by the retention of traditional methods of tax-collection, which permitted the collectors of taxes to employ them for their own private gain, and this influenced the financial history of the Industrial Revolution at three major points. First, the expansion of taxation meant that larger sums of money passed through private hands, and, as bank deposits, assisted the growth of country (i.e. provincial) banking. Second, the substantial reduction in taxation, and hence in bank deposits, contributed to the prolonged catastrophe of bank failures in the decade or so following the end of the Napoleonic wars. Third, these post-war conditions of tax-reduction and banking troubles provided a common origin for the outstanding institutional features of British public finance and of the money market respectively: the Board of Inland Revenue, and the joint-stock banks.

II

In 1750 there was a bare handful of country banks in England and Wales. By 1784 there were about 120, and by the early 1790's some 300. The crisis of 1793 caused a temporary decline, but the suspension of cash payments in 1797 inaugurated an era of paper money and inflation, in which banks soon multiplied. There were almost 400 by 1801, and not far short of 800 at the peak in 1810. The numbers fell slightly in the later years of the Napoleonic wars, and precipitately with the coming of peace. A temporary recovery in numbers during the early 1820's was halted and sharply reversed by the crisis of 1825,

[1] My thanks are due to the Trustees of the Houblon-Norman Fund, whose generosity has made possible the wider study of country banking from which this article has been adapted. I wish also to express my gratitude, for access to records in their charge, to the following: the manager of Lloyds Bank (Capital and Counties branch), Worcester; the joint managers of Martins Bank, Whitehall; Messrs Glyn, Mills, and Co., Ltd.; the Customs authorities at Plymouth and Exeter; and officials of the Board of Inland Revenue.

[2] See, for example, E. B. Schumpeter, 'English Prices and Public Finance, 1660–1822', *Review of Economic Statistics*, xx (1938), 21–37.

which marked the effective close of a major chapter in the history of modern English banking.[1]

Country banking was less an innovation than a specialization in existing techniques. Complete specialization was hampered by the restriction of banking to partnerships of no more than six between 1708 and 1826, during which period joint-stock banking was the jealously guarded monopoly of the Bank of England. (Scotland had its own system of joint-stock banks, as well as private banks; these are excluded from the present discussion.) In consequence, banking was commonly combined with other business pursuits, from the extension of which it had originally developed. Bankers were drawn principally from three main groups, whose activities expanded during the Industrial Revolution: industrialists, whose main concern was to provide a local means of payment; country lawyers, who sought or offered outlets for specific sums of money on behalf of their clients; and remitters of funds between the provinces and London.

The third source was the most prolific. A century before the widespread establishment of banks, the bill of exchange and the draft on London were already common means of payment throughout the country. The importance of this aspect of financial dealings was heightened as regular banks appeared.[2] The limitation upon their size made for a localization, in which could be roughly distinguished two types of banks: those of investing areas, and those of savings areas. London was the meeting ground of the demand for, and supply of, provincial funds; the most characteristic function of country banking was that of remittance, the provision of channels through which credit flowed, via London, between different parts of the country.

The early remitter was usually a trader of some kind, but not all the money handled was concerned with trade. Amongst the most important remittance activities were those concerned with Government revenue.

There were three main stages between the tax-payer and the Exchequer; at each stage there were openings for banking activities. First, the taxes were collected locally; next, they were sent to an agent in London; finally, the London agent paid the tax proceeds into the appropriate Government Department, probably by Bank of England paper.[3] Taxes were collected in a variety of media, but were usually sent to the capital by bills and drafts on London Houses. In procuring these means of remittance, revenue officials were, in effect, acting as discounters. Equally, by slackness in actual payment, they were engaging in a species of deposit banking; they secured time—at the Government's expense—in which to use public money for private profit. This delay in payment might occur both before and after the money was dispatched to London; in either case, the Government funds increased the resources of private individuals. Locally, they added directly to cash reserves, and thereby to the ability to expand private credit; in London, they performed a similar function—for the extent of pro-

[1] Statistics of the numbers of country banks are very approximate for the early years. This is due in part to the inadequacy of statistics, but it must be emphasized that the title of 'bank' was often a term of art for business activity in which, at this period, banking might be an auxiliary, or even a subsidiary, occupation. The statistics used here have been based upon the following sources: for 1784, W. Bailey, *Bailey's British Directory for 1784* (1784); for the early 1790's, P. Barfoot and J. Wilkes, *The Universal British Directory* (5 vols., *c.* 1791–7); for 1801, *A Correct Alphabetical List Containing All the Country Bankers, etc.* (4th edition, 1802); from 1809, official statistics in B.P.P. 1819 (291) III, Appendix F. 9 and 1843 (85), LII.

[2] A. E. Feavearyear, *The Pound Sterling* (Oxford, 1938), pp. 148–53.

[3] H. Thornton, *An Enquiry into...the Paper Credit of Great Britain* (1802; ed. F. A. Hayek, 1939), p. 105.

vincial bill drawing depended upon the funds available with a London agent—or they might be invested in Government securities.

The procuration of bills would have been insufficient to lead into banking, for bills were often to be had only at a premium until well into the second half of the eighteenth century. Until 1778 Excise men paid a premium to Returners of Revenue—private financiers holding official appointments—in respect of bills supplied by them.[1] For banking to emerge from revenue activities, the second feature, i.e. delay in payment, was essential. Before the end of the seventeenth century, the administration of Excise duties was reformed, and was frequently tightened up thereafter.[2] In the older branch of revenue, the Customs, administration was similarly efficient in this respect. Both services employed regular officials, on a salaried basis; though private individuals handled remittance, prompt payment was insisted upon, and this efficiency probably prevented these two branches of revenue from breeding part-time bankers.

By contrast, the Land and Assessed Taxes, and the Stamp Duties, were collected by almost casual, semi-medieval methods. There were about fifty Receivers-General of the Land and Assessed Taxes for the county divisions and subdivisions during the eighteenth century, the numbers increasing to sixty-six by 1821.[3] At the latter date there were ninety-five Distributors of Stamps.[4] In addition, there were numerous Deputy Receivers and Sub-distributors, and a multitude of Parish Collectors for the Land Tax. The Receivers and Distributors regarded themselves, and were treated, less as employees of Government than as holders of ill-paid, and sometimes onerous, offices of profit. Both the Taxes and the Stamp Duties could be, and usually were, remitted in instalments a year and more after the close of the financial year in respect of which they were due, and there were always substantial arrears outstanding.[5] The delay was sometimes blamed on the local collectors, who found it worth while to retain the money for as long as two years;[6] it was also attributed to the alleged difficulty of procuring good bills for remittance.[7] This latter argument was somewhat hackneyed. Lord North remarked, in 1781, that '...he himself had frequently had the same (excuse) made to him by his steward in Somersetshire, who had defended his not remitting him the profits of his estate sooner, by imputing it to this difficulty of obtaining bills; but there might also be, and he believed there was, a considerable portion of pretence in the argument...'.[8]

The truth of the matter became clear in the general inquiry into revenue administration, which was begun in 1780,[9] and the first of whose reports North was commending to the House of Commons. It had long been realized that the

[1] R. Paton, the Second General Accountant at the Excise Office, in evidence, First Report of *The Commissioners for Examining...the Public Accounts* (1780), Appendix 7, p. 22.

[2] E. Hughes, *Studies in Administration and Finance, 1558–1825* (Manchester, 1934), pp. 159–62.

[3] Organization given in, for example, J. Stockdale, *The Parliamentary Register* (1802), vol. xv, 1779–80, 227–40. MSS. of Returns made to Parliament by the Board of Taxes (Inland Revenue Records), *passim*. Finance Accounts, annually, for most years, 1801–20. For 1821, in Report of the Select Committee on the Duties of the Receivers-General of the Land and Assessed Taxes, B.P.P. 1821 (630+667), VIII, 3–4. Number of Receivers in 1821 in 1821 Report, p. 5.

