eabh Papers | No. 14-05 | April 2014

Making the Market: Trading Debt at the Eighteenth-Century Bank of England

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Abstract:

As the market for the trading of the British state's debt developed during the eighteenth century, the Bank of England found itself in a difficult position. It was the self-styled guardian of public credit, an institution which stood aloof as mediator between the state and its creditors, and, at the same time, the location of a market that was often criticized for its supposed attempts to undermine the stability of the state. The Bank dealt with this seeming contradiction by attempting to create both physical and commercial separation between the business of managing the public credit and the business of trading the government's debt. This paper will show that these attempts were largely unsuccessful but that the implications of those failures for the credibility of Britain's public finances were not entirely negative.

JEL Classification: N23, G14, G21, H63.

Keywords: Bank of England, credible commitment, financial markets, sovereign debt.

Acknowledgements: I am grateful to participants at seminars in Cambridge and Glasgow and at the State Cash Resources and State Building in Europe Conference for their valuable comments and suggestions on previous drafts of this paper. I would also like to thank the archivists at the Bank of England for their patient help in dealing with my many requests for documents and ledgers.

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Introduction

The market is a key element of any financial system. If functioning well it allows those in need of finance – be they individuals, business or governments – to locate savers seeking investment opportunities, it facilitates price discovery – the process of establishing the relative values of different securities – and it allows the secondary transfer of already-issued securities. Without a market, lenders and borrowers would have to locate each other and negotiate price in isolation, a process that could be costly and time-consuming and could result in projects going under- or unfunded. If the market is operating effectively, on the other hand, then the costs to buyers and sellers are reduced, the flow of information is facilitated, risk-management is made possible and liquidity is maintained.

With these factors in mind, this paper considers the making of the eighteenth-century market in the debt issued by the British state. It focuses particularly on the market which made its home at the Bank of England from the mid-eighteenth century. It draws on a range of sources preserved at the Bank including an inspection of all the institution's functions conducted between March 1783 and March 1784.[1] The central argument of the paper is that the market, as established at the Bank of England, was key to the efficient functioning of public credit and to the creation of trust in the state's financial promises. It shows that the market was supported by the Bank's provision of a space for jobbers, brokers and investors to meet and was underpinned by the Bank's administrative support with regard to transfers and dividend payments. Yet, it also shows that the integrity of the latter functions was potentially compromised by the closeness created between the Bank and a market that was often criticised for undermining the value of the state's debt. The paper will conclude, however,

[1] Bank of England Archives [hereafter BEA], M5/212 and M5/213.

that this compromise did not have an entirely negative impact on the credibility of British public finance.

Credible commitment and the market

Many words have been expended in explaining how and why a mature and credible system of public debt was established by the British state. Perhaps most notably, North and Weingast linked the credibility issue to the constitutional changes that followed the Glorious Revolution. It was this political change, they argued, that helped to enshrine secure property rights for public creditors and establish trust in the financial promises made by the British state.[2] Their thesis has been challenged on a number of points.[3] Notably, scholars have downplayed the importance of 1688 and focused on financial development and innovation prior to the Glorious Revolution.[4] In particular, the advances made by Downing during the 1660s, including the introduction of Treasury Orders and the linking of loans to particular revenue streams, were important factors in the establishment of the financial credibility of the British state.[5] It has also been shown that the reward for the establishment of sound institutions were by no means as swift as was suggested by North and Weingast. Indeed, initially interest rates paid by the state were much higher than had been imposed prior to the

[2] North and Weingast, 'Constitutions and commitment'.

[3] See, for general discussions of the credible commitment thesis Clark, 'Political foundations'; Coffman, Leonard and Neal eds., *Questioning Credible Commitment*; Hoppit, 'Compulsion, compensation and property rights'; O'Brien, 'Nature and historical evolution'; Sussman and Yafeh, 'Institutional reforms'.

[4] Braddick, *State Formation*; Roseveare, *Financial Revolution*; O'Brien, 'Nature and historical evolution'.

[5] Braddick, *State formation*, p. 258.

Glorious Revolution and it was not until the mid-eighteenth century that the British state's borrowing costs became significantly lower than those of its European rivals.[6]

An alternative approach has been taken by Patrick O'Brien in numerous interventions and John Brewer in the *Sinews of Power*. Both have favoured explanations that focused on the system of taxation which underpinned the state's borrowing activities. [7] The efficiency of the administration of taxes and the appropriation of tax revenue to specific loans, they argued, formed the foundation for trust in public credit. Yet, these assumptions too can be questioned.

As O'Brien acknowledges, tax revenues did not always provide a strong guarantee for the state's commitments. Avoidance and evasion diminished revenues throughout the long eighteenth century.[8] Moreover, although the efficiency of Excise officers was much lauded by Brewer in the *Sinews of Power*, there were shortcomings in the system. The Excise officers themselves struggled to gain control over remote areas. And, for a number of reasons, the collectors of the Customs could not match their fellow officers' competence.[9] Problems relating to tax assessment and collection were particularly acute during the early financial revolution. Indeed, owing to its inexperience in managing long-term finance, during the 1690s and the early eighteenth century the Treasury was often timid in its assessment of the state's financing needs. The facilities to make a systematic study of patterns of consumption and thus arrive at clear estimates of prospective yields were also lacking. This made Parliament reliant upon the overly optimistic calculations of potential tax yields provided by projectors and political arithmeticians. As noted above, the difficulties of tax collection further diminished and delayed receipts at the Exchequer. The result was that

[6] Sussman and Yafeh, 'Institutional reform'.

