Politics and the Battle for the Banks, 1688-1697

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Two years after parliament had created the Bank of England in 1694, it attempted to replace it with a national Land Bank. A 'battle for the Banks' developed during which a contemporary observed that 'the animosity of Land Bank and Old Bank runs as high as Jacobite and Williamite'.[1] But the national Land Bank was not simply part of a Tory plot to wreck the government, as it was believed to be by those good Whig historians Bishop Burnet, Macaulay and W. A. Shaw.[2] The creation of the Land Bank by the majority of a parliament inclined to war, and its approval by the warrior-king William III, even call into question the wisdom of employing the customary Whig-Tory terminology. For the new king had accepted the crown not as an end but as a means. English money was a necessity for his crusade against Louis XIV; some said bluntly that he simply took England on his way to France. Here was a marriage of convenience; the coronation was but the ratification of a corporate merger. William was not to underestimate how much money was required to stem French ambition and, not surprisingly, parliament was usually unwilling to meet his demands in full. Even the more northern provinces of the Dutch Republic believed themselves free of immediate threat from the French: so what could be expected from the assembly of an island-nation which had no need even to cut dykes to put a moat between itself and the French menace? Much as the Atlantic Ocean confirmed the American congress of 1939 in its isolationism, the English Channel, in an age of sail and dependence on wind and tide, was an argument for those who thought that England need only fight a defensive naval war. And these early proponents of the blue-water school argued their case with cogency. But for William, on the other hand, with his Dutch commitments, these arguments were unacceptable; England's fleet could do little if every European port fell to France. Still, parliament appropriated unprecedentedly large supplies, which speaks as well for the Commons' foresight as for the king's determination. Yet William was unsatisfied, and from time to time

1. Francis Gwyn to William, 2nd marquis of Halifax. 3 Aug. 1696. Althorpe, Halifax MSS., box 4.

2. *Bishop Burnet's History of His Own Time,* 6 vols. (1833), iv. 307–8 and 317. *History of England from the Accession of James II* (Oxford, 1913–15), iv. 692. W. A. Shaw's two introductions for the *Calendar of Treasury Books* for the years 1689–1702 are in many ways still useful but present a very hostile view of the opposition. The period 1689–95 is covered in vol. ix, pt. 1 (1931); the rest of the reign in the introduction to vols. ix–xviii (1935). They are cited as Shaw, *Earlier* (*Later*) *Treasury Introduction*. *Later Treasury Introduction*, p. xlix and liii. P. G. M. Dickson discusses the Land Bank only briefly in his excellent *Financial Revolution in England* (1967).

threatened to leave England for ever – to the horror of an insecure Court party. When his ministers for the time failed him, he forthwith created a new balance which might prove more successful. The abortive alliance of the early years with extremist Whigs (more eager to proscribe their Tory rivals than promote supplies) were superseded by a predominantly Tory ministry, which set out to fool the country gentlemen by trickery and stealth – one year an unfulfilled promise of a descent upon France, the next a claim to have seen vast French invasion plans, and so forth.

Long-term borrowing and the foundation of the Bank of England

The country gentlemen were not fooled for long. An opposition was indeed developing, a product both of time and of the financial experience gained by such revolution Whigs as Robert Harley and Paul Foley in the newly-created parliamentary commission of accounts (which W. A. Shaw terms 'the parliamentary spearhead of the country opposition'). These old Whigs demanded convincing reasons for the king's financial requests. But some other Whigs were not so scrupulous. During the 1693–4 session, by a combination of ability, obstruction and guile, another group of courtiers forced themselves into office and demonstrated that, unlike their ministerial rivals, they could be as effective in as out. Collectively they came to be known as the junto Whigs. Led by Sir John Somers, the Hon. Thomas Wharton, Edward Russell, and Charles Montague, they swiftly became the king's new managers, showing their ability to its best advantage in the financing of his wars. Under the direction of Charles Montague, their monetary wizard, they demonstrated their skills not only by squeezing more from parliament by increased votes of supply, but also, indirectly, by their initiation of long-term borrowing schemes.

It was with the utmost reluctance that the Commons considered long-term loans, although this accounted for less than one-tenth of the reign's total revenue.[1] Financial historians have roundly condemned the Commons for lack of foresight: they have argued that since long-term borrowing provides money at lower interest rates than short-term, it should have been employed more extensively. Yet this is to ignore the actual financial situation, and parliament's political fears. At first it was even a question whether long-term borrowing could be made cheaper than short-term; the low, steady rate of 4–5 per cent was not achieved until after the Hanoverian succession. In 1693–4, the first year of the scheme, the interest amounted to 14 per cent, which compared unfavourably with the 8 per cent allowed by the Exchequer in anticipation of taxes.[2]

1. Dickson notes that long-term borrowing amounted to but £6·9 million of the £72 million raised during the reign. *Financial Revolution*, p. 47.
2. *Ibid.* pp. 48, 74 and 471.

Admittedly the Exchequer was sometimes forced to give premiums far above this rate. But contemporaries were inclined to regard this as a temporary aberration; long-term borrowing seemed as likely as not to make matters worse. Interest premiums had to be paid above the legal maximum in instances of difficult credit or inadequate surety, and from 1688–97 the government suffered from both of these disadvantages. Even if government loans were not legally bound by the usury laws which fixed the legal ceiling on private borrowings at 6 per cent, Englishmen felt that the state should set an example. The Commons were thus determined to keep interest rates as low as possible. High government interest rates meant not only increased taxation, but the almost certain prospect of higher rates on private borrowings, leading to inflation and diminution of agrarian property values. Interest rates might only be expected to decline after successful flotations had created investor confidence. But the country gentlemen were inclined to view investors as usurious parasites, and were therefore reluctant to sympathize with their problems.

More important, perhaps, was the fear that the promoters planned to represent the war as less expensive than it was, subtly aiming to intensify rather than alleviate the war burden. Nor would most parliamentarians presume that increased expenditure would end hostilities more rapidly: the French might quite possibly match their efforts. As England was not fighting the war alone, the allies might not only fail to make a parallel contribution but even find a pretext for diminishing their own. And, by showing reluctance to promote radical increases in expenditure, parliament might force the king, the war ministers, and the confederate powers to accept peace sooner. Too much long-term planning might well lead to a long-term war. The course of events did not prove them wrong. It was a dearth of funds which brought peace in 1697, and if William thought of the peace as merely an armed truce, his view was not shared by the political nation.[1]

While borrowing schemes in general incurred the wrath of the landed interests, their fury fell heaviest upon the Bank of England. Initiated in the spring of 1694 after five years of unprecedented war taxation (and after the worst winter in over half a century) it succeeded only after bitter conflict[2] and because the country gentlemen failed to offer a viable alternative in time.[3]

1. R. Lodge, 'The Spanish Succession', *History* (1928), xii. 333–8, presents a forceful argument that the renewal of hostilities in 1702 was by no means inevitable.

2. The account is set forth in a letter of the earl of Sunderland to Portland, 28 July 1697, Nott. Univ. Library. PwA 1234 (Portland MSS.).