[4] Joseph Hume, *Hansard*, 22 March 1821, cols. 1401–2.

[5] MSS. Returns, B(oard) of T(axes), *passim*; annual finance accounts in B.P.P.

[6] Evidence of the Receiver-General for Part of Somerset, 3rd Report of 1780, App. 5, p. 16.

[7] 1st Report 1780, p. 5.

[8] House of Commons, 10 May 1781. (*Parl. History*, XXII, cols. 205–6.)

[9] The Reports were published in the usual manner, and also under the names of officials of the Commission of Inquiry: Reports 1–7, by W. Molleson, 1783; Reports 8–12, by J. Lane, 1785; Reports 13–15, by J. Lane, 1787.

remuneration of Land Tax Receivers, by poundage allowance on the money collected, was inadequate; they had therefore been permitted to retain large permanent balances of several thousand pounds, on the employment of which they could earn interest. There were sometimes practical reasons for the retention of balances; for example, Militia Acts specified that, on embodiment, officers and men should have pay advanced to them by Land Tax Receivers.[1] But, once the principle of remuneration by balances was admitted, the Receivers were given '...the strongest Motive for withholding...(revenue)....A private Interest is created, in direct Opposition to that of the Public; Government is compelled to have Recourse to expensive Loans; and the Revenue itself is finally endangered.'[2]

No substantial reform seems to have resulted from the inquiry, apart from the reduction of the permanent balances from over £650,000 in 1780 to around £300,000 in the next few years; this was achieved by limiting individual balances to £6,500[3] (or less, in certain cases),[4] although there was a flavour of quarterly window-dressing about this. In making a return to Parliament of the balances allowed to be retained by Receivers-General, the Board of Taxes commented in 1801: '...previous to the termination of each quarter, the Receivers-General are required to reduce their Balances as nearly as possible within the sums afore-mentioned; And they never exceed that Limit, unless occasioned by some small Error in the Account, or by an over payment on the other Taxes, which may give an apparent excess.'[5] Acquaintance with the administration of the Land and Assessed Taxes encourages the belief that the exceptions were fully appreciated, and were used to maintain substantial balances.

When the next major inquiry was held, in 1821, the evidence of 1780 was repeated on a larger scale. The Select Committee reported that, in addition to large permanent balances, Receivers of the Land and Assessed Taxes '...commonly retain in their hands the whole of each quarterly collection for about six weeks, being equivalent to an advantage of retaining the whole year's collection for about six weeks in the year...'.[6] In 1820 (strictly, the year ending 5 January 1821), the total remitted from England and Wales was £7,408,090; balances left with Receivers at the end of this financial year totalled £362,390, which corresponded closely to the permanent balances below which they were not obliged to reduce their accounts. In 1818 and 1819 the balances had averaged more than £374,000.[7] As for the Stamp Distributors, their balances in 1818–19 averaged more than £110,000;[8] according to Joseph Hume, speaking in the Commons in 1821, '...in the middle of a quarter, they frequently had in their possession three or four hundred thousand pounds of the public money...'.[9]

If the remitter of Government revenues was a clear candidate for country banking, the country banker found in such remittance a regular and profitable source of income, which added both deposits and prestige to his business. The contacts between the two activities ranged over a wide field, and it is impossible

[1] E.g., by 2 Geo. III, c. 35; 20 Geo. III, c. 14; 21 Geo. III, c. 21.
[2] 1st Report 1780, p. 8.
[3] Joseph Hume, *Hansard*, 22 March 1821, cols. 1401–2.
[4] MSS. Returns, B. of T., 31 March 1801.
[5] *Ibid.*
[6] 1821 Report on the Duties of the Receivers-General, etc., p. 4, and evidence, *passim*.
[7] MSS. Returns, B. of T., 5 April 1821.
[8] Propositions Respecting the Collection of the Public Revenue, B.P.P. 1820 (183), XI, 2.
[9] Joseph Hume, *Hansard*, 22 March 1821, cols. 1405–6.

to assess precisely the contribution of Government finance, in this form, to the development of banking. It is, however, abundantly clear that it was substantial, until at least 1822, when reform of tax administration began in earnest. London bankers were handling the Excise almost as soon as they and the new duties became of importance after the Restoration,[1] and there is plentiful evidence that their successors continued to draw sustenance from public monies.[2] Amongst the characteristic precursors of country bankers were Thomas Marsden, of Bolton, and Nathaniel Mollineux, of West Houghton. They were engaged in the fustian trade, and acted as bill-agents for Lancashire merchants; both were 'Returners of Revenue' in the late seventeenth century.[3]

After 1750, as regular banking emerged, there were numerous examples of close connexions between country and public finance. Joseph Berwick, a Worcester draper, was Receiver-General of the Land Tax for the county for several years before he formally entered banking in 1781; the claim (on an old pass-book) that the bank really dated back to 1765 may mean that his father, a trader and his predecessor as Receiver, was engaged in amateur banking. Similarly, Samuel Worrall, of Bristol, was already a Distributor of Stamps when he joined in founding the Exchange Bank there in 1764; the partnership deed provided that he was '...to be at liberty to Make his Remittances to the Stamp Office in such manner As he has at any Time heretofore done'.[4] In 1780 the first report of the revenue inquiry listed at least seven Receiver-Generals of the Land Tax who can be identified as bankers, and six more who were to enter banking within the next dozen years. Four years later a directory listed six banks which included Land Tax Receivers, and three others with Stamp Distributors.[5] The appointment to receiverships of bankers was prohibited in 1816, following serious bank failures, involving Government funds, but bankers could still be appointed as Deputy Receivers; in 1821, thirty-eight out of sixty-six Receivers acted by Deputy.[6]

There were straightforward reasons for the holding of revenue appointments on this scale by bankers. The mere increase in taxation would have stimulated the demand for banking services; but there was another factor. The increased amounts of revenue to be collected brought disadvantages to the official who was not a banker. Receivers, for example, had to find people willing to stand security for them, and the amount of this security increased with the volume of public money handled. Many Receivers, it was recognized by the Tax Office, found themselves compelled to resort to bankers for this purpose; and bankers, it was appreciated, were unlikely to give the required bonds unless they were to have the remittance of the revenue concerned. This did not alarm the Tax Office: it seemed '...scarcely possible that the Receipt of the Public Revenue can be conducted and the remittance of the Public Monies for Payment into the Exchequer effected without the Assistance or Agency of Banks'.[7]

[1] Hughes, *op. cit.* pp. 142–3.

[2] In the Reports of 1780–7 and 1821; in the Report of the Select Committee Appointed to Inquire into the Mode of Issuing Extents in Aid, B.P.P. 1817 (505), v; in the Second Report of the Select Committee on Sinecure Offices, B.P.P. 1810–11 (246), III, 72–3.

[3] A. P. Wadsworth and J. de L. Mann, *The Cotton Trade and Industrial Lancashire, 1600–1780* (Manchester, 1931), pp. 93–5.

[4] MSS. of the Exchange Bank of Bristol, Gloucester City Library, 5381/8.

[5] *Bailey's British Directory for 1784.* [6] 1821 Report, p. 15.

[7] 'Memorandum in answer to the Enquiries directed to be made, by Lord Liverpool, respecting the manner in which the Office of Receiver General of Taxes in the County of Glamorgan is conducted.' Office of Taxes, 3 Oct. 1817. (B.M., Liverpool Papers, 38268, fo. 216.)