[7] For example, O'Brien, 'Political economy'; O'Brien, 'Exceptional fiscal state'; Brewer, *Sinews of power*.

[8] O'Brien, 'Political economy'.

[9] Ibid.

income frequently fell well short of overall commitments and deficiencies in tax funds arose, which inevitably led to short-term suspensions of interest and annuity payments. This occurred most notably during 1696 and 1697, when a deficit of around £5 million was recorded.[10] The situation was similar between 1708 and 1710, when funds to pay the armed forces were greatly in deficit leading to delays of months and sometimes years in payments and consequent significant discounts on most forms of short-term government debt.[11] The question of what established the credibility of the state's financial promises, therefore, remains an open one.

More recently, some historians of the financial revolution have focused on the value of the market itself in providing the guarantees required by public creditors.[12] A liquid market, it can be argued, allowed the negotiation of value of the state's offerings, gave the public creditors a forum for expressing their views through the purchase and sale of securities and kept the state aware of market opinion through price movements. It encouraged a broad range of investors who were willing to make both short- and long-term investments. Even during the early eighteenth century the national debt was used not just by speculators but also for the purposes of creating nest-eggs, dowries, retirement funds and facilitating intergenerational transfers. This diversity of actors and interests created a market which gave public creditors the assurance that they could liquidate their holdings at will.

Of course, the creation of a liquid market in English government debt was by no means straightforward. The early financial revolution was punctuated by shocks, such as the South Sea Bubble, and constituted a steep learning curve characterised by experiments in expensive

[10] Dickson, *Financial Revolution*, pp. 344-349.

[11] Ibid., pp. 361-363.

[12] Carlos and Neal, 'Micro-foundations'; Murphy, 'Demanding Credible Commitment'.

and inefficient fund-raising instruments.[13] For much of the late seventeenth and early eighteenth century the needs of the private individuals who devised those experiments in fund-raising took precedence over the needs of the state.[14] Critics argued, as they do now, that the creation of a secondary market, especially one that permitted the use of derivative instruments, encouraged speculation and over-reaction to external shocks. They accused the market and its participants of being fundamentally unpatriotic, as they depressed the prices of the stocks during periods of military difficulties and seemed to be profiting from the nation's exigencies.[15] There were also practical problems to overcome, especially with regard to the creation of consistent debt instruments and, as can be seen in figure 1, it was not until the issue of consolidated annuities in 1751 that a potentially fully liquid debt instrument was created.[16] The significant increase in overall turnover of stocks by the mid-eighteenth century adds to a growing wealth of other evidence that suggests that, by that time, the financial market was efficient, capable of supporting sophisticated derivatives trading and was internationally integrated.[17]

The establishment of an easily transferable security (the 3% consol) and a mature, liquid market in that stock and others was one of the key achievements of the English financial revolution.[18] Moreover, this was clearly appreciated by commentators on the

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[13] Paul, *South Sea Bubble*; Murphy, *Origins of English Financial Markets*.

[14] Murphy, 'Demanding credible commitment'.

[15] For a summary of these arguments see Dickson, *Financial revolution*, chapter 2.

[16] Neal, *Financial Capitalism*, p. 117.

[17] Murphy, 'Trading Options'; Neal, 'Integration and efficiency'; Nogues Marco and Vam Malle-Sabouret, 'East India bonds'; Dempster, Wells and Wills, 'Common-features analysis'.

[18] For an analysis of the British state's debt management process during the latter half of the eighteenth century see O'Brien, 'Mercantilist institutions'.

national debt who extolled the virtues of an open market where people could complete their transactions with 'ease, readiness and dispatch' and 'change their Property without Difficulty, and at a Small Expense'.[19]

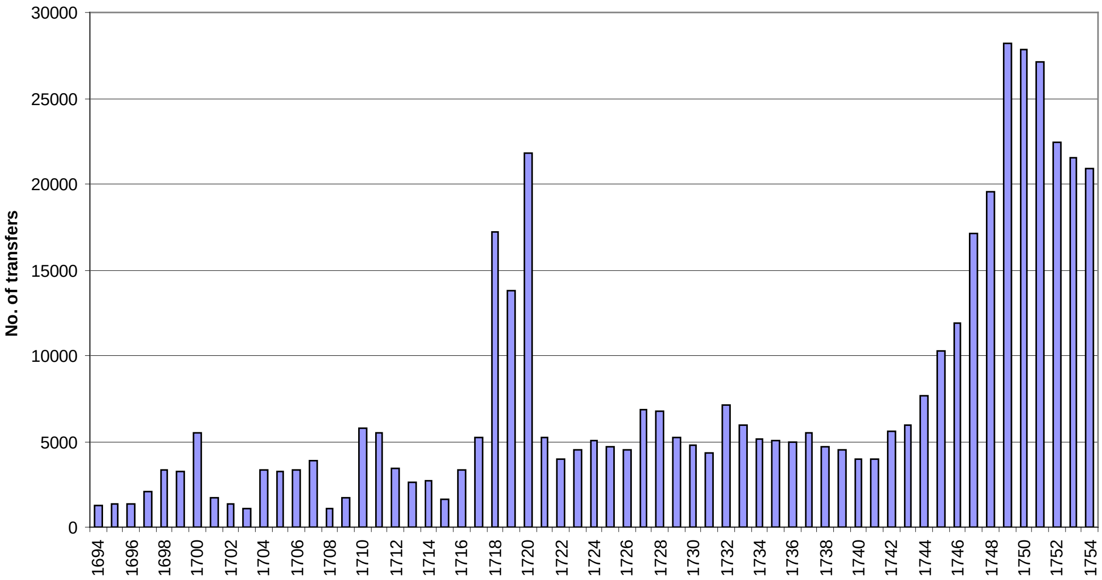

Figure 1: Annual numbers of transfers of stock, 1694-1754
Source: Dickson, *Financial Revolution*, pp. 529-32