3. A leader of the country party, Paul Foley, proposed long-term borrowing on the land by lowering the tax to one shilling in the pound, and giving it for twenty years, but even that was '. . . not liked by many'. Peregrine Bertie to the earl of Lindsey, 10 Nov. 1694. *H. M. C. Ancaster,* p. 436.

The plan was basically that of William Patterson and had been selected, from scores of others, by Charles Montague as the one best suited for junto patronage.[1] It was hardly spelt out in the obscurely-worded clauses of the Tunnage Act which sired the Bank. Positively, it was merely stated that the Bank's commissioners were to raise £1·2 million, lend the whole sum to the government and in return receive 8 per cent interest, from a perpetual parliamentary annuity, and a twelve-year charter.[2] At first appearances it would seem that the Bank was to be simply an investment trust. Many country gentlemen thought so when they passed the measure, and in their subsequent demands that the Bank's issues be secured upon full backing in specie they even had some support from that high priest of whiggery, John Locke.[3] In the event, the cash backing was far from 100 per cent. It fluctuated widely during the initial years, falling to 12·8 per cent in the spring of 1696 and then down to 2·8 per cent by the autumn. Although this was largely due to the great monetary crisis of the summer, it had risen to but 14.2 per cent by 1698.[4] The £1·2 million subscription had not been lent to the government in specie, but rather in the Bank's own notes (which did not have the status of legal tender), while the Bank made advances on a variety of private securities through the employment of 'running cash notes' (nowhere mentioned in the bill).[5] Subsequently, through an equally ambiguous clause in another bill, the Bank extended its government issues yet further; the ministry even had hopes that in view of the 'wartime emergency' the Bank would be able to borrow on its government lendings.[6] This last it did not do, but it had already done much. The Machiavellian earl of Sunderland had shrewdly observed that the Bank would be far harder 'to break . . . than [be] hindered'.[7] The bill's various punitive clauses against the Bank exceeding its initial function had been complemented by loopholes through which the supporters of the Bank drove a coach and four. Once the Bank was in existence, the junto ministry was able to claim that each extension of its powers was indispensable to the war effort; offensively they needed only to move step by step, and could always draw back and wait when parliamentary opposition became too strong. While it would not do to say that all this was in their minds when the Bank was created, they certainly made the most of having an essentially defensive position in exposing any inadequacies in subsequent schemes.

The Bank has generally been regarded as one of the great bulwarks of the Glorious Revolution. Certainly, its considerable political and

1. J. K. Horsefield, *British Monetary Experiments, 1650–1710* (1960), pp. 125–8.
2. 5 William and Mary, c. 20, ss. 18–33.
3. Horsefield, *Monetary Experiments*, pp. 128–9.
4. *Ibid.* pp. 264–5. 5. *Ibid.* p. 129. 6. *Ibid.* p. 133.
7. To Portland, 6 July 1694. Nott. Univ. Lib., PwA 1237.

financial achievements dismayed James II and the Jacobites, while delighting Protestant Europe and the upholders of English liberties. But this is not the whole story. A considerable number of Convention Whigs came to view the junto as apostates. The country leadership reluctantly concluded that some form of long-term borrowing was necessary, but the Bank of England seemed to them inherently anti-agrarian, too much allied with commercial interests and with the growing bourgeoisie. It appeared to be the spearhead of a financial revolution which was furthering the change from a landed to a commercial economy and was aimed at lowering land values, increasing interest rates, adding more aristocratic support to the war effort, and effectually placing increased control of both national finance and policy in the hands of the leaders of the war interest – the junto Whigs.[1] Even if the large number of initial contributors made charges of oligarchy impossible to sustain, the seeds were sown, as John Locke was able to sense.[2] Undoubtedly, the Bank of England was well suited to harness the liquid capital of the nation; indeed, it helped put England in the forefront of the commercial revolution. But this was not the sort of leadership which the country gentlemen favoured, if they wanted any leadership at all. They wished rather to preserve their power and position in an agrarian society, and they saw the centralization of finance, controlled by a junto-led commercial oligarchy, as little better than an absolute monarchy.

The Land Bank

Despite the general court and junto successes in the 1695 election, it was soon apparent that parliament would replace the Bank, if it could.[3] The country gentlemen wished for a bank which was less London-orientated, which had provincial outlets and which made extensive provision for low-cost mortgages. Since it was the very small landowners who were hardest hit by the heavy land taxes of the Williamite wars,[4] the advantages of such a bank to the rank and file of the country party are evident. A low interest loan might have enabled many of those who were in fact forced to sell, to improve

1. See, for example, the letter of Sir Christopher Musgrave to Robert Harley, 2 Aug. 1694. *H.M.C. Portland,* iii. 552.

2. J. Locke to the College [*i.e.* John Freke and Edward Clarke], 18 Feb. 1694/5. B. Rand, *The Correspondence of John Locke and Edward Clarke*, p. 408. The main reason for the large number of investors may well have been purely legal, for the act stipulated that no subscribers could invest more than £20,000 and that subscriptions until 1 July 1694 should be limited to £10,000. 5 and 6 William and Mary, c. 20, ss. xxii and xxiii.

3. Sunderland noted: '. . . contrary to the intention of 88 [Parliament], Holland, and strangers inc. [the] confederacy are the best off for it [*i.e.* the founding of the Bank of England].' He thought that this '. . . will anger most and is carried on by 14 [Sir Ed. Seymour]'. To Portland, 6 July 1694. Nott. Univ. Lib. PwA. 1237.

4. H. J. Habakkuk, 'English Landownership, 1680–1740', *Econ. Hist. Rev.* x (1940), 2–17.

their lands, or at least to persevere, and the transfer of landholdings might well have been more gradual. Parliament wished for a bank which would aid rather than hinder them in maintaining the power of the purse. If, moreover, the predominance of the Land Tax had ensured parliament's financial control, it seemed logical that this might best be reinforced by ensuring that the dominant bank had its assets based primarily upon the land. The country gentlemen disliked the Bank of England and the Exchequer bill schemes for much the same reason that they detested the customs and excise; if the latter were too easily collected beyond the legal limits set by parliament, the former were also thought too subject to the whims of the court and war interest. In response to William's demands for additional funds, further offers from the Bank of England were refused, government proposals to found an exchequer bank were put aside, and the country party project of a National Land Bank of Parliament embarked upon.[1] This project, however, was to be subjected to the scorn of critics who ridiculed the element of abstraction involved in the parliamentary proposals much as they had undermined confidence in earlier land bank schemes. This seems hypocritical, for all financial schemes involve some degree of abstraction: the Bank of England's capitalization of future tax revenues hardly involved less. During the pale dawn of macro-economic finance, success or failure was determined far less by the theoretical basis of a scheme than the degree of faith and support shown by financial and political interests. In the American colonies where land bank projects received this support, they became the backbone of the economy.[2] But at home financial and political conditions were less auspicious. By 1695, only Dr. Hugh Chamberlen, one of the most optimistic and prolific of projectors, was still trying to found a pure land bank, while two other schemes had incorporated modifications in an effort to generate public confidence. The joint project of John Asgill and Dr. Nicholas Barbon sought a subscription in specie to provide a proportionate reserve to redeem issues returned for cancellation. The third bank, conceived by John Briscoe, was something of a hybrid of the other plans. Perhaps because he was a friend and quondam advisor of Chamberlen, Briscoe had provided for an initial cash reserve only grudgingly and had not clarified its purpose. It