A banker did not need to be directly responsible for the collection of taxes in order to benefit from public money, so long as the revenue officials accepted his notes, or kept their accounts with him. Thus, in 1757, the Collector of Excise for Northumberland was willing to receive payment of duties in the notes of a recently founded Newcastle bank, Messrs Bell, Cookson, Carr, and Airey.[1] In 1780 country bank-notes and drafts were amongst the miscellaneous media in which Land Taxes were received in the East Midlands;[2] this was also the case with the Excise duties in Somerset, Wiltshire and Gloucestershire.[3] On the other hand, revenue collectors were sometimes selective. In 1793, when money conditions were tightening, and bankruptcy faced many firms, the York Collector of Excise specified the banks whose notes he would receive.[4] In 1821 Christopher Pemberton, who had been Land Tax Receiver in Cambridgeshire for about fifteen years, would normally accept payment only in Bank of England notes; but he made an exception at Wisbech, 'the most distant place' of his rounds, where he would accept drafts on London at three days' sight, drawn by the local bank of Messrs Gurney and Peckover.[5] In Oxford, about the same time, the Receiver apparently mistrusted country banks, and demanded security from those which handled his accounts.[6] These cases were almost certainly exceptional; in distant parts, the scarcity of other means of payment left collectors with little real alternative to receiving country bank paper. (In the Isle of Mull, as late as 1825, Scottish collectors of Excise received part of the revenue in privately issued 5*s*. notes.)[7]

Of even greater value to a banker than the boost to his note circulation was the provision of deposit and remittance facilities. When Messrs Tozer, of Bristol, failed in 1761, they held £1,750 belonging to Daniel Harson, the local Collector of Customs. Usually, he had lodged more than this to discharge remittances, which had amounted to about £3,600 each month since he had held office; in the previous few years, he had remitted in this manner over £132,700. To the Customs Commissioners, considering in London this unfortunate matter, 'the Employment of a Banker' appeared 'to have been the normal practice of Mr Harson's predecessors...'.[8] About twenty years after this Bristol episode, the Collector of Excise for Somerset, Wiltshire and Gloucestershire said that he obtained one-third of his London bills from country bankers at Bath, and the rest from 'clothiers or other Gentlemen in the Country'.[9] It requires little imagination to identify these clothiers with the emergent trader-bankers, who were so characteristic of early banking. In the East Midlands, the Land Tax Collector said that he could use a Cambridge Bank (presumably Mortlock's) which he believed would provide London bills up to £100,000 on any day without premium.[10] In 1821 Joseph Hume was simply stating a commonplace when he declared that '...any banker in the country would remit...(taxes)... to town without any charge for so doing, on account of the benefit which he

[1] M. Phillips, *A History of Banks, Bankers, and Banking in Northumberland, Durham, and North Yorkshire* (1894), p. 184.

[2] 1st Report 1780, App. 7, p. 19.

[3] 1st Report 1780, App. 11, p. 26. Information is not available for all counties, as the evidence of only a few witnesses was cited in the report.

[4] Phillips, *op. cit.* p. 265.

[5] 1821 Report, p. 61.

[6] 1821 Report, p. 139.

[7] Thomas Kinnear, Director of the Bank of Scotland, in evidence to the Select Committee appointed to Inquire into the State of the Circulation of Promissory Notes under the value of 5 *l*. in Scotland and Ireland, etc., B.P.P. 1826 (402), III, 123.

[8] P.R.O., T. 1/142, fos. 185–90. I am indebted to Mr J. Price, of Harvard, for this reference.

[9] 1st Report 1780, App. 11, p. 26.

[10] 1st Report 1780, App. 7, p. 20.

would derive from the mere transition of the public money through his hands'.[1]

A powerful stimulus was given to banking during the late eighteenth century by increases in Government expenditure and taxation, especially during the wars against Revolutionary France (see Table I). This not only swelled the demand for remittances, but also led the Government to follow earlier practice by employing revenue officials—and, therefore, many bankers—for purposes additional to tax collection. A leading cause was the perennial, and increasingly serious, scarcity of small change. Customs officials were instructed to provide cash against the drafts of regimental paymasters in 1797;[2] in the following year, the Receiver-General of the County of Lancaster (Gregson, a Liverpool banker) and other Lancashire bankers were utilized to pay troops stationed in Liverpool.[3]

Table I. *Annual averages of Revenue raised by the Land and Assessed Taxes, etc., Stamp Duties, Customs, and Excise, 1688–1820 (England, Scotland, Wales)*

Period	Land and Assessed Taxes (1)	Income Tax (2)	L. and A. Taxes + Income Tax (1)+(2) (3)	Stamp Duties (4)	Customs Revenue (5)	Excise Duties (6)
			£ thousands			
1688–1700	1,651	—	1,651	65*	1,006	1,095
1701–1710	1,890	—	1,890	91	1,378	1,582
1711–1720	1,668	—	1,668	138	1,563	2,200
1721–1730	1,433	—	1,433	152	1,605	2,694
1731–1740	1,061	—	1,061	139	1,522	2,884
1741–1750	2,122	—	2,122	133	1,319	3,076
1751–1760	1,789	—	1,789	193	1,779	3,607
1761–1770	2,139	—	2,139	309	2,385	4,849
1771–1780	2,099	—	2,099	399	2,595	5,272
1781–1790	2,778	—	2,778	1,074	3,541	6,600
1791–1800	3,898	—	3,898	1,908	4,800	10,067
1801–1810	6,525	7,442	13,967	4,160	10,028	21,701
1811–1820	7,728	8,459	16,187	5,966	11,592	24,681

* Annual average for 1694–1700

Source: 'Public Income and Expenditure', B.P.P. 1868–9 (366 & 366–I), xxxv.

In this Parliamentary Report, the annual statistics for Great Britain do not include Ireland, and the totals are *net* totals, until 1817; from the financial year beginning 5 Jan. 1817, the totals given include Ireland, and are *gross*. For the purposes of the above table, the official figures from 1817 to 1820 have been multiplied by 0·9, to eliminate the Irish revenue, and to reduce to a *net* basis.

Two years later, evidently at the suggestion of the Paymaster of the Fourth Regiment of Dragoons, Gregson was instructed to provide specie or small notes for troops in Manchester, out of the taxes received on his rounds.[4] The use of country bankers, in their role as revenue officials, was further extended in 1808,

[1] Joseph Hume, *Hansard*, 22 March 1821, col. 1403.

[2] Copy of Letter, to the Commissioners of Customs, from George Rose, Secretary to the Treasury, 23 March 1797: Order Book of the Board of Customs, Customs House, Exeter.

[3] B. of T., T(reasury) L(etter) B(ook), 1798. Exact date not given.

[4] B. of T., T.L.B., 26 April 1800.

when army authorities were empowered to draw on Receivers-General of the Land Tax.[1] Receivers were also used for other payments. In 1799 Aubone Surtees, Receiver for Northumberland and Durham, and a banker in Newcastle, sent to the Board of Taxes '...Certificates and Receipts for the sums I have paid for the value of Horses belonging to the provisional cavalry....I have also an account of the sums paid to their wives....'[2] Receivers were instructed in 1798 to meet payments made to the poor by Overseers;[3] they collected crop statistics in 1800,[4] and paid the traditional sum of one guinea per man on the embodiment of the militia.[5] They also paid the expenses of Deserters' Warrants, and dispensed the bounties on flax and hemp.[6] Most important of all, the collection of the new Income Tax, planned to commence the following year, was added to their duties in 1798.[7]

The amount of Government funds handled by country bankers can be estimated only in the very broadest terms, even where bank accounts have survived. Permanent balances were often merged with ordinary deposits;[8] this was, apparently, also the case with the accounts of the hundreds of parish collectors, which were commonly kept with a country firm.[9] Further, officials frequently kept their main accounts with their own London banker, and used a country bank merely to remit taxes thither, and not directly to the Excise, or Board of Taxes, or Board of Stamps; in such cases, the transfer to London would be indistinguishable from private transactions.