The Bank of England's direct involvement in the provision of services to this market emerged in two ways. First, over the course of the eighteenth century and particularly in the period after the collapse of the South Sea Bubble, the Bank took on more and more responsibility for the management of the state's debt. Hence, as indicated by table 1, by the middle of the eighteenth century the Bank of England was managing the lion's share of that debt. Its involvement was to grow still further. War, and in particular, the War of American Independence and the later wars with Revolutionary and Napoleonic France provided the

[19] Anon., *Reasons Humbly Offered to the Members of the Honourable House of Commons* (London, 1756?) quoted in Banner, *Anglo-American Securities Regulation*, p. 97; Anon., *Some Considerations on Public Credit and the Nature of its Circulation* (London, 1733) quoted ibid., p. 103.

severe shocks of increased volume and volatility. This placed a significant strain on resources and manpower and required the creation of an effective and speedy infrastructure for the registration of transfers and the collection of dividends.

There was a corresponding increase in the number of clerks employed by the Bank. From a complement of 17 clerks in 1694, the workforce expanded to around 100 in the 1730s when the Bank moved to Threadneedle Street. It then rose to 200 in the 1760s, to more than 300 by 1783 and more than 900 by 1815.[20] This, in all likelihood, made the Bank the world's largest white collar employer at the start of the nineteenth century.[21] The expansion in the Bank's business also required significant physical expansion which led to a series of purchases and appropriations of land surrounding the Threadneedle Street site and the expansion of the Bank's office space.

Table 1: Agencies handling the national debt c. 1764[22]

	Principal Sum	%age handled	Annual Payments	%age handled
Handled at the Bank	77,265,945	69.85	2,682,163	70.72
Handled at South Sea House	27,125,310	24.52	829,507	21.87
Handled at East India House	4,200,000	3.80	127,687	3.37
Handled at the Exchequer	2,022,582	1.83	153,236	4.04
Total National Debt	110,613,836		3,792,594	

Source: Clapham, *Bank of England*, p. 103.

[20] Murphy, 'Business of banking'; Giuseppi, *Bank of England*, p. 56; Kynaston, *City of London*, p. 30.

[21] Abramson, *Building the Bank*, p. 165.

[22] Amounts rounded to the nearest £1.

Secondly, the Bank provided a space for the negotiation of transactions. During the early-1760s, to accommodate its growing business, the Bank had undertaken significant new building works, including the construction of a new set of offices for the transfer of securities and payment of dividends. These stock transfer offices were arranged around a large rotunda, which was quickly co-opted by London's large group of brokers and jobbers as a market place for the buying and selling of the Bank's shares and government securities.[23] It is probable that brokers had already been dealing in and around the Bank's transfer offices, as they did also in the offices of the East India Company and the South Sea Company.[24] The Rotunda, however, offered an almost purpose-built and novel space for a financial exchange. Abramson has argued that its circular form was perfectly suited to the activity of a stock market because whereas in traditional square or rectangular market spaces merchants tended to occupy fixed positions and indeed had fixed roles, the Rotunda allowed for free movement, the smooth switching of actors from buying to selling roles and it 'maximised visibility and intensified opportunities for contact among the professional brokers and jobbers'.[25]

Although perfectly logical in spatial terms and much appreciated by the brokers, jobbers and indeed the ordinary public creditors who could easily identify the place where their business could be done quickly and efficiently, the location of the market within the Bank of

[23] Cope records that there were ongoing attempts during the later 1700s to develop a stock exchange, this included the hire of rooms in Jonathan's Coffee House and later the establishment of an exchange in Sweetings Alley. Nonetheless, the Bank remained an important meeting place for the market until 1840 when the Rotunda was converted to the Dividend Pay Office. Cope, 'Stock-brokers find a home'; Giuseppi, *Bank of England*, pp. 105-06. Also on the development of the Stock Exchange see Michie, *London Stock Exchange*.

[24] Cope, *Stock Exchange Revisited*, p. 3.

[25] Abramson, *Building the Bank*, p. 70. Abramson also notes that the Rotunda was one of three circular exchanges built during this period. The others were the Dublin Exchange and the Paris Corn Market.

England created a potential problem of integrity. Given that the Bank considered itself to be the guardian of public credit, how was it to separate its management of the nation's debt from the provision of an environment for the trading of that debt? How was it to appear aloof from the supposed duplicity of the financial market when that market was housed under its roof? How was it to prevent its transfer and dividend clerks from taking advantage of their proximity to the market and either giving business to favoured brokers, trading in securities themselves or, taking advantage of a captive clientele by acting as brokers themselves? It is with these questions, and the implications of their answers for the credibility of the English national debt during the later eighteenth century, that much of this paper is concerned. Before turning to the functions of the Bank itself though, it is necessary to offer a brief overview of the market in securities in the mid to late eighteenth century.

What was the nature of the eighteenth century financial market?

There was, even at this time, still no one place where parties interested in either buying or selling securities or indeed brokers or jobbers gathered. Instead they congregated in the Royal Exchange, in Exchange Alley, and in various coffee houses in the vicinity, particularly Jonathan’s and Garraway’s, and they gathered at specific times of the day in the Bank, East India House and South Sea House. The Bank was the largest and most significant of those gatherings by virtue of the fact that it controlled the largest amount of government debt.