1. Robert Price, a country member, wrote in his usual rambling style: '. . . but they [the Bank of England] being instruments in the debasing and exporting our money, raysing our ginnyes and [?] all commodities, breaking their faith with the Parliament by making and giving out credit Bills beyond their capitall sume of £1,200,000 and in mortgaging their funds to the Dutch for £480,000 att 5 pr. cent for 5 years [the Bank of England claimed it was but £300,000 (*H.C.J.* xi. 614)], but they were rejected and the new land banke made their offer [see in text below], but to avoid all parties and interests it was agreed a national land bank should be settled by act of Parliament. . . .' To the duke of Beaufort, 11 Feb. 1695/6. Bodl. Carte MSS. 130, fo. 357. See too, N. Johnston to the earl of Huntingdon, 18 Feb. 1695/6. *H.M.C. Hastings*, ii. 157.

2. See below, pp. 710–11.

would indeed seem that it was designed primarily as a symbol of solvency, although it might have been employed to maintain international parity for its issues. While the bank notes could have been redeemed by the cash reserve, this might also have been effected by simply transferring other promissory notes. Nevertheless, if there could be a demonstration of the confidence of the cash investors before the banks were launched, they would be far less open to charges of inherent insolvency. In seeking to collect cash savings to make advances on mortgages, both banks, especially that of Asgill and Barbon, had many aspects of a contemporary building society. Both enlisted significant political and financial support and considerable tentative cash subscriptions; but the subscriptions remained largely tentative.[1] Investor confidence had not been won. Under the circumstances it appeared that the only way to gain this trust would be to follow the Bank of England's precedent in securing a perpetual parliamentary annuity guaranteeing the cash subscribers a fixed interest premium upon their capital. Both banks had for some time been seeking such a seal of government trust and patronage and finally contemplated a merger, the terms of which were delineated in their broadside, *The Land Bank United*.[2] It was, however, their ideas rather than their bank which was to be incorporated in the parliamentary proposal; the Commons were apparently unwilling to give public support to a land bank scheme of a private nature.[3]

The scheme contained in *The Land Bank United* is the basis of the Bank's enabling bill, and although there are occasional lacunae, which may be supplemented from the tract, the bill is considerably more explicit than that for the Bank of England.[4] The Land Bank was to be a good deal more than a mere investment trust. It was to raise £2,564,000 in specie, while investors would receive 7 per cent annual interest on the subscribed principal and the right to borrow corresponding amounts on landholdings. 'Over and above what they shall lend to members of the said corporation', the Land Bank was to lend £500,000 a year in its own notes on mortgages provided 'that sufficient securities for the same be tendered unto them'. Sufficient securities may probably be taken to mean that loans would only be made up to three-quarters of the value of the lands mortgaged, the total value being considered to be twenty times the annual value, *i.e.* twenty years' purchase. The act stipulates that $3\frac{1}{2}$ per cent annual interest, payable quarterly (or 4 per cent payable half-yearly) would

1. Horsefield, *Monetary Experiments*, chaps. xiv–xvi.
2. *Proposals Made to the Honourable House of Commons by the Land Bank United for Raising Two Millions, or more* (1696).
3. The American colonial legislatures were to show a similar distaste. See Professor Thayer's article (discussed below) 'The Land Bank System in the American Colonies' *Journ. Econ. Hist.* xiii (1953), 145–60.
4. 7 and 8 William III, c. 31.

be charged upon the mortgaged lands, and although silent on the amount of interest to be charged on the Bank's notes, the Asgill-Barbon scheme indicates that interest would be set at 2 per cent; the Bank's profit would hence come by borrowing at 2 per cent and lending at $3\frac{1}{2}$ per cent. If the loan charges proved inadequate to maintain solvency periodical parliamentary adjustment could rectify the situation, while if the Bank made a profit, it could be employed to make further loans to the government, reduce interest charges, or develop a cash reserve. It is possible that a cash reserve was implicit in the scheme. The ambiguity of Briscoe's scheme, however, even when married to Asgill-Barbon, found its way into the act, wherein it was provided that if the Bank were unable to redeem its engagements for cash then the Land Bank was empowered to transfer other bills to anyone demanding redemption. A system of transfers would have operated effectively if there had been some way of ensuring their general acceptability for commercial transactions. To develop confidence and maintain parity with the Old Bank's notes and domestic and foreign currencies, a reserve system was clearly desirable. In creating one, the Land Bank might have followed the Bank of England's precedent, giving the government only a proportion of the subscription in specie and the remainder by means of something similar to the Bank of England's running cash notes. Indeed, it could have done so with greater legitimacy; as only three-quarters of the value of the lands subscribed could be taken up, the remainder could serve as the basis of a reserve. By lending the government the stipulated £2,564,000 with £1,669,000 in cash and £895,000 in the Bank's own notes, an equal amount of specie could be kept back as a cash reserve. This would have given the Bank an initial reserve of one-quarter which would have declined to one-eighth at the end of seven years, assuming that landowners took up £500,000 a year in loans and that profits were not employed to develop the reserve.[1]

Professor Thayer's study of eighteenth-century American colonial land banks indicates that an even smaller reserve should have proved adequate to maintain domestic and international parity, while uncontrolled inflation could be avoided without any reserve at all.[2]

1. Although the *Land Bank United* proposed to make mortgage loans of £500,000 p.a. for only seven years, the duration is not stated in the act itself. Thus the loans could have been continued beyond the seven years, but parliament might curtail lendings at any time. At the end of seven years the Land Bank would have had the original £895,000 in specie (discounting possible interest) which had been held back from the government to serve as note issues totalling £7,080,000. This issue would consist of (*a*) £2,685,000 reserved for the subscribers being 15 times the annual purchase value of the lands settled which was guaranteed by the parliamentary annuity of £179,000. (*b*) £895,000 lent to the government instead of specie, being made up of the remaining five years purchase which the subscribing landowners could not take up. (*c*) £3,500,000. lent to landowners being made up of the £500,000 for mortgages lent each year for seven years.

2. *Ubi supra,* 145–60.