The available evidence shows that the amounts passing through country bankers' hands were substantial. Joseph Berwick, of Worcester, remitted over £49,000 in Land and Assessed Taxes through Biddulph, Cocks, and Co., of Charing Cross, between 17 September 1781 and 13 January 1783.[10] In 1785 to 1787, inclusive, he collected a total of £156,321, which was all remitted to London after the usual lag of a year and more.[11] From far away Cornwall, Messrs Praed of Truro remitted £30,301 in Excise duties, between 14 June 1800 and 19 September 1801; their London agents were Messrs Glyn, Mills, and Co.[12] In 1821 Vincent Stuckey told a Parliamentary Committee that his salt-works at Droitwich paid at least £1,000 daily in Excise duties, and that his bank, which had several branches, remitted annually in Stamp Duties, Excise, and Land Tax, no less than a million pounds.[13] Not long after, in 1825, the five Liverpool banks remitted over £4,000,000 in Customs and Excise duties, and in Post Office revenue; about £3,500,000 was in respect of Customs duties alone.[14]

[1] By 47 Geo. III, c. 25: B. of T., T.L.B., 11 March 1808.
[2] B. of T., T.L.B., Jan. 1800, letter from Surtees, dated 18 Dec. 1799.
[3] B. of T., T.L.B., 12 July 1798.
[4] B. of T., T.L.B., 17 Nov. 1800.
[5] See above, p. 381, n. 1. Examples of payment in B. of T., T.L.B., 14 April 1801; 8 Aug. 1801; 27 Jan. 1803; 28 March 1803; 23 Nov. 1803; 16 Sept. 1804.
[6] B. of T., T.L.B., 27 Jan. 1803.
[7] George Rose to Board of Taxes, B. of T., T.L.B., 11 Aug. 1798.
[8] 1821 Report, pp. 58, 63, 65, 94.
[9] 1821 Report, pp. 109, 124.
[10] Biddulph, Cocks and Co., Country Ledgers. (Martins Bank, Whitehall.)
[11] General Ledger, 1781–7, Berwick and Co., Worcester. (Lloyds Bank, Capital and Counties Branch, Worcester.)
[12] Country Ledger, 1800–1, Glyn, Mills, and Co.
[13] 1821 Report, p. 124.
[14] John Moss, the Liverpool banker, in evidence to Select Committee appointed to Inquire into...the Circulation...in Scotland and Ireland...B.P.P. 1826 (402), III, 230.

Some four-fifths of the Land and Assessed Taxes, and the Stamp Duties, came from beyond London and the Home Counties[1] (Scotland is also excluded from this figure). By taking the total statistics for collection, and multiplying by four-fifths, a rough idea of the total annual Government revenue which could pass through country banks may be obtained. A second multiplication, by one-ninth, gives an impression, equally rough, of the average amount on which interest might be earned each year, assuming that the delay in remittance of taxes, after collection, averaged six weeks. A third, and final, multiplication, by 0·065, suggests the *gross* profits which these taxes might yield to a banker; this rate of profit—6½ per cent—was cited by the 'Circular to Bankers' as the normal cost of advances to country borrowers before 1825[2] (it included charges and postage as well as the maximum legal interest of 5 per cent, and corresponds more or less with manuscript evidence). Estimated in this admittedly crude manner, Government money with country bankers, apart from the permanent balances, rose from a *possible* £380,000 in 1790 (say an average of £1,500 with each bank) to a *possible* peak of about £2,700,000 in 1815 (say about £3,800 with each country bank). Gross earnings, at 6½ per cent, would have risen from about £25,000 in 1790 (£100 per bank) to about £175,000 in 1815 (about £250 per bank). (See Table II.) These estimates and averages would be greatly increased if account could be taken of revenue other than from Stamps and Land Taxes, etc., and if the innumerable very small firms could be eliminated.

The profit actually procured by a country banker depended upon his part in the collection of revenue. If the money passed through his hands as part of a customer's ordinary dealings, then it was simply an addition to general deposits. Where the banker was himself the Receiver-General, he had the advantage of the poundage—2*d*. for Land Tax, 1½*d*. for the Assessed Taxes—and of the permanent balance; against this had to be set the expenses of the office, which considerably reduced gross profits. Gross profits of Receivers about 1820 ranged from £261 to £2,577, net profits from £65 (Warwickshire) to £2,082 (Middlesex); net profits for counties outside the London area averaged £662.[3] These figures of gross and net profits were apparently supplied by the Receivers or their deputies or bankers,[4] and may well be underestimates; moreover, they probably excluded the annuities paid by some Receivers to their predecessors or to the person who had procured the post for them, and they also excluded the benefits received by the deputies, by whom so many of the duties were performed. The banker who managed the collection for a Receiver often had the use of the current balances for his main remuneration; the profit from the permanent balance, after payment of interest at rates from 3½ to 5 per cent to the Receiver; and the use of the monies retained from the collection to be credited to the Receiver's account as poundage.[5] The net profit of such a banker might be small, for he had to incur the expenses of collection, but it could not be measured solely in terms of profit from these public monies. Sir Robert Harvey, a Norwich banker and Deputy Receiver for Norfolk, thought that about 70 per cent of his gross profits of £586 might be swallowed by the costs of collecting about £120,000 in Land and Assessed Taxes in 1820–1; but he

[1] Calculated from the county totals given in MSS. Returns, B. of T., and in annual finance accounts in B.P.P.

[2] *The Circular to Bankers*, 4 Jan. 1828, p. 1.

[3] 1821 Report, pp. 4–5. Net profits by counties in MSS. Returns, B. of T., 9, 15 and 24 May 1821.

[4] See, for example, the evidence of the Hon. Geo. Poulett, Receiver-General for East Somerset, 1821 Report, p. 90, and the MSS. returns in the preceding note.

[5] 1821 Report, *passim*.

measured his gain less by the actual remuneration than by the enhancement of his credit from the collection of so large a sum.[1]

It may be asked if the country bankers actually lent out the money, and if they valued collection and remittance to an extent that gives substance to the foregoing calculations? The frequent mingling of tax and ordinary balances at the local level supplies part of the answer to the first question, although public monies were sometimes distinguished in lending activities. The main distinct use of permanent balances was in lending on mortgage. At the London end of remittance, monies held for short periods seem to have been invested largely through the London money market, where fairly liquid assets were obtainable. If left with a London banker, they did not always earn interest—this depended on the arrangement made between country correspondent and London agent—though, of course, the credit base of the London firm was enlarged, and the drawing facilities of the provincial banker were increased. At least one Receiver authorized his London banker to lend the money on stock[2]—i.e. on continuation, by which Government securities were 'sold' for money, on the understanding that they would later be re-purchased at a higher price by the original seller; these transactions, which had long been a popular outlet for country funds, yielded rates of interest that, under other circumstances, would have been usurious.