The majority of those who came to the Bank were ordinary public creditors. These were people like Mary Lager, a servant living in Thames Street in London, who bought £175 in the 3% consols in December 1784, Emanuel Jacomi, a seaman of Old Gravel Lane who sold £375 in 3% consols and confirmed the sale by making his mark and Robert Rickards, a vicar from Glamorganshire in Wales, who purchased £75 in the 3% consols.[26] Their transactions, however, were generally facilitated by brokers and jobbers.

Thomas Mortimer, who wrote the only comprehensive eighteenth-century guide to the market, informed his readers that there were three categories of jobber. First, he told them, are the foreigners ‘who have property in our funds, with which they are continually JOBBING’. Mortimer held this group in contempt because of their propensity for rumour-mongering, especially in times of war, and the difficulties of detecting their false-hoods.[27] Second are ‘our own gentry, merchants and tradesmen’. These individuals also held property in the funds and like the foreigners they spent their time in jobbing or ‘continually changing the situation of their property, according to the periodical variations of the funds’ and, at least in part, because of their addiction to ‘common gaming’. Some of this group, Mortimer argued, attained high positions in society, government and the armed forces but were driven to neglect their public duty to protect their investments. He gave the example of those in command of the armed forces who would ‘only just do as much, as will barely save their lives at a court-martial, because they will not, by a complete victory raise those funds they want to fall’. Mortimer acknowledged that these public figures were not the only jobbers in this category. He adds in also, the monied men with no influence than that ‘which his cash gives him’ and the ordinary tradesmen with little to invest but who played the market on their ‘credit and honor’.[28] Mortimer labelled his third and final group the stock-brokers who have little or no property in the funds but who job on credit and ‘transact more business in the

[26] BEA, AC28/4275; AC28/4273; AC28/4276.

[27] Mortimer, *Every Man His Own Broker*, p. 33; p. 35.

[28] Ibid., pp. 33; p. 41; p. 42, p. 43; p.49.

several government securities in one hour, without having a shilling of property in any one of them, than the real proprietors of thousands transact in several years'.[29]

Mortimer's purpose in writing was to instruct the general public in ways to transact their own business and thus avoid the expense, inconvenience and risk of having to instruct a broker, thus his descriptions of the people who inhabited the market were coloured to fit his thesis. Indeed, he clearly held all jobbers in contempt as he urged his reader 'never to frequent [Exchange Alley] on a jobbing account; and those who have sinned already, to go their way and sin no more…'[30] Of course, if Mortimer's account is to be believed in its entirety, the idea of a credible market in which the ordinary investor could repose trust would be nonsensical. And we must be aware that Mortimer's volume went through many editions and thus his views were widely disseminated.[31] Yet, Mortimer was hardly an impartial witness having himself been a jobber and having apparently lost a fortune speculating on newly-issued scrip during the 1750s.[32] Moreover, despite regular and vociferous criticism of the market and the monied men, there is very little real evidence that, for the purposes of investment, the market could not be trusted.

Reading between the lines and drawing on other sources, it is perhaps possible to modify Mortimer's characterisation of the groups of 'professional' participants in the eighteenth-century market. There were, of course, the regular jobbers: those with money who bought and sold securities for short-term gain. There were many of those who might have sounded or appeared foreign to contemporaries like Mortimer but the Bank of England's

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[29] Ibid., pp. 33-35.

[30] Ibid., p. 61.

[31] Cope notes that it ran to 14 editions and that Mortimer claimed that more than 50,000 copies had been sold by 1807. Cope, 'Stock Exchange revisited', p. 4.

[32] Ibid., p. 4.

transfer books show them to have been overwhelmingly domiciled in London.[33] Many were undoubtedly British and most others were migrants, probably in many cases, of the second or third generation of a migrant family. These men formed a very regular presence in, and indeed dominated, the market. One such during the 1780s was William Gillbee, who described himself in the Bank's records as a gentleman of the Stock Exchange. Just as an illustration of the kind of business that might be done in a day: on 14th October 1784 Gillbee sold a total of £5,030 in the 3% consols in six separate transactions comprising, £1000 each to two fellow gentleman of the stock exchange, William Grey and William Wood; £1000 to John Noble of Fleet Street, a broker; £1000 to John Foote of Lombard Street, a banker; £130 to Valentine Gardner, esquire of Oxenden Street; £900 to Lieutenant Christopher Wattell of the East India Company's service.[34]

The professional jobbers, like Gillbee, formed a regular presence in the market but there were also casual or non-moneyed jobbers, probably a combination of the lesser jobbers and the men that Mortimer called brokers. These individuals probably had little cash to back them and usually traded in derivative instruments thus making them extremely difficult to trace through the extant records. Nonetheless, it is unlikely that they would have lasted long in the market nor individually would have formed a significant presence. Indeed, all the assumptions we make about the provision of credit in eighteenth-century Britain applied just as well to the financial market.[35] Thus there were very few opportunities for someone without cash or reputation to enter the financial market in a significant way using what were essentially credit instruments. It is difficult to imagine, therefore, that these people were either a regular or significant presence in the market individually, although there were

[33] BEA, Transfer books, passim.

[34] BEA, AC28/4274, fos. 81-84.

[35] Muldrew, *Economy of obligation*.

probably enough incomers to keep a group of such people as a permanent presence in the market.