The colonial land banks were designed to provide for the needs of modest landowners wishing to effect improvements, and loans were made at very low interest rates (usually 5 per cent but occasionally as low as 3 per cent) with various forms of real estate serving as surety. The resulting inflation was, on the whole, mild and tended not only to stimulate trade but to hit at the 'usurers', often driving the interest rates on private borrowings as low as 6 per cent. Profits were generally employed either to reduce the interest rate or to make further loans to their governments. By a method which the English Land Bank could have employed equally well, the Land Bank in Maryland employed part of its profits in the purchase of securities other than land; this policy gained international respect for its issues which came to pass at par with those of the Bank of England. Although Maryland was alone in developing a financial reserve, the land banks were a considerable success throughout the Middle Colonies. Indeed, when such astute prime movers as William Penn put their energies behind the project and the banks enjoyed sound financial management, all went smoothly. In New England, where the political and financial communities were divided in their support, or in the Carolinas where land was seriously overvalued, inflation tended to be excessive.[1] England's comparatively high property values, her centralized parliamentary control of finance and her competent financial advisers suggest that the English Land Bank might have been as successful as the banks of the Middle Colonies had the project ever been allowed to get off the ground. Herein lay the key advantage enjoyed by the American land banks, for only at the outset were there critical differences between the schemes; the American land banks were not obliged to have a subscription in bullion to achieve incorporation and their issues enjoyed the status of legal tender in the colony of issue, although only for a limited time. The British government soon deprived them of this privilege and between 1720 and 1740 employed a variety of means to discourage their expansion, and finally ordered them to be wound up. This action was not exclusively a result of English merchants finding themselves caught out with notes from less reputable colonial banks. It should have been an easy matter to force the colonies to put their houses in order or, alternatively, to form an all-encompassing colonial land bank system (as was in fact proposed on two occasions and defended by such authorities as Benjamin Franklin and Adam Smith). The critical factor in determining the attitude of the British government was that the land banks were bringing considerable (and undesirable) financial autonomy to the colonies.[2]

1. The value of a land bank's currency was related to the volume in circulation; the value of the lands mortgaged for the loans; whether or not taxes were pledged for the redemption of bills; the respect shown for the currency laws – especially with regard to the redemption of bills. *Ibid.*

2. *Ibid.*

The Land Bank as a 'country' project

In 1696 the junto ministers feared that the success of the Land Bank would give parliament too much autonomy and power. The Bank was to be just what it was called: the National Land Bank of Parliament. Tories ambitious for office were not the only supporters of the Bank, and there is little evidence that they controlled it. Of the nine leading figures associated with the attempt to found the Bank, only two, Sir Joseph Herne and Sir Thomas Meres, could be classed as even moderate Tories.[1] Sir Thomas Cooke and Sir Josiah Child were considered primarily financiers at the time and both were active in the East India Company, while Cooke had also been a commissioner of the Million Lottery, the government's first long-term loan.[2] Godolphin, the archetype of the professional civil servant, was a moderate, while the duke of Shrewsbury, one of the Immortal Seven who had signed the invitation to William in 1688, was quite clearly a Whig (albeit one disillusioned with the practices of the junto). Too much significance should not be attributed to the support of that great ministerial intriguer, the earl of Sunderland. He was as unacceptable to the Tories as to the Whigs. If there were a project afoot, he was sure to be involved (at least until the cause appeared lost, when he would deftly abandon ship). But the real direction fell to the country party leaders, Robert Harley and Paul Foley, who like Shrewsbury considered themselves the true Whigs, and the junto apostates.

Further evidence of the Land Bank's intended apolitical nature can be found in the composition of the great commission for collecting subscriptions. There were well over three hundred commissioners appointed, including fifty M.P.s.[3] From their voting on three

1. During the Officer's Parliament, Herne is listed as a placeman and as one of Carmarthen's supporters. But in 1696 he signed the voluntary association to protect William III and did not vote in the subsequent divisions. Sir Thomas Meres was an old but experienced politician, having sat for Lincoln from 1660–87. During Charles' reign he had even been something of an opposition leader until he was put forward (unsuccessfully) as the court candidate for the speakership during the first exclusion parliament. A. Browning, *Earl of Danby* (1951), iii. 177, 185, 199; i. 163n., 222n., 229n., 297.

2. Cooke was an alderman and sometime sheriff of London, but his politics are unclear. See *ibid.*, i. 517–19 and A. B. Beaven, *Aldermen of the City of London* (1908).

3. Manuscript list of the initial 319 commissioners of the land bank, P.R.O., T.52/19. In the reckoning, Montague, Smith and Fox who requested the Commons to delete their names from the commission (see in text, below) have not been included. A pamphlet entitled *The Commission for Taking Subscriptions to the National Land Bank* (Edinburgh, 1696) includes twenty-nine new names, most of whom are merchants, many of foreign extraction. Certain doubts as to the reliability of this list are raised by the inclusion or exclusion of members of the government: Smith and Fox are deleted as might be expected, but so too are Godolphin and Lowther of Lowther; most puzzling is the continued presence of Montague. One would be inclined to think that these last were errors due to haste. New names, for example, are generally inserted at the end of each respective alphabetical listing and indeed Horsefield states that the warrant was rushed through to be ready for the king's assent before he left for the continent. *Monetary Experiments*, p. 207.

divisions of the parliament, they appear as favourably disposed to the court as most M.P.s: 48 per cent voted consistently court and 44 per cent consistently country (compared with the general pattern of 44 per cent voting consistently court and 40 per cent consistently country).[1] The financial experience of the commissioners was considerable, and such omissions from the list as did occur may well have been part of a junto plan to weaken the commission. Apart from the First Lord of the Treasury, Godolphin, the commissioners included two members of the parliamentary commission of accounts, two leading members of the East India Company, several commissioners of the excise, and a number holding such minor offices as commissioners of hackney coaches. The inclusion of two Huguenots and seven members of the Sephardic Jewish community, among them Peter Henriques and two of the Da Costas, gives something of a cosmopolitan flavour. But most of the commissioners were from London or the home counties, and officers of the City were well represented.[2] Indeed, they might well have preferred a bank more under the influence of the country than of the court, for they had not forgotten Charles II's stop of the exchequer. It was the Commons which did not wish the commission to be an apparent creature of the City and, unlike the commission for taking subscriptions to the Bank of England, the list was not headed by all the City officials.[3] The most obvious function of the commissioners was to serve as a hard core of contributors, and at least 194, over three-fifths, had previously made loans to William's government.[4]

The project should be termed, then, 'country' rather than Tory. Its leaders had no wish to replace Whigs with Tories; their aim was to effect a change in measures, not in men. Even less did they wish to compromise the revolution settlement as they knew it; the victory of the outside against the middle, the country against the court.

William III, his ministers and the Land Bank

The naive expectation of some of the Land Bank's supporters

1. The overall character of even the 1695 parliament was country, but these three divisions did not take place over major court-country issues and all occurred after the assassination plot of 1696, when opposition was identified with treason. For a discussion of the issues involved see Rubini, *Court and Country, 1688–1702* (1968), chaps. ii–v, and appendix A (in this last I discuss the issues of party during William's reign). I have checked my findings against those in I. F. Burton, P. W. J. Riley and E. Rowland's 'Political Parties in the Reigns of William III and Anne: the Evidence of the Division Lists', *Bull. Inst. Hist. Res.* (1968), special supplement no. 7.