A more common investment, and one widely used for the ordinary funds of country bankers, was in Exchequer Bills; these were sold for cash when the time approached for payment of taxes to Government Departments. This outlet became unpopular during 1819 and 1820, because it brought heavy losses to revenue collectors. Sharp City men, it was alleged, learned when Receivers were likely to be in the market. When they wished to buy, bills could only be had at a premium, and, when they wished to sell, they found that the price was greatly depressed; in consequence, losses were sustained—'Do you apply... (tax money)...in the purchase of exchequer bills?' one Receiver was asked. 'No,' he replied, 'I burnt my fingers with them the first year I was in office.'[3]

The real reasons for fluctuations in the value of Exchequer Bills lay deeper, and the measures taken to eliminate them helped to shape central banking technique. Then, as now, the quarterly tax payments placed a strain upon the London money market. According to Thomas Richardson, the leading bill-broker of the day, they made '...a difference in many instances of two, three, and four per cent in the value of money three, four, or five days before the payments, for short periods...'.[4] This strain was largely due to what Ricardo described in 1816 as 'A practice which created a great mass of mercantile inconvenience'—the need to pay taxes *to* the Government a few days before the public received *from* the latter the quarterly payments of dividends on Government stock. By a reversal of the order of payment, Ricardo pointed out, the money market could adjust itself to the greatly enlarged scale of Government

[1] 1821 Report, p. 48. Compare C. Clarkson, *The History and Antiquities of Richmond in the County of York* (Richmond, 1821), p. 136: 'A little lower down...(the Shambles)...is the New Bank of Hutton, Other, and Simpson, established in the year 1806, and enjoying the full confidence of the public They are the Deputy Receivers of Taxes for the North Riding of Yorkshire, which circumstance makes their banking concerns very extensive.'

[2] 1821 Report, p. 51.

[3] 1821 Report, pp. 36, 51, 59.

[4] 1821 Report, p. 101.

Table II. *The Growth of Public Revenue and the possible gain to Country Bankers, 1790 to 1820*

Year ending 10 October	Land and Assessed Taxes (1)	Income Tax (2)	Land and Assessed Taxes + Income Tax (1)+(2) (3)	Stamp Duties (4)	Total of Land and Assessed Taxes + Income Tax + Stamp Duties (3)+(4) (5)	Possible gain to country bankers from Land and Assessed Taxes, Income Tax and Stamp Duties: Remittance 4/5 of (5) (6)	Average annual deposits 1/9 of (6) (7)	Gross profit 0·065 of (7) (8)	Customs Revenue (9)	Excise Duties (10)
					£ thousands					
1790	2,993	—	2,993	1,324	4,317	3,454	384	25	3,462	7,698
1791	2,914	—	2,914	1,384	4,298	3,439	382	25	4,018	8,433
1792	3,020	—	3,020	1,463	4,483	3,586	398	26	4,100	8,741
1793	2,952	—	2,952	1,452	4,410	3,528	392	25	3,557	8,559
1794	3,034	—	3,034	1,462	4,496	3,597	400	26	4,348	8,387
1795	2,946	—	2,946	1,456	4,402	3,522	391	25	3,419	9,915
1796	3,021	—	3,021	1,785	4,806	3,845	427	28	3,646	9,096
1797	3,365	—	3,365	1,978	5,341	4,273	475	31	3,940	10,303
1798	4,591	—	4,591	2,273	6,864	5,491	610	40	4,741	11,571
1799	6,446	—	6,446	2,447	8,893	7,115	791	51	7,056	11,826

Year beginning 5 January										
1799*	6,437	—	6,437	2,568	9,004	7,204	800	52	7,481	12,054
1800	5,093	—	5,093	2,621	7,714	6,171	686	45	6,785	10,594
1801	4,638	5,805	10,443	3,035	13,478	10,782	1,198	78	8,776	11,573
1802	5,315	3,327	8,643	3,199	11,841	9,473	1,053	68	7,726	15,475
1803	5,796	3,385	9,181	3,402	12,583	10,067	1,119	73	8,194	18,795
1804	6,022	3,688	9,709	3,511	13,221	10,577	1,175	76	9,466	21,451
1805	6,257	4,592	10,850	4,093	14,943	11,954	1,328	86	10,151	23,156
1806	6,393	6,159	12,552	4,322	16,875	13,500	1,500	97	10,814	24,053
1807	7,025	10,155	17,180	4,447	21,628	17,302	1,922	125	10,550	27,743
1808	7,620	11,403	19,023	4,743	23,766	19,014	2,113	137	10,284	25,622
1809	8,439	12,410	20,849	5,325	26,174	20,939	2,327	151	11,899	23,369
1810	7,741	13,492	21,234	5,527	26,761	21,409	2,379	155	12,422	25,776
1811	7,389	13,211	20,600	5,292	25,892	20,714	2,302	150	10,937	25,943
1812	7,505	13,065	20,570	5,288	25,858	20,686	2,298	149	11,585	23,610
1813	7,910	14,274	22,183	5,550	27,733	22,186	2,465	160	11,873	25,255
1814	8,040	14,515	22,556	5,808	28,363	22,691	2,521	164	12,613	26,427
1815	9,504	14,618	24,122	6,084	30,205	24,164	2,685	175	11,952	26,204
1816	7,349	11,797	19,146	6,194	25,340	20,272	2,252	146	10,084	24,229
1817	8,226	2,312	10,538	7,171	17,709	12,750	1,417	92	12,059	20,854
1818	8,246	581	8,827	7,220	16,047	11,599	1,289	84	12,470	23,744
1819	8,165	171	8,336	7,000	15,337	11,423	1,269	82	11,677	23,884
1820	8,233	46	8,279	6,881	15,161	10,916	1,213	79	10,672	29,660

* Estimated.

Source: As for Table I, with similar adjustments for Irish and gross revenues.

revenue and of the National Debt.[1] The essence, though not the form, of this proposal was partially adopted in 1817, when the Bank of England was authorized to make advances to the Treasury against Deficiency Bills;[2] not until 1829, however, did the Bank formally initiate the practice of quarterly advances to the money market.[3]

That great value was attached to the handling of revenue brooks no doubt. Even in the well-organized and recently reformed remittance of Excise, bankers competed as 'Returners' in 1821; five Liverpool bankers gave security against Excise, to the value of £235,000 in all.[4] The greatest opportunities were provided by the Land and Assessed Taxes. In 1772, John Berwick—we cannot be sure that he was, indeed, a banker—made an agreement to secure the succession of his son, Joseph, to the Receivership of Worcestershire; John Thorneloe, a Worcester attorney, was 'to employ his interest and assistance to obtain the said office for the said Joseph Berwick', the latter agreeing to pay in return £100 annually, or less if the Land Tax were reduced.[5] At Lewes, in Sussex, a Mr Harben, a local banker and political schemer, 'procured the excise of the eastern part of the county to be paid into his hands, in its passage to the Treasury (an object of no little importance to a country banker), and obtained the place of receiver-general of the stamp duties for Sussex worth 600*l.* for his eldest son...'.[6]

Another piece of political manoeuvring, this time in 1801, was discovered—and with what transports of joy may be imagined—by the Whig inquisitors into Municipal Corporations.[7] They found that, in Tiverton, Devon, the Corporation had long received money from individuals for its assistance in procuring receiverships in the county. A letter of 1801 was quoted, in which one of these posts, then vacant, was solicited for Sir John Duntze, a local banker, in return for an annual payment of £20 for each shilling of the Land Tax assessment—a total of £80 at the normal rate of 4*s.* This sum was paid to the Corporation, on Duntze's appointment, until the reform of the Land Tax collection in 1821–2. The most striking example, however, is probably provided by those master schemers, the Mortlocks of Cambridge. With the end of the Napoleonic wars, agitation to end the hated income tax was intense. 'The most respectable inhabitants of Cambridge', reported *The Times*, 'waited on the Mayor to request him to call a meeting for the purpose of petitioning against the Income Tax. His

[1] D. Ricardo, *Proposals for an Economical and Secure Currency*, London, 1816 (*Works*, ed. P. Sraffa, Cambridge, 1951, IV, 74–6). A recent writer has asserted that Ricardo had made the elementary mistake of overlooking that the in- and out-payments were no more than internal transfers at the Bank of England because, he alleges, 'the receivers general...held their balances in the form of deposits at the Bank'. (E. Wood, *English Theories of Central Banking Control, 1819–1858* (Cambridge, Mass., 1939), pp. 68–9.) The error lies in Professor Wood's confusion of the Receivers at the head of the Revenue departments, who did keep their accounts at the Bank, with the county receivers who might do so (see, for example, Sir John Clapham, *The Bank of England* (Cambridge, 1944), I, 149 and 215), but who made use of the country banks for remittance. It was the county receivers to whom Ricardo was referring.