The third group were the brokers themselves. They tended to act chiefly as middle-men putting buyer in touch with seller or seeking out counterparties upon instructions from clients. Much of the historiography of the early market tends to conflate the work of brokers and jobbers,[36] but the surviving evidence actually points to a definite separation of the two roles. For example, when the Bank of England's clerks were interviewed during an audit of the Bank's functions conducted in 1783, they always made the distinction between jobbers and brokers. There was also regulation which controlled the activities and number of brokers. In theory nobody was allowed to act as a stock-broker unless he was registered by the City. For the privilege of that registration he was supposed to give a bond for good behaviour and pay 40s. per year.[37] Mortimer estimated that around two-thirds of the brokers operating during the early 1760s were not licensed. It is not likely that he was entirely wrong but unlicensed brokers were certainly taking a risk and thus could not have established a significant business or large clientele.[38]

Far from making the financial market a place where the naïve could be easily duped, as Mortimer would have us believe, these groups actually combined together to provide a reasonable level of efficiency and liquidity. Indeed, this much is made clear in the numbers of transactions evident in figure 1. But the market depended not just on a range of participants with varying and complementary needs but also a free-flow of information and on this point Mortimer is perhaps much more instructive. He tells us that brokers published printed lists of

[36] See, for example, Morgan and Thomas, *Stock Exchange*: Dickson, *Financial Revolution*.

[37] Cope, 'Stock Exchange revisited', pp. 2-3.

[38] Mortimer, *Every man his own broker*, p. 116. Cope does broadly agree with Mortimer and argues that the City's regulation with respect to brokers was ineffective. Cope, 'Stock Exchange revisited', p. 3.

the stocks that were trading and their prices and that these were available daily at around one o'clock in the afternoon.[39] These were available in and around the Exchange, in coffee houses and 'stuck up at the windows'.[40] Prices were also printed in the newspapers.

News and rumour arrived in the market from various written sources too, often via merchants' letters. Mortimer suggested that there were some who were continually adjusting their investment portfolios 'regulating their purses by Gazettes, and private letters, as some do their diet, and dress, by the barometer'.[41] He also asserted, referring to letters from abroad:

> the gentlemen of the Alley (who know the meaning of such letters, some of which arrive with every mail) receive the intelligence differently, as it suits their different interests; those who want the STOCKS to fall, take the utmost pains to propagate the intelligence; and to enlarge on the authority, credit, and veracity of the letter-writer; and to put the finishing stroke to this scene of STOCK-JOBBING policy, they immediately send a copy of the letter to the printers of some of the news-papers, and at the same time advise all their employers to sell. The unsuspecting public, on reading the news, are easily inclined to believe it, because it comes from a friendly quarter.[42]

On the receipt of such news, Mortimer suggested that hundreds ran to the market and sold their stocks and shares. It is, however, likely that Mortimer was over-estimating the power of the printed word and the public creditors' susceptibility to rumour.

[39] Mortimer, *Every man his own broker*, p. 5.

[40] Ibid.

[41] Ibid.

[42] Ibid., pp. 36-37.

Far more important to the access of information, was the verbal and informal networks of information that formed the basis of the much earlier markets.[43] Direct conversations with brokers and jobbers but also friends, family and acquaintances probably formed the basis of decision-making for many. Observation of the market at work was also important. Unlike today's electronic markets, earlier markets were intensely visual and aural. The noise of the market and the body language of its participants, as experienced dealers in the stocks would have known, were central to a good understanding of the market's volatility and trajectory. Indeed, even Mortimer advised his readers to go to the market themselves and first to 'Advance…and attend a few minutes to the confused cries that resound from all quarters'.[44] All these factors point to a necessary presence in the market for brokers and jobbers and for anyone serious about getting the best price. This, of course required a place in which to meet, which brings us back to the space provided by the Bank.

Managing the space within the Bank

The Bank existed in borrowed accommodation from 1694 until the early 1730s when it acquired a house and land on Threadneedle Street and made the decision to create its first purpose-built banking house. From that time, the Bank embarked on an almost constant programme of land acquisition, building work and internal alterations as its business grew and its needs changed.

There is strong evidence to suggest that, when undertaking the rebuilding of the Bank of England during the eighteenth century, both its architects and its directors were concerned with the image the building and its adornments presented to London. The historian of the

[43] Murphy, *Origins of English Financial Markets*, chapter 5; Preda 'Enchanted Grove'.

[44] Mortimer, *Every man his own broker*, p. 133.

Bank's architecture argues that the Bank, in its various incarnations, was designed along lines that represented corporate virtue and connections to the state. Thus, although overt ostentation was eschewed, the aesthetic of the building was considered important.[45] Practical considerations were also to the fore. Because of the need for security, there were no windows facing the street at street level thus passers-by were presented with an elegant but essentially blank façade. Iain Black labels those windowless walls 'exclusionary', linking them to the Bank's aggressive protection of its privileges and monopoly position.[46] Yet, while the building may have been in some ways reminiscent of a fortress, it did send another clear message to those who used its services: capital invested here will be secure. The iconography within and outside of the building underlined this message and emphasised the Bank's usefulness to the country and its government and its connections to same. Thus the entrance to the Pay Hall was topped by a figure of Britannia pouring out the fruits of commerce from her cornucopia, while also carrying the shield and spear which symbolised the defence of the nation. As can been seen in image 1, within the Pay Hall itself and in other public areas, an open plan arrangement allowed customers to observe bookkeeping routines and the physical provision of credit. In the Pay Hall, particularly, the interior was grand and decorated with royal iconography as reassurance of the Bank's probity and its connections with the state.

The key point to be made here is that in its architecture, adornments and layout, the Bank was making a statement of probity and security and emphasising its connections to the state. Yet, there were spaces within the newly-constructed Bank, notably the Rotunda where securities were traded and the surrounding transfer and dividend offices where the shareholders and public creditors went to register their sales and purchases and collect their

[45] Abramson, *Building the Bank*, p. 57.