2. Since the revolution, nine had served as aldermen, five as sheriff, while Sir John Fleet was lord mayor.

3. The Book of the Subscriptions, Bank of England MSS (Threadneedle Street).

4. I have checked the commissioners' names against the list of government lenders in: the Pell's Receipt Books, P.R.O. E401/1982 and 9991–98; the Book of the Subscriptions, 1694, Bank of England MSS. (Threadneedle Street), bank stock ledger, no. 1; *The Calendar of Treasury Books, 1688–1697.*

that it might avoid all political interests was soon shattered[1] – but not by the king. William, regarding the Bank of England as a decidedly mixed blessing, openly supported the new project and personally subscribed £5,000. He was aware both of the advantages and of the disadvantages of the Land Bank. The disadvantages were obvious enough. The great projectors had yet to prove their mettle; they were untried and distinctly, even proudly, amateurish. The Bank was undertaken in part to counter the successful Bank of England. It was, moreover, a plan of the country party, the blue-water party which had little place for the considerable continental involvement and the huge armies of foreign mercenaries required for William's cause. The king's objectives were theirs only in part. But could he not make his purpose their purpose? Might he not, by encouraging their financial development, wean them from their insularity and make them see England's role in a European context? The junto Whigs showed little desire to uphold his prerogative, and he could not have found their alternative monetary scheme of an Exchequer bill flotation very attractive. It was always William's policy to trim and there seemed little reason not to do so now. By proving amenable to the country party proposals, he might give himself more of the appearance of an English king and at the same time bring some of the opposition leadership to his aid. Ultimately, it was the need for money which came foremost and since the Land Bank seemed the surest way of getting it, what did William have to lose by patience? It was the junto ministers who shattered any hopes that the Land Bank would remain apolitical. For them it was an abomination; its success could only cause them trouble. The Bank of England indirectly augmented their influence over the king and provided some assurances for the future when he died – which, in his sorry state of health, seemed an ever-present possibility. A trimming policy was one thing for a monarch, but quite another for the ministers of a faction trying to preserve their independence. It was the king who feared becoming a doge. The junto ministers awaited their opportunity to appear in the resplendent garb of Venetian oligarchs; they had no intention of furthering the interests of an indignant squirearchy which might hang them for their pains. As his own first minister, William was relatively indifferent to the outcome of the battle for the banks; in fact, he was absent abroad during the critical stages of the negotiations. But his absence created problems of communication, and he relied heavily upon the willingness of the predominantly junto ministry to act in his interest. It was, perhaps, inevitable that William should be forced to be something of a junto-whig; the battle for the banks was certainly one of the crises that made him one. What the Land Bank so badly

1. Robert Price to the duke of Beaufort, 11 Feb. 1695/6. Bodl. Carte MSS. 130, fo. 357. See quotation in note 1, p. 698.

needed was men of proven financial experience and ability, and while the commission for taking subscriptions went some way towards meeting this need, it would have gone a good deal further had it not been for junto obstruction. The three leading junto treasury lords, Montague, Stephen Fox and Jack Smith, had their names deleted from the commission's list at the outset, declaring that as diverse matters relating to this commission '... may, or will, be transacted between us and the said commissioners, we therefore think it improper, and desire you to omit our names in the bill'.[1] While at first the grounds adduced for their withdrawal may not seem unreasonable, it would be naive to suppose that they told the whole story. Godolphin, the moderate amongst the lords justices, did not request to be excluded, and, indeed, his subsequent observations indicate that the junto lords justices' behaviour was anything but properly impartial. They were quite probably giving their usual notice that the battle lines were being drawn, and that any supporters of the Land Bank would incur their displeasure.

Support from subscribers to the Bank of England would also have been most helpful, and initially it was very much in evidence: sixty-four (or just under one-fifth) of the commissioners had subscribed to the Old Bank – and some handsomely. They contributed a combined total of £91,581 of the £1·2 million initially invested by the Old Bank's 1,268 subscribers (numerically they constituted only 5 per cent yet they contributed 8 per cent of the principal).[2] But by a clause in the Land Bank's enabling bill, those having virtually any connection with the Bank of England were to be excluded from participation in the new venture. One cannot be certain who was responsible for the extreme nature of this clause. If, on the one hand, Briscoe had urged that precautions be taken to avoid a Bank of England takeover[3] neither he nor the other Land Bank proponents had urged a complete exclusion but only that their holdings be limited. In the light of the junto ministers' subsequent conduct, however, one suspects that they may well have had some share in the resolution. Although investors might follow the example of the king and assign their interest to an agent, to do so would not only occasion additional trouble and expense but might well displease the junto ministers.

The junto ministers, deftly exploiting the assassination attempt upon the king in February 1696 as a means by which virtually any opposition to their will could be identified with treason, effectively

1. 25 Nov. 1696. *H.C.J.* xi. 596.

2. Results gained by comparing the list of the commissioners (P.R.O., T. 52/19) against the Bank of England's Book of the Subscriptions (Bank of England MSS., Bank Stock Ledger, no. 1). Note too, the limitation on the size of the subscription to the Old bank, see above, p. 697, n. 2.

3. *Reasons Humbly Offered for the Establishment of the National Land-Bank* (3 Feb. 1695/6).

cast a severe blight over the country party's entire financial and constitutional programme. It would be difficult to overestimate the importance of this single event. Coming as it did after the framing of the Land Bank's over-stringent terms of incorporation, it was all but the death blow. No leeway had been allowed for an alarming deterioration in financial conditions, and it was found impossible to improve upon the terms of incorporation or to alter the junto's financial programme, which, by accident or by design, made money tight during the critical months. Only in part was this decline the result of the increased strain of the unprecedented taxation. Two of the court's monetary programmes, which had been initially designed to effect a surreptitious increase in taxes, also took their toll. The clipping of unmilled coinage had reduced the silver content to three-fifths of its minted weight, while the value of the gold guinea went up to 30 shillings. As English taxes were now extensively employed to pay for foreign military supplies, the court hoped to gain more silver and gold bullion for the same tax vote by reminting the coinage at the old standard and by devaluing the guinea. A reminting could effectually force taxpayers to pay in more silver, and royal supporters argued for an immediate full return to the old standard. The country party leadership, on the other hand, questioned the need for a full return and argued further against taking any action until the end of the war. Both sides had able protagonists, and modern scholarship has confirmed that the opposition's attitude was quite tenable.[1] Yet the court's sound or hard money school triumphed; partly because of the power of the court and the junto's somewhat devious legislative finesse, but in part, too, because the alternative had been given such a bad name by continental despots who had used it simply to milk their subjects. The problem of devaluing the guinea was less clouded by such ambiguities, and the opposition tried to prevent any considerable change. The court succeeded only in devaluing by degrees; some country gentlemen were fooled into thinking that each stage was the last, while the identification of opposition with treason after the assassination plot helped to initimidate others. Thus by successive gradations, the guinea was lowered, first to 28, then 26, later 25 and finally 22 shillings.[2] Devalued guineas made potential subscribers unwilling to part with them when they might get more through illegal transactions with goldsmiths or in the

1. C. R. Fay in his article 'Locke Versus Lowndes', *Camb. Hist. Journ.* iv. (1930), 143–55, covers the conflict over the question of revaluation. In the only comprehensive study of the recoinage, Ming-Hsun Li has pointed out that the four years it took to complete the recoinage are ipso facto proof of its prematurity. Those who argued against immediate action are said to have 'had more foresight than those who were in favour'. *The Great Recoinage, 1696–1699* (1963), p. 67. A brief discussion of the issues may be found in I. F. Burton and others, *ubi supra,* pp. 14–18. The problem is also discussed at some length in Rubini 'The Country Party in the Reign of William III', D. Phil. thesis, Oxon., 1966) fos. 184–91.