[2] By 57 Geo. III, c. 48: see Wood, *op. cit.* p. 62, n. 7.

[3] Clapham, *op. cit.* II, 137.

[4] 1821 Report, pp. 78 and 75. It must be recorded that at this time most of the remittance from Liverpool was done by one banker, Moss, the others failing in their obligations. This was a temporary defection, and was remedied at the end of 1821. B.M., Huskisson Papers, 38744–5.

[5] 'Scrapbook', Lloyds Bank, Worcester. Printed in A. W. Isaac, *The Worcester Old Bank* (? Worcester, n.d.), pp. 6–7.

[6] Barfoot and Wilkes, *The Universal British Directory*, III, 755.

[7] Reports from the Commissioners...on Municipal Corporations..., Appendix, Part I, B.P.P. 1835 (116), XXIII, 628–9.

Worship refused...the Mayor is the son of Mr Mortlock, a banker here, who, having command of the Corporation, is himself a humble friend of the Duke of Rutland, through whom he has procured for himself the Receiver Generalship of the Salt Office, for one of his sons the Receiver Generalship of the Post Office, for another (Mr Mayor) the Auditorship of Excise, for another son the distribution of Stamps.'[1] To the Mayor, with his family interest in taxation, the arguments of the respectable inhabitants may well have seemed superficial and partial.

III

The growth of Government revenue drew the attention of bankers to the unique business advantage of a special legal device for the easy recovery of Crown debts. This was the Extent-in-aid, which facilitated the recovery of private debts due to Crown debtors, if they could prove that without the payment of these they could not meet the Crown's claims. The Extent-in-aid gave the Crown debtor (in whose aid the Crown's claim had been extended) a prior lien on the resources of a third party in debt to him, by permitting him to demand peremptory payment, on pain of seizure of his belongings and person by the local sheriff. This procedure lent itself to abuse. 'The debtor to the Crown', said Vansittart, Chancellor of the Exchequer, in 1817, 'had been enabled to take advantage of those who might be debtors to him, and to recover sums by means of extents-in-aid greatly exceeding that in which he stood indebted to the Crown.'[2] The evils of the system were increased by the precedence given to Extents over bankruptcy proceedings, if the Extent were granted *before* the striking of a docket of bankruptcy by other creditors.

A man subjected to an Extent might be driven to bankruptcy proceedings prematurely or unnecessarily; distress sales of his property frequently yielded but a tithe of its true value. His position was often rendered so much worse that, in place of an orderly winding-up, his affairs were thrown into confusion, and his other creditors would receive far less than their just shares. A serious case, in the Midlands, was that of Messrs Fereday and Co., bankers and ironmasters, of Bilston, Staffordshire. Their ironworks, which employed 5,000 men, ran into difficulties in the post-war depression, during 1815; discounting facilities up to £150,000 were granted by the Bank of England,[3] but their troubles continued, and Extents-in-aid were obtained by several creditors. As a result, the works were closed down and sold; the other creditors did not anticipate more than 'a trifling dividend in the pound'.[4]

The abolition of the Income Tax and the general tendency towards contraction in Government outlay after the Napoleonic wars hit bankers severely. S. N. Barber, partner in the London bank of Barber, Shaw and Perring, had been Receiver-General for part of Westminster since 1815, when the Income Tax paid into the Exchequer amounted to £146,000; the net profits appear to have fallen by £300 in consequence. This sum was double the fall in payments made by Barber to his predecessor, with whom he had agreed to divide profits equally; it was calculated by crediting interest at 4 per cent on the public monies, which were mixed in the 'general banking concerns'.[5] The collection for East Somerset was managed by bankers of Bath and Bristol, who

[1] *The Times*, 22 Feb. 1816, quoted A. Hope-Jones, *The Income Tax in the Napoleonic Wars* (Cambridge, 1939), p. 120.
[2] *Hansard*, 22 May 1817, col. 831.
[3] Clapham, *op. cit.* II, 59.
[4] C. S. Forster, the Walsall banker, in evidence to the 1817 Committee, p. 52.
[5] 1821 Report, pp. 63–5 and 72. Hope-Jones, *op. cit.* p. 96.

remunerated the Receiver-General by allowing interest on his current and permanent balances. The Receiver's profits were around £1,200 in 1820–1 on a remittance of about £180,000, compared with profits of £2,000 under the Income Tax. His bankers' net profits in 1820–1 were £577; if in proportion to those of the Receiver, they would formerly have been about £1,000.[1] There had been a comparable fall in Norfolk, whence £135,500 had been remitted in Income Tax in 1815. The Receiver's profits had been about £1,900 under the Income Tax, but had fallen to £963 on a total receipt of £118,278 in 1820–1;[2] a proportionate fall in the banker's net profits would have been about £200—but it could have been greater, for many expenses would have been substantially the same with a large or small collection.

The scythe of post-war deflation and depression cut down many bankers, and the rest were increasingly driven to use Extents. The number issued grew substantially; it was alleged in Parliament, and confirmed by a Select Committee which inquired into the subject in 1817, that the majority had been obtained by country bankers, who had become debtors of the Crown for that very purpose.[3] Many Extents, indeed, had been procured by bankers against other bankers.

By 1817, the abuse of the device had become a scandal, and petitions against it were received by Parliament from leading commercial towns. Extents were obtained with comparative ease, and most bankers felt compelled to receive a Government account, if only through a customer who transmitted revenue to Government independently of his particular bank, in order to qualify as a possible applicant for the issue of an Extent.[4] A Government account was, in fact, regarded as an insurance policy—particularly in view of the contemporary chaos of the bankruptcy law and the bedlam of the Bankruptcy Court. The significance of the defects of bankruptcy law during the Industrial Revolution is far from clear,[5] but it is certain that for a period, at least, bankers amongst others were aided in the recovery of debts by the peculiar facilities open to handlers of Government monies. On the other hand, their own frequent failures caused constant inconvenience to the Government, and fostered the growing hostility to country bankers after the war—for were not the bankers, in effect, the Government's cashiers? No doubt Cobbett linked bankers with tax-collection when he fulminated against them as 'country rag merchants', who weakened the country with their paper money and their frequent bankruptcies; were they not part of the hated 'gridiron' of National Debt and taxation, to which, he cried, the country must attribute its miseries during and after the Napoleonic wars?

IV

Reform of revenue administration and of the associated abuses began against the sombre background of the post-war depression. The first step, the reform of the Extent-in-aid, was closely related to the devastating toll of bankruptcies, which had been swollen by misuse of the Extent. (See Table III.) Parlia-

[1] 1821 Report, pp. 90–2. Remittance for 1820–1 in MSS. Returns, B. of T., 5 April 1821. Hope-Jones gives no statistics for Somerset.

[2] 1821 Report, pp. 45–8 and 81. Hope-Jones, *op. cit.* p. 108.

[3] *Hansard*, 30 May 1816, col. 934.

[4] 1817 Report, Forster's evidence, p. 54; evidence of E. West, a barrister in the Court of Exchequer, p. 111.