[46] Black, 'Spaces of Capital', p. 357.

dividends, which also contradicted this message. Of course, with hindsight we can argue that the provision of a central market place for the exchange of these securities contributed to making the market efficient enough that the state could keep borrowing significant amounts at reasonable rates. Yet, the Bank's physical connections to the stock-jobbers, brokers, noise, confusion, and potential fraud and deceit of the secondary market still had to be managed in terms of organisation and provision of services.

Image 1: Thomas Rowlandson, The Great Hall, Bank of England, 1808-1810
© Museum of London

This attempt at management began with the physical layout of the Bank. In the Bank of the 1730s-50s, the architect, George Sampson, ensured that the market area and the accountants' office in which the records and stock ledgers pertaining to this business were kept were separated by the greatest possible physical distance. This symbolised the segregation of market and its administration thus underlining the Bank's neutrality and credibility.[47] In Robert Taylor's later extensions to the Bank, the new east wing became the centre for market activity. It was also the construction of this space that tipped the ratio of private and public space at the Bank towards the public. From henceforth the majority of the physical space in the Bank of England was given over to public use and access.

The centrepiece of the public space was the Rotunda, a domed, circular hall, 62 feet high and wide.[48] As we have seen, it was here that the market made its home. Around the Rotunda were arranged four transfer offices where the buyers and sellers would go to officially register their transactions. The two southern halls served the Three Per Cent Consols, while in the northern halls were registered Bank stock transactions and dealings in the Four Per Cent Annuities. But just as Sampson had enforced the physical separation of the Bank and market, so did Taylor. The new east wing had no direct access to the interior of the Bank and not even to the Pay Hall. Those wishing to conduct other sorts of business at the Bank and even its own clerks had to either access the east wing directly from the street or, if coming from the interior of the Bank, to walk through the Bank's courtyard to enter.

As can be seen in Thomas Rowlandson's 1792 image of the Rotunda, the new open space contrasted with the chaos of Exchange Alley and its environs in terms of the style but much else remained the same: noise and confusion reigned. As one contemporary put it: 'a vast crowd of Stock-brokers, Stock-jobbers, and other persons having business in the Funds, daily assemble to make purchases, drive bargains, &c'.[49] On high volume days the business even spilled out into the transfer halls. Other sources too emphasized the crowds and confusion in the Rotunda. Thomas Mortimer warned people what they would find when

[47] Abramson, *Building the Bank*, pp. 52-54.

[48] Ibid., p. 70.

[49] Quoted in Abramson, *Building the Bank*, p. 70.

entering such spaces. He advised novices to 'be not dismayed at the wild uproar, and confused noise which will at first strike your astonished senses'.[50] The Bank's own records also note the crowds, the crush and the cacophonous noise. In the Bank's porters' written orders, they were instructed, in respect of the Rotunda, to suppress any disorderly behaviour 'and to preserve peaceable conduct as much as possible'![51] This also seemed to encompass the removal of undesirables from the Rotunda: beggars and street sellers are directly mentioned, as are street entertainers. There are indications that the Rotunda could be an unsavoury or even dangerous places. In 1783, Mr Vickery of the 3 per cent Consol office recommended the attendance of a number of Bank porters to 'keep an eye upon persons loitering about'.[52] There are hints that prostitutes found the Bank's environs a good place to find customers. Extant sources also contain several mentions of thieves operating in the Rotunda. The Minutes of the Committee of Inspection reported the activities of a pick-pocket who had robbed a lady of 30 guineas.[53] The OBPO offers a report of John Smith, a stock-broker who while going about his business at the Bank of England at 'about twelve o'clock [when] there is generally a very great croud [sic]', was robbed of a silk handkerchief.[54]

If the eighteenth-century market was a place where you might be as likely to lose your pocket-book as make a fortune speculating in the stocks, it was nonetheless an exciting and intriguing environment. Indeed, to borrow a phrase from historians studying leisure spaces, it was a place of 'social theatre'.[55] The financial market was a place where brokers, jobbers,

[50] Mortimer, *Every man his own broker*, p. 133.

[51] BEA, M5/607, fos. 2-3.

[52] BEA, M5/213, fo. 120.

[53] BEA, M5/213, fo. 120.

[54] Old Bailey Proceedings Online, t17831029-41.

[55] Borsay, 'Room with a view', p. 181.

speculators and investors ‘performed’ their roles and could be observed to do so and where the combination of these performances acted to create what might be described as a theatre of public credit, where the participants were both actors and audience.

This point is underlined by the architecture of the Rotunda which echoed that of places of commercialised leisure such as Ranelagh Gardens, the music room at Vauxhall Gardens and the domed ballroom at Oxford Street Pantheon.[56] It is also reinforced by the fact that the Bank, along with other financial and commercial buildings, was a popular tourist destination. Visitors came to experience one of London’s landmarks and view the workings of the financial market. An early nineteenth century guidebook advised visitors to the Bank that ‘Here, from the hours of eleven to three, a crowd of eager money-dealers, assemble, and avidity of gain displays itself in variety of shapes, truly ludicrous to the disinterested observer’.[57] It is probable that local spectators also came to gawp. In Sarah Fielding’s novel *David Simple*, the eponymous hero, despite his having led a reclusive life, had still been to the Royal Exchange to ‘see the building and hear the jargon at the time of high change’.[58]

One of the points of this paper is to argue that this visibility and sense of performance served a purpose. It put public credit on display and demonstrated that the state’s financial promises could bear the closest of scrutiny. Without question this enhanced the credibility of the state’s debt. But at the same time, this made the Rotunda at the Bank of England a very difficult space to manage and made the business which underpinned the market, the registration of securities and the payment of dividends, equally problematic.