2. Rubini, *ibid.*

open market of Lombard Street.[1] The recoinage proceeded very slowly and even the king sadly repented so precipitous a devaluation.[2] The prerequisite of a £1,282,000 subscription was also creating anxiety amongst potential investors; the Bank of England had needed to raise only £600,000 for incorporation when money was far less tight. In addition, the court's success, after two defeats, in inserting provincial clauses allowing for a junto-sponsored exchequer bill scheme, in case the Land Bank did not succeed, created the impression that the Bank could not succeed.[3]

The greatest problem, however, was that the Land Bank's interest rate of only 7 per cent was low considering the fluctuating land values of the time and the rising interest rates. The Bank of England had received 8 per cent when money was less tight. In part this failure was inherent in the country party programme itself, for the country gentlemen were violently opposed to high interest. Because lower interest was a *raison d'être* of the Land Bank, it is difficult to see how the Opposition could have avoided this problem; a higher rate would have made it difficult to differentiate the New Bank from its undesirable predecessor. In addition, the Bank of England had made a questionable counter-offer to lend the government the requisite sum at an even lower interest rate.[4] Aside from serving as telling evidence that the Land Bank's interest premium of 7 per cent was scarcely preposterous, it indicates the lengths the Old Bank and its advisors were willing to go to stop the project. Considering the scarcity of money in the ensuing months it is very doubtful whether the Bank of England could have coped with the situation. The subsequent action of the junto ministers, however, suggests that the Old Bank might have been considerably more successful than was the Land Bank in obtaining direct or indirect ministerial approval of increases in the interest premiums. Perhaps an escape clause to raise the Land Bank's interest rate, if necessary, should have been inserted at the outset. Once the Bank was established, with a part of the central banking apparatus firmly under its

1. See Rubini, *Court and Country*, p. 91. The Bank of England was accused of issuing bills until 4 May (the termination date) instead of calling them in, and refusing to buy guineas for tallies and clipped money, when guineas were current at 22 to 24 shillings. Even more serious were the sins of commission, such as extending credit beyond £1·2 million, falsely promising reduced interest rates on land loans, giving out demand bills rather than post-dated ones shortly before 4 May for clipped money, lending £200,000 to the king when they had only paid 5 per cent of their debts outstanding to preclude further negotiations with the Land Bank. See: *Remarks on the Proceedings of the Commissioners for Putting in Execution the Act Past Last Sessions for Establishing a Land Bank* (1696), pp. 30–39.

2. William wrote to Shrewsbury that he saw '. . . too late, that I was in the wrong, and there appears to be no remedy for obtaining credit, but the acceptance of guineas by the treasury at 24 or 25 shillings, and giving a premium or interest, so as not directly to violate the laws' 4 June 1696. W. Coxe, ed., *Correspondence of Charles Talbot, Duke of Shrewsbury* (1821), p. 118.

3. *Remarks on the Proceedings*, pp. 4–5.

4. Horsefield, *Monetary Experiments*, pp. 205–6.

control, the country party might have forced an expansion at a reduced rate or effected a *de facto* reduction by printing extra paper money. But then, how could the deteriorating financial situation of the succeeding months have been anticipated? Since the recoinage took so long and as a result of devaluing the guinea, the amount of money in circulation was so diminished that the nation was almost reduced to barter. With the king abroad during the summer and the government in the hands of the junto-dominated lords justices, the Land Bank's fortunes, indeed, could scarcely be expected to improve. When the Bank's commissioners found that without substantial changes in their terms their plans would prove abortive, their old enemies in parliament fought them again, both in the Treasury and amongst the lords justices, to their faces and behind their backs. In late May, the commissioners' request to take a quarter of the requisite sum in clipped money was flatly refused by the ministers, as was their demand for a 10 per cent discount for good money.[1] Although William urged them not to be too scrupulous,[2] the moderate Godolphin found the other lords justices full of 'objections and difficulties'.[3] One of the reasons given for these 'objections and difficulties' was that the Land Bank would at best reach only the minimal sum necessary for incorporation.[4] But later, one of the Bank's supporters caustically noted that '. . . most people are of the opinion now, that £1,282,000 would better serve his majesties occasions, than nothing, though the arithmetick of the time was, that half the sum was less than none'.[5] Country party attempts at indirect subscription incentives, such as the naturalization of foreigners willing to contribute £500 (which might have brought in as much as £400,000) were also blocked.[6] In late June the ministers also rejected the Bank's request for an interest premium of £300,000.[7] Only Godolphin and Shrewsbury favoured the proposal which was violently opposed by the junto leaders, *i.e.* Somers, Jack Smith, Sir Thomas Littleton and, most of all, by Charles Montague. Francis Gwyn (a country squire) noted the anger growing against Montague '. . . at court as well as country for not taking the money of the Land Bank when he did not know where to have it anywhere else. . . . He and all his friends resolved not to

1. 22 May, 3 June and 25 May 1696. *Calendar of Treasury Books,* xi. 16–17 and 19–21. By good money they meant either guineas or alternatively unclipped or milled silver.
2. See, for example, the king to Shrewsbury, 4/14 and 8/18 June 1696. *Shrewsbury Corr.* p. 119.
3. To the king, 22 May 1696. Nott. Univ. Lib., PwA. 476.
4. Shrewsbury to the king, 5 June 1696. *Cal. S.P. Dom.,* p. 215.
5. *Remarks on the Proceedings,* p. 27.
6. *Ibid.* pp. 30–33. This vote of 24 April was 80–61. *H.C.J.* xi. 564. For the Exchequer Bank Scheme, see below.
7. Godolphin said they offered to raise the 'whole sum of £2,564,000 for a premium of £300,000 – which is about 12 per cent'. To the king, 3 July 1696. P.R.O., S.P. Dom., 8, King William's Chest, 1694 [misplaced], no. 42, fos. 99–101.

take the Land Bank though the army starve in Flanders for want of it'.[1]

The lack of financial assistance, coupled with a separate peace negotiated with France by one of the confederate princes, Eugene of Savoy, in mid-July, made William think once again of giving it all up and retiring to the West Indies.[2] Although Portland was sent over to help reach some agreement with the managers of the Land Bank, they found that court support at this juncture was both too little and too late.[3] Portland was not the king, and the king alone could have done anything. Even in ordinary circumstances it was difficult enough to go against the counsel of the clever junto managers: it was almost impossible to do so unless one had been on the spot from the beginning, which Portland had not. Nor did he really have the knowledge to tackle the problem, for his skill lay in diplomatic negotiation. Moreover, Portland's place as court favourite was being usurped by the handsome young Von Keppel, whom William was about to create earl of Albemarle. Portland could not afford to risk alienating the junto as a source of ministerial support, when palace intrigue might falsify his motives and destroy his position at court. Montague deftly directed Portland away from the Land Bank's proposals and scared off other former supporters. Last-minute attempts to save the Bank's reputation by private borrowing from the Jews were also thwarted. One of the junto's friends wrote delightedly that the placeman, Jack Smith, was 'too nimble' for the Bank's supporters and succeeded in offering the Jews a better interest rate.[4] It is, therefore, hardly surprising that by the termination date of 1 August, the Bank had raised only a token portion of the expected sum; indeed, a mere £7,100 was subscribed and only a quarter of that had been paid in.[5] Quite clearly £7,100 was totally insufficient. But although the junto and the Whig historians would have it appear otherwise, this token pittance was indicative far more of the bad climate for investment, the low interest rates, and the ministry's hostility than it was of any inherent

1. To Thomas Mansell, 14 July, National Library of Wales, Penrice and Margam MSS., L.319.

2. William to Shrewsbury, 20/30 July. *Shrewsbury Corr.*, p. 129.

3. Portland states that the Land Bank managers '. . . told me plainly that it was impossible [to raise £1,250,000 before Saturday]; that several of the gentlemen had gone off dissatisfied into the country and others had disposed of their money and that I was eight days too late: but that they realized the danger from the lack of money and were doing their best to devise other means'. To the king, 31 July, N. Japikse, *Correspondentie van Willem III en van Hans Willem Bentinck* (The Hague, 1927–37), i. 183.