[5] There is a useful introduction to the subject in E. Welbourne, 'Bankruptcy before the Era of Victorian Reform', *Cam. Hist. J.* IV (1932), 51–62. This article contains no references, but it appears to be based upon Parliamentary Reports.

mentary feeling appears to have been strong, and a Select Committee of Inquiry was extracted from the Government, which had failed to pacify the Commons with lukewarm assurances. Before this Committee had reported, Parliament passed in 1817 an Act[1] which regulated the issue of Extents-in-aid in three

Table III. *Extents, Bankruptcies, Insolvencies, and Bank failures, 1801 to 1817*

Year	Extents-in-Aid	Total business failures: Bankruptcies	Total business failures: Insolvencies*	Bankruptcies of country banks
1801	9	881	—	2
1802	10	833	—	4
1803	10	899	—	6
1804	7	896	—	4
1805	5	867	—	5
1806	8	992	—	4
1807	17	1,076	—	2
1808	8	1,098	—	3
1809	11	1,098	—	4
1810	11	1,799	—	15
1811	22	2,112	—	4
1812	29	1,813	—	13
1813	18	1,583	1,447*	6
1814	42	1,258	2,464	16
1815	108	1,759	3,344	20
1816	222	2,145	4,060	34
1817	20†	1,578	3,970	2

* The Insolvent Debtor's Court was first constituted in July 1813.
† From 1 July 1817 to 28 January 1818.

Sources:

1. Extents: B.P.P. 1816 (379), XVIII; 1817 (52), XVI; 1818 (52), XV.
2. Business failures:
(*a*) Bankruptcies from the *London Gazette*, as compiled by N. J. Silberling, 'British Prices and Business Cycles, 1779–1850' (*Rev. of Econ. Statistics*, V, Supplement, October 1923). There are abundant official statistics, but these are usually unreliable, because of double-counting for firms against which more than one commission of bankruptcy was issued. In any case, great caution is needed with bankruptcy statistics, which are at most a guide to trends at this period, on account of the unsatisfactory condition of Bankruptcy Law and practice.
(*b*) Insolvencies from 'A Return of...Bankrupts and Insolvent Debtors...', B.P.P. 1847–8 (120), LI.
3. Failures of country banks: *London Gazette*. Some of these failures, a dozen or so, were of industrial firms with limited banking activities; they have been included because their notes usually had a local circulation, and because some of the ordinary banks that failed had such a small business that there was probably little to choose between the volume of the banking activities of these two varieties of banks.

respects. First, the exact amount of the debt due to the Crown was to be specified by future applicants for Extents; anything recovered in excess of this was to be held by the Court of Exchequer for disposal on summary application. Second, Extents were to be issued only if the applicant were bound specifically for the duties concerned (i.e. they would not be issuable against simple contract); nor were they to be granted on the bonds given by Insurance Companies as surety for the payment of duties—this had been a common source of abuse.

[1] 57 Geo. III, c. 35.

Third, there was to be a relaxation of the harsh procedure whereby a man might be imprisoned under an Extent, while all his property was sold up; henceforth he could apply, under certain conditions, for release from the Extent so far as his own person was concerned. These modifications of the procedure were long overdue, but even the reformed device was hardly in the best tradition of English justice. Not until 1838 was the Extent-in-aid virtually abolished.[1]

The nerveless handling of the Extent-in-aid was due partly to the general seediness of the English judicial system in the early nineteenth century. Reform in one Court of Law opened a forbidding prospect of a general overhaul of the Courts. Comparable considerations probably applied to tax-collection. Government might well hesitate before drastic reforms in an administrative structure that had served tolerably well for one and a quarter centuries, and that had financed more than half the cost of the most expensive wars waged hitherto by this country.[2] Moreover, Parliamentary concern for economy and security in revenue collection was partially offset by an understandable reluctance to lose a rich pork-barrel—for receiverships and distributorships were in the patronage of the county M.P.'s.[3]

The final impulse to reorganization of the revenue was provided by the resumption of cash payments. Under Peel's Act, of 1819, Government at last followed a firm, if rigid, course of financial orthodoxy. A gold currency, at the old parity, was restored in 1821. This policy, with the resultant monetary stringency, led almost automatically to retrenchment: when Joseph Hume proposed a motion for examination and reform of revenue collection in 1821, the Chancellor of the Exchequer moved an amendment for a Select Committee.[4] This Committee, which had time to consider only the Land and Assessed Taxes and the Excise, underlined Hume's arguments, that the public was paying too much for the collection of its taxes. In 1822, therefore, legislation pruned drastically the excrescences upon the revenue.[5] From April 1822, the poundage and balance system of remuneration was abolished; Receivers were to be paid a salary not exceeding £600, together with mileage and maintenance allowances for their duties. Remittance arrangements were subject to oversight by the Commissioners for Taxes. Where there were two receiverships for a county, one was to disappear on the relinquishment of office by either holder; these receiverships were listed in a schedule to the Act, and, significantly, all appear to have been held by bankers.

A further step towards the modern Civil Service was taken in 1831,[6] when receiverships, with the exception of that for London, were abolished; some offices could, however, be retained if convenient to the Treasury. In future, the Inspectors of Taxes were to be responsible for the receipt of taxes. Within the next four years the collection and administration of Taxes and Stamps were merged;[7] finally, in 1849, the Board of Inland Revenue was formally constituted by the amalgamation of the Board of Excise with the existing Board of Stamps and Taxes.[8]

These administrative reforms did *not* exclude bankers from handling the revenue. On the contrary, a surprising contrast to much of the contemporary

[1] By 1 and 2 Vic., c. 110.

[2] N. J. Silberling, 'Financial and Monetary Policy of Great Britain during the Napoleonic Wars. I' (*Q.J. E.* XXXVIII (1924), 214–33).

[3] Joseph Hume, *Hansard*, 22 March 1821, col. 1401.

[4] *Hansard*, 22 March 1821, cols. 1401–9.

[5] 3 Geo. IV, c. 88.

[6] 1 and 2 Wm. IV, c. 18.

[7] 4 and 5 Wm. IV, c. 60, and 5 and 6 Wm. IV, c. 20.

[8] 12 and 13 Vic., c. 1.

comment upon banking is contained in the 1821 Report, which urged that necessary reforms could be achieved 'by taking advantage of the present improved state of banking, and the remittance of money...'.[1] The reconstruction of the receiverships on a salaried basis was about as far as financial reform could go with the existing banking system; really significant advance was made possible only with the establishment of branches of the Bank of England in 1826. Within a few years, the Government's own banker began to assume direct responsibility for the collection of revenue. In 1831, arrangements were made by some branches for clerks to attend tax-collectors up to a distance of 25 miles;[2] in 1836, the Bank made a start in the management of Customs and Excise collection.[3] For some time longer, the country bankers remained independent agents of Government although they forwarded about half the revenue through Bank of England branches by 1840; arrangements were regularized, by stipulation of the usance of the bills by which taxes were remitted.[4] Eventually, in 1867, country bankers became agents for the Bank of England in tax-collection;[5] a substantial advance, towards a revenue administration appropriate to an expanding industrial state, had at last been achieved.

V

The atmosphere of scandal in which taxes were sometimes collected should not lead to hasty conclusions about the morals and public spirit of country bankers. Scandal of this kind did not attach solely to bankers. Not all bankers were responsible for collection on a large scale; nor did all who were indulge in the bribery and corruption of which outstanding cases came into public view. (It may be recalled that the reforming Whigs were peculiarly adept at blackening, with the dirt obtained from a few examples, a whole range of institutions.)[6] It is, for instance, difficult to imagine the slightest speck upon the character of Vincent Stuckey, whose financial virtues—shining from many parliamentary reports concerned with early nineteenth-century banking—surely destined him for a Valhalla of country bankers. Nor is it easy to envisage their Oxfordshire contemporaries doubting the integrity of the owners of the Banbury Bank, who regularly sent Excise funds to London between 1819 and 1823—for were they not members of 'the rich and respectable family of Tawney'?[7] (It might, too, be difficult and distasteful to attach suspicion to many revenue officials who were not bankers: for example, to William Wordsworth. The £800 which he averaged annually as gross profits from his post as Distributor of Stamps for Westmorland, between 1813 and 1842, was a bargain price for the rich heritage he left to English literature.[8])

[1] 1821 Report, p. 6.