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[56] Abramson, *Building the Bank*.

[57] Ibid., p. 74.

[58] Fielding, *David Simple*, p. 24.

Image 2: Thomas Rowlandson, *The Bank* (London, 1792).

How did the Bank support the transfer and registration of securities and the payment of dividends?

The Bank's attempts to manage its physical space in order to effect a separation of its functions were matched by its attempts to ensure the effectiveness of its procedures for managing the national debt. It is clear from the records that it had to dedicate very significant resources and manpower to the management of the state's debt. Moreover, the high degree of specialisation, evident from the way the offices were organised and jobs allocated, points to the complexity and importance of the work undertaken.[59] It must also be stated that this work

[59] See BEA, M5/212 and M5/213.

was extremely important to the maintenance of credible commitment because it underpinned the property rights which supported the market.

The actual process of transferring shares and government debt at the Bank of England, on the other hand, was fairly straightforward. The Bank operated what was known as the inscribed stock system, which simply meant that the transfer of any holding out of a stock-holder's name was achieved by record in the Bank's books and that the stock-holder's title was evidenced only by entries in the Bank's books. Thus no stock certificate was issued and although receipts were issued, these were only to act as a memorandum for the stock-holder. They were in no way legally binding.[60] Because of the way the system worked, personal attendance was required by the seller or their appointed attorneys. The buyer was also supposed to attend to sign his acceptance of the stock in the transfer book but, in practice, although it remained part of the constitution of the Bank, the requirement seems to have been dropped from around the 1760s onwards. The advantages of this system were that it was simple, quick and straight-forward. It fulfilled all the requirements then for the support of a liquid and efficient market. Moreover, no consequence was attached to the loss or theft of a stock receipt since the Bank itself held the only legally binding record of ownership.[61] The pressure on the Bank to maintain accurate records and to protect those records was, however, tremendous.

It is possible to reconstruct the business of managing the national debt from the reports of a Committee of Inspection that was appointed in 1783 to examine the conduct of the Bank of England's business. That report details the work of the transfer offices in some depth.[62]

[60] BEA, AC4/5 fo. 2.

[61] Ibid., fo. 3. So efficient was this system that it remained in place until the late nineteenth century.

[62] BEA, M5/213, passim. Mortimer also explains the process, Mortimer, *Every man his own broker*, pp. 137-145.

The largest of those offices was the 3% consols office. There were 54 clerks working there, under the control of Mr Bowler Miller and Mr Abraham Vickery. Mr Miller informed the Committee of Inspection that there were 22 ledgers & alphabets, 24 dividend books and 48 transfer books in use.[63] When the seller or buyer and seller came to the Bank to register their transaction, they would first fill out a ticket. Before any transfer was registered the stock ledger had to be checked to establish that there was indeed that amount in the seller's account. This job was done by the looker. A specially prepared abstract was made of the main jobbers' accounts since it was assumed that they would be regularly at the Bank and it was deemed more efficient to have their details to hand. These abstracts seem also to have acted as a running balance during the day. Once it was established that there was sufficient stock on the account, the enterer completed the transfer in the transfer book. Each party was supposed to sign but in practice only the seller's signature was insisted upon. Mortimer advised his readers to stay close to the desk so as not to miss when the clerks called for the transfer to be completed because 'the clerks will not wait for you, but proceed to other business'.[64] The signatures were not checked by anyone in the Bank but each transfer was also counter-signed by one of the clerks. It was then the clerks' task to update the stock ledgers, this generally happened the following day. Those records were also subject to an independent check.

Indeed, security procedures to eliminate mistakes and prevent the loss of records were numerous. Each day an abstract of all transfers made was taken and put into the mail to be removed from the Bank overnight as a precaution against the loss of the records due to fire or some other accident. Records that had to remain in the Bank overnight were stored in wheeled trucks that could be easily rolled out the Bank in an emergency. The paper record of

[63] BEA, M5/213, fos. 60-61.

[64] Mortimer, *Every man his own broker*, p. 137.

the Bank’s business was to be protected at all costs. Thus, while there were certainly gaps in the system, such as the failure to check signatures, the procedures were consistently concerned with maintaining the integrity of the record of the public debt whilst still providing a speedy service to the public. The Committee of Inspection observed that ‘so many checks [were] established as to render it scarcely possible that an error should be overlooked’.[65]

The Bank's openness to scrutiny reinforced the investing public's sense of the security and integrity of its record-keeping. Much of the Bank's public-facing business took place in open plan offices which allowed the process of maintaining and recording ownership of the public debt to be observed.[66] Ledgers were carefully kept, show very few errors or crossings-out and could be called upon by customers who wished to observe their account and by notaries and attorneys acting on their client’s behalf. Indeed, the clerks reporting to the Committee of Inspection emphasised that the notaries who came to inspect the foreign accounts did so daily at around 5 o’clock and that they expected to find the records up to date.[67]

It was the timeliness, rather than the security, of the service to customers that seemed to create the greatest problems, and this was due in part to the pressures added by the proximity of the market. In their testimonies to the Committee of Inspection, the clerks in the transfer and dividend offices mentioned time and again the stresses of working under pressure, the need to provide a timely service to the public and the number of customer complaints when that could not be achieved. The Committee also particularly noted the ‘very frequent

[65] BEA, M5/213, fo. 23.