4. Christopher Stockdale to Viscount Irwin, 22 Aug. *H.M.C. F. L. Wood*, pp. 82–83. Portland had doubts as to the ability of the Land Bank's managers to conclude with the Jews at this rate. To the king, 31 July. Japikse, *Correspondentie*, i. 183. Montagu, of course, had his doubts as well. To Blathwayt, 24 Aug., B.M. Add. MSS. 34355, fo. 18 (Shaw).

5. *Later Treasury Introduction*, p. liv. When the Land Bank failed, subscribers to the project were reimbursed in July 1697 with a year's interest at 7 per cent. *Cal. Treas. Books*, xii. 258 and 260.

deficiencies in the Land Bank. With most flotations, relatively slight changes often determine success or failure and it has already been suggested that if the junto ministers had improved investment conditions even as late as June, the Bank might at least have reached the minimal sum required for incorporation.

Some feared that the circumstances of the Land Bank's failure might be clouded by the assassination plot. Gwyn, for example, noted sadly that '. . . though Foley's and Harley's were at the head of it', the Bank was being called '. . . a cheat that could not perform what they pretended to'. Frightened by the '. . . running down of our friend Paul [Foley]' he had fears that during the ensuing session it might be expanded from 'a cheat' into 'a plot' against the government.[1] Certainly the country leadership was unsuccessful in its attempt to put the blame for the Bank's failure upon the ministers.[2] The junto did not, however, succeed in making the Land Bank appear as a plot; perhaps because they were preoccupied with saving their colleague, Russell, from untimely allegations of treason. Moreover, their inept handling of the recoinage and exchequer bill flotations had diminished their credibility as monetary experts. The 'auxiliary' exchequer bill scheme was always close at hand, awaiting the all but inevitable weakening of the Land Bank. Even before the Bank's failure, preparations were made to issue interest-bearing notes. Montague had said they would raise £1·5 million. By Michaelmas a year later, they had raised less than a tenth of that sum,[3] and in the next session provision was made to raise £2·7 million by forcing a second issue of exchequer notes into circulation. 'The Nation depends upon it', wrote Somers, who then added candidly, '. . . at least I am sure the Whigs depend upon it'.[4] Only after the junto had gone to considerable pains did the success of the flotation seem assured.[5] Although the two issues (including some reissues) raised just over £3 million, most of the notes did not stay out as expected, but were retired within a few years. The plan was expensive even on Montague's own admission. Roughly divided between interest and what W. A. Shaw politely terms 'working machinery'[6]

1. Francis Gwyn to William, 2nd marquis of Halifax. 3 Aug. Althorpe, Halifax MSS., box 4.

2. Vernon to Shrewsbury, 10 Nov. G. P. R. James, ed., *Letters Illustrative of the Reign of William III from 1696 to 1708 Addressed to the Duke of Shrewsbury, by James Vernon, Esq.* (1841), i. 52–57.

3. By Michaelmas 1696 they had raised £133,709, and a year later only another £24,880. W. A. Shaw, *Earlier Treasury Introduction,* p. cxlii.

4. Somers to Wharton, Wed., April 1697. Bodl. Carte MSS. 228 F. 126.

5. Somers urged that pressure be put upon the Houblons. *Ibid.* T. Wharton promised relief from quartering to the borough of Chippenham for their enthusiastic participation in the exchequer bill flotations. To Walter White, 24 Apr. 1697. Marquis of Lansdowne, 'Wiltshire Politicians (*c.* 1700)', *Wilts. Arch. and Nat. Hist. Mag.* xlvi. (Devizes, 1932–4), 68.

6. The interest was £391,335 5s. 11d. and the 'working machinery' £336,384. Shaw, *Later Treasury Introduction,* p. cxlix. In 1707, Shaw notes that the independent exchequer

the money (which was needed for just over a year) cost almost three-quarters of a million pounds; 25 per cent of the principal. Although the recoinage and the exchequer bill flotations were scarcely a success, the ministers who had all but failed as courtiers, were eminently successful as junto oligarchs. The financial credit of the country managers was almost ruined,[1] while the junto ministry's protégé, the Bank of England, came through with flying colours. With the Land Bank officially defunct on 1 August, the much vaunted financial scruples of the lords justices were soon compromised. Dropping plans for a national subscription[2] and despairing of a loan from Amsterdam,[3] they turned to the Bank of England. If, in concluding with the Land Bank, the slightest molehill had been declared to be insurmountable, nothing could stop the ministers now. Apparently undeterred by the fact that about 95 per cent of the Bank of England's debt was still outstanding,[4] the government quickly accepted the Bank's offer of £200,000, assuring the bankers that they would be handsomely reimbursed for their efforts.[5] But as only £50,000 was immediately forthcoming[6] and the Bank continued to delay payment of the remainder, haggling to obtain better conditions, even the king's 'second-self', the earl of Portland, began to have doubts that he was wise in becoming so indebted to the Bank, in view of how little was being received in return[7] and of the danger of parliamentary vengeance for such unauthorized dealings.[8] None the less at the opening of the next session an opposition attempt to force the Old Bank to present the house with an account of debts and credits was lost,[9] and a bill was subsequently brought in to enlarge the Bank and provide it with extended monopoly privileges.[10]

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bill system was dropped as too costly and the circulation of these bills given over to the Bank of England. *Ibid.* p. cliv.