[2] W. M. Acres, *The Bank of England from Within, 1694–1900* (1931), II, 580, and J. Horsley Palmer, Governor of the Bank of England, in evidence to the Committee of Secrecy on the Bank of England Charter, B.P.P. 1831–2 (722), VI, QQ. 532–50.

[3] Acres, *loc. cit.* p. 581.

[4] A Return of the Cities and Towns in the United Kingdom from which the Customs and Excise Revenues, Assessed and Land Taxes and all other Taxes, are remitted to London or Dublin, showing the Amount remitted from each City or Town, the Number of Days at which Bills are drawn, and whether remitted through the Branch Banks, etc., B.P.P. 1840 (563), XXIX.

[5] Acres, *loc. cit.* p. 581.

[6] E. L. Woodward, *The Age of Reform* (Oxford, 1938), pp. 441–2.

[7] *Gentleman's Magazine*, LXXIX (i), 10 (Jan. 1809).

[8] Annual Finance Accounts, and a pamphlet based on Inland Revenue Records: Wyn Griffith, *A Hundred Years, the Board of Inland Revenue, 1849–1949* (1949), pp. 10–11.

The Extent-in-aid did, indeed, give ample scope for abuses, but, as with tax-collection, perspective must be maintained. Country bankers were practically forced, as a measure of self-protection, to arm themselves with the power to secure Extents. Government was largely responsible for the post-war conditions in which Extents multiplied, and was remarkably casual about the whole problem. Lord Liverpool, the Prime Minister, was surely disingenuous when he assured the House of Lords in 1817 that he had never consciously given offices concerned with the revenue to anyone connected with a country bank;[1] and Vansittart must have been ill-informed when he told the House of Commons that the Treasury had been given instructions 'that no persons connected, either directly or indirectly, in country banks, should be allowed to act in the collection of the revenue'.[2] These statements require a very broad interpretation in the light of the reports of 1817 and 1821; they hardly suggest that the ministers were conscious of grave anachronisms in public finance, the very springs of government.

That some bankers abused the device of the Extent is indisputable; but a former country banker, and a member of Parliament, John Easthope,[3] thought that 'the highest class' of country banker would not deliberately seek revenue collection in order to wield the weapon provided by a lax Government and a corrupt Court of Law. Country bankers cannot, however, be exonerated wholly from blame. Their liquidity was often too low, their reserves were sometimes too small, and their business methods were occasionally loose to the point of financial immorality; exploitation of the Extent-in-aid might stave off the day of reckoning. But there were many good banks; it is a curious feature of popular banking 'history' that modern banks revel in the length of their pedigrees, while mud is usually thrown at the ancestors. What was common to all banks was a wholly unnecessary weakness, imposed by the retention, until 1826, of the monopoly of joint-stock banking by the Bank of England.

Reform in banking should have accompanied the reconstruction of revenue collection, but for the acute distress which engulfed agriculture in 1822. During 1821 and the early months of 1822, the country bankers restricted their activities in preparation for the withdrawal of their small notes (i.e. those of denominations below £5). The issue of these notes had been prohibited in 1777, but had been permitted again during the Bank Restriction period. They were recognized to be an important means for the expansion of private bank-credit, and their withdrawal was an essential part of the Government's deflationary policy; their issue was to cease two years after the resumption of cash payments by the Bank of England (which had taken place in May 1821). Agricultural depression, and the political pressure of the country gentry, combined to extract from the Government a further ten years of life (until 1833) for the small notes, and banking reform was temporarily shelved.[4] This was most unfortunate. The deflationary policy is not to be defended—it was much too severe—but a strengthening of the banking system was badly needed. There were two main defects, apart from the troublesome business of private note-issues. First, there were the long-standing, and familiar, weaknesses of unit banking.[5] Second, the decline in the volume and profitability of Government deposits must have narrowed considerably the credit basis of many banks; it is conceivable, without

[1] *Hansard*, 9 May 1817, col. 297.
[2] *Hansard*, 30 May 1816, cols. 941–2.
[3] 1821 Report, p. 115.
[4] J. H. Clapham, *An Economic History of Modern Britain* (Cambridge, 2nd ed. 1939), I, 264.
[5] R. S. Sayers, *Modern Banking* (Oxford, 3rd ed. 1951), pp. 23–4.

straining imagination unduly, that the relaxation of 1822 permitted marginal banks to conceal this, until the veil was drawn aside, and the weaker brethren swallowed up, in the terrifying financial panic of 1825.

The crisis, which made the Christmas of 1825 and the succeeding New Year the gloomiest of the nineteenth century, gave a fresh opportunity—which Government grasped—to overhaul the banking system. The issue of small notes was to cease in 1829.[1] Joint-stock banks were permitted beyond a radius of 65 miles from London, and the Bank of England was authorized to open branches anywhere in England.[2] These enactments of 1826 matched the remodelled public revenue with a reformed system of private credit. The country bankers were reluctant to recognize the conclusive nature of the changes; as late as 1828, their mouthpiece would go no farther than describing the period since 1825 as 'the crisis of the country banking system', but one from which he thought it would recover.[3] Cobbett knew better, and knew earlier; a fortnight after the Bank-note Act was passed, he celebrated the end of the old system by holding the long-postponed 'Feast of the Gridiron' in the London Tavern.[4]

VI

The history of tax-collection constitutes one more chapter in the responsibility of Government for the various difficulties, social and economic, which accompanied the Industrial Revolution. The developments which followed Waterloo give an unexpected reinforcement to the contemporary opinion, expressed most notably by Malthus,[5] and graphically illustrated in recent years by Acworth's brilliant study,[6] that public finance was the principal agent of the post-war distress. In particular, it is clear that the widespread bank failures were directly connected with the abrupt shrinkage of Government deposits.

To these conclusions may be added one other, of a somewhat speculative nature. For a quarter of a century after the Napoleonic wars, British Governments refused to reintroduce the Income Tax, and thereby deprived themselves of an invaluable fiscal aid. There were various arguments adduced for and against a resumption of the tax, but it is likely enough that the memory of the jobbery associated with the war-time collection proved a powerful deterrent. There had, it is true, been important reforms in revenue administration, but these took place some time after the abolition of the Income Tax; a restoration of the tax would have placed a heavy burden upon existing officials, and would have raised the possibilities of either a return to the old system or the creation of new ranks of officials—an unpleasant prospect in an age bent increasingly on reform and economy in administration. But this concluding speculation, though it might yield rich rewards if pursued, runs a good distance along a tangent to the present study.

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[1] 7 Geo. IV, c. 6.
[2] 7 Geo. IV, c. 46.
[3] *The Circular to Bankers*, 1828: 4 Jan. p. 1, and 25 July, p. 2, for example. And see Clapham, *Bank of England*, II, 113.
[4] *Political Register*, 15 April 1826, cit. G. D. H. Cole, *The Life of William Cobbett* (1924), pp. 283–4.
[5] T. R. Malthus, *Principles of Political Economy* (1820), Book II, ch. I, §x. And see James J. O'Leary, 'Malthus's General Theory of Employment and the Post-Napoleonic Depression', *J. of Econ. Hist.* III (1943), 185–200.
[6] A. W. Acworth, *Financial Reconstruction in England, 1815–1822* (1925).