1. See Vernon's letter to Shrewsbury, 10 Nov. 1696. *Vernon Corr.* i. 52–7.
2. Shrewsbury to William, 4/14 and 7/17 Aug. 1696. *Shrewsbury Corr.*, pp. 134–6.
3. William to Portland, 14 Aug. 1696. Japikse, *Correspondentie,* i. 186.
4. *Remarks on the Proceedings,* p. 36. Horsefield, *Monetary Experiments,* p. 264.
5. Montague to W. Blathwayt, 14/24 Aug. 1696. B.M. Add. MSS. 34, 355, fo. 18 (Shaw). [Henry (or James) Thynne] to Viscount Weymouth, 25 Aug. 1696. Longleat, Thynne Papers, vol. 14, fo. 275. *Remarks on the Proceedings,* pp. 36–37.
6. For examples of the Bank's persistent haggling see the treasury minutes of 19 and 28 Aug., 4, 8 and 21 Sept. *Calendar of Treasury Books,* xi. 49, 51–52, 53–54 and 57.
7. Portland thought that the king should borrow £100,000 from the Dutch merchants as soon as possible to avoid remaining under obligation to the Bank. To Shrewsbury 8/18 Sept. 1696. *Shrewsbury Corr.,* pp. 141–2.
8. Christopher Stockdale to Viscount Irwin, 22 Aug. 1696. *H.M.C. F. L. Wood,* pp. 82–83. Stockdale stated that if they did not face the challenge in parliament '... like men of mettle I shall dread the consequences.' See the king's letter to Shrewsbury, 24 Aug./3 Sept. 1696. *Shrewsbury Corr.,* p. 138.
9. The vote on the resolution was 182–111. 7 Nov. 1696. *H.C.J.* x. 580.
10. The Bank was extended until 1710. 8 and 9 William III c. 20. Shaw notes that until 1707 when the Bank of England definitely became associated with the issuance of exchequer bills, it '... was purely a business concern enjoying no *organic* touch with the executive and at times even out of sympathy with it', *Earlier Treasury Introduction,*

The failure of the Land Bank and its significance

Despite the support of the Commons and the subsequent command of the financial resources of the nation, the Land Bank proved a surprising and complete fiasco. Was the Bank of England's victory that of the new capitalistic outlook over recrudescent agrarianism? Or might the Land Bank have promoted agrarian capitalism while providing a general stimulant to the economy? The Land Bank and the Bank of England could well have co-existed, their notes convertible at a fluctuating or fixed ratio, a partial analogy being provided by the Maryland Land Bank the notes of which came to pass at par with those of the Bank of England. If the English Land Bank had succeeded in supplanting the Bank of England as the nation's centre of credit, it would have been obliged to assume many of the latter's developing functions as a central bank. The Land Bank, however, would have been based primarily on mortgages in contrast to the Old Bank, which had been accused of neglect in this respect. The Land Bank would have employed its influence in support of the country gentlemen's political interests and, more especially, a peace policy. If the country party leadership had implemented the Land Bank before the incorporation of the Bank of England, the new bank would almost certainly have succeeded. The Bank of England was indeed more 'difficult to break . . . than [be] hindered'.[1] But the leaders of the country party were reluctant to consider a long-term borrowing institution even of this nature until it became necessary to curtail the Bank of England. As the initiative in such matters rested, as was usual, with the ministry, success was improbable, for one of the country party's inherent failings was its negative character; it did not presume to suggest to the king what he should do, intimating merely what he must not. Only in such simple positive measures as reducing the army in peacetime, or placing additional limitations upon the prerogative, was the country party in its element. Its more ambitious attempts at a complete replacement of the standing army by a militia failed, not because any such project was inherently unworkable, but because the central government's whole-hearted support was indispensable. The country party was similarly handicapped in financial matters. Supply was firmly under its control, but they were bedevilled by ways and means. The bulk of the reign's taxation fell upon themselves through the land tax. At length, the country gentlemen found themselves unwilling or unable to increase this method of expenditure. They ferociously opposed court attempts to expand the detested excise (which they considered

p. cxcvi. It might be asserted that there was no need for an 'organic touch' and if the Bank's managers 'at times' acted more like businessmen than junto-whig supporters, they knew where their long-run interests lay, especially when the Bank of England's managers were effectively excluded from being commissioners of the Land Bank.

1. The earl of Sunderland to Portland, 6 July 1694. Nott. Univ. Lib., PwA 1237.

constitutionally repugnant) and were forced to come to terms with long-term borrowing schemes. Without government encouragement (or at least genuine impartiality) the country gentlemen were unable effectively to influence major spending. For the passionate nature of the country party was both its strength and its weakness. It lacked the necessary foresight, subtlety and self-confidence to create conditions which would make the scheme attractive to investors – either, for example, by allowing a variable rate of interest, or by demanding that the Land Bank's commissioners sit and vote amongst the junto lords justices when the Bank's conditions of incorporation were being discussed.

The junto ministers were to a considerable degree responsible for the Land Bank's failure. Perhaps they simply believed in their own financial institutions to the prejudice of those proposed by the country gentlemen: they certainly made every concession to the Bank of England and all but closed their eyes to the possibilities of the New Bank. Overtly and covertly by acts of commission and especially omission, they exacerbated the situation. They refused to improve the Land Bank's conditions for investment during the prolonged recoinage but aggravated the monetary crisis by ignoring the overwhelming cry for a temporary flotation of paper money. The support of the ministry would appear an essential ingredient for the success of virtually all large-scale economic ventures of the period. The National Land Bank, the private land banks and a variety of others (*e.g.* the Orphan's Bank, the Million Bank and later the Sword Blade and Mine Adventure Banks) were all to be found wanting in this respect, if not in this respect alone, and were all to end in premature dissolution.[1] Under the patronage of a number of American colonial governments land banks flourished until, largely for political reasons, they were forcibly wound-up by the British government. The Bank of England's success cannot be attributed to the caprices of fortune alone; it lay more in the inherent strength of its proponents and in the weaknesses of its opponents. Equally significant was the opposition's success in limiting the royal prerogative, which created a vacuum filled not only by parliament but also by ministerial faction. The junto's success in the battle for the banks was a significant landmark in the history of the growth and development of cabinet government. Not since the days of the commonwealth had a ministry shown itself so adept at governing; with minimal support from the Crown it had created, developed, and defended a financial institution which, although running counter

1. Horsefield, *Monetary Experiments*, pp. 152–3. Only the Bank of England's conservative sister institution, the Bank of Scotland, could also be called a success. The latter, too, enjoyed ministerial support while its rival, the Darien Bank, went down with the abortive colonization project, so disliked by the English Government. *Ibid.* pp. 244–7.

to the wishes of a parliamentary majority, was to gain the full privileges of a monopoly. Such ministerial independence was also a most effective demonstration of the reduced need for a strong monarch, for they had dispensed with the king, without commotion or confusion. A ministerial faction was better placed and consequently more adept than parliament at working to its own advantage. The Commons lacked both the organization and the sophistication necessary to cope with the ministry's financial imbroglios, leaving them quite incapable of filling the void. William might accept help where he could find it, but those with whom he had surrounded himself would not. One important reason why the junto had been able to make such good use of its opportunities was that the country party leaders had not demanded sufficient powers firmly to establish the Land Bank against any possible decline in conditions for investment. But it is open to question whether they could have obtained these necessary powers had they even desired them. Nor can this failure be accounted for solely by court and junto power in the Commons; the country gentlemen themselves had an inherent distrust of *any* leadership, fearing, perhaps that those to whom they gave power might subvert it to gain influence with the court for their own ends: that they would effect merely a change in men, not measures. Their distrust, ironically, was more crippling to their own leadership (which they could control) than to the ministry's (over which their power was more remote and limited). The country party neither would nor could learn a lesson from the battle for the banks, the outcome of which marks the end of an early chapter in the growth and development of the Whig oligarchy.

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