[66] I am indebted to Natalie Roxburgh for ideas about the transparency of the functions of the Bank of England, especially bookkeeping, and their value in demonstrating the integrity of public credit. Roxburgh, *Rise of Public Credit*.

[67] BEA, M5/213, fo. 68.

complaints, in regard to delays and inconveniences experienc'd by the Publick in receiving their Dividends'.[68] The problem it transpired was that very often transfers were not completed before a Bank-imposed deadline of 1 o'clock, which then delayed the payment of dividends which was not supposed to start until all transfers had been completed. The problems were exacerbated by the jobbers all putting their tickets in at around quarter to one and by the confined space in the offices which often necessitated piling books on top of each other. The problem was common to all the transfer offices but particularly bad in the 3% consols office. In this office that meant that while the transfers were supposed to be completed by 1.00pm, the work invariably dragged on until 2.00pm or later, thus delaying those who were waiting to collect their dividends.

While those issues were problematic, it is notable that the Committee did formulate an immediate response to the complaints made by customers. It recommended a series of alterations to working practices. Hours of opening were changed so that the final time for putting in transfer tickets became 12.30, working practices were revised and more clerks taken on in response to numerous clerks pointing out the difficulties of accommodating customers and public creditors in a timely fashion. In all these alterations, the first consideration seems to have been the service to the public and there appears to have been consultation with the brokers and jobbers. Arguably, therefore, the Bank of England worked hard to ensure the timely and effective management of the national debt as part of its perceived duty both to the public and to the state.

[68] Ibid, fo. 136.

Managing the clerks

Although the concern evinced by the Committee for the public and their needs was unquestionable, the line that the Bank had tried to create between its own functions and the market was blurred in almost every respect. The open plan offices that represented transparency and accountability also allowed persons who were familiar with the system to go behind the desks and peruse the ledgers whenever they pleased. The clerks protested but, as Mr Vickery noted, 'there are 2 or 3 Gentlemen of the first consideration in Trade who persist in doing so, notwithstanding his remonstrances against it'.[69] Most problematic of all though was the blurring of the lines between the Bank and the market that flowed from the Bank itself as the clerks who worked in the transfer offices supplemented their incomes by acting as brokers and jobbers.

Paid involvement in the financial market was banned by the Bank for a number of reasons. It distracted the clerks, led to problems with the jobbers and brokers and was incompatible with the Bank's attempts to assert its distance from the market and its probity and integrity. As the Committee of Inspection asserted, clerks who did indulge were in danger of having their minds seduced 'from regular employment in an easy service, & attaching them to objects inviting though dangerous…'.[70] But it seems that the rules were commonly flouted. Hence when the Committee took testimony from the clerks themselves Mr Aldridge confessed that he had now and again acted as a broker but had never jobbed. Mr Windsor said he had acted as a broker and although he had not jobbed recently, 'he has now & then sold & bought a little stock which he has held for his friends'. Mr Crockford allowed that 'he had made Bargains in Stock for time, both on his own account & on that of his

[69] Ibid, fo. 64.

[70] Ibid, fos. 173; 154.

Principals'.[71] Mr Brown also admitted to acting as a broker occasionally 'but in a very trifling way'. In fact, nearly all the clerks interviewed admitted some involvement in the market.

They all also attempted to claim that they did not know of any order against acting as a broker.[72] This seems disingenuous at best. Samuel Beachcroft's governor's diary, which covered the period from 1775 to 1777, contained a number of references to anonymous informers against clerks acting as jobbers and brokers, suggesting that this kind of activity was brought to the Bank's attention on a regular basis. Moreover, Beachcroft's disapproval was passed on to the clerks. He recorded in his diary:

> Upon an anonymous letter from the stock brokers & jobbers, Mr Pearce & Mr Pemberton were call'd in & reprimanded for dealing in Stocks by the Brokers transferring stock into their names & retransferring said stock by way of cloak to the brokers name, upon their promising never to act again in the same manner they were forgiven...Mr Stonehouse & Mr Jewson were call'd in & order'd to acquaint every clerk in each of their departments that if they were found acting as brokers in future they would certainly be discharged.[73]

Mr Beachcroft's admonishments seem to have made little impact. Both Pearce and Pemberton were still employed by the Bank in 1783 when the Committee of Inspection convened and both confessed to still being involved in the financial markets.[74]

[71] Ibid, fos. 67; 84; 85.

[72] Ibid, fo. 96.

[73] Ibid, fo. 76.

[74] Ibid, fos. 111; 109.

Transfer office clerks, therefore, did have opportunities for taking advantage of their positions to generate additional earnings. Indeed, from the evidence of the Committee of Inspection it appears that stock-jobbing and broking were practiced with worrying regularity by clerks who were, of course, in the right place at the right time. It is impossible to know how much these activities yielded. Some men undoubtedly dabbled occasionally in the markets making a few pounds here and there. Others, especially those operating in partnerships with brokers, might have made significant profits. But, it should also be acknowledged that such activities encompassed some risk for the clerk. Mr Kingdon of the 3% reduced Consols office informed the Committee that while he did not regularly act as a jobber or broker he had in the past purchased £2,000 stock on time for a friend who had later refused to accept the deal leaving Mr Kingdon with an £150 debt.[75]

Although the full story did not emerge at the time of the Committee of Inspection's report, one of the most interesting violators of the Bank's rules was one of the heads of the 3% Consols Office: Abraham Vickery. He was clearly a complex and probably not very pleasant character. He was the only one of the office heads to criticise his staff openly to the Committee of Inspection and he made a myriad of off-the-record complaints which were recorded in a private notebook kept by Samuel Bosanquet, one of the inspectors.[76] Many of those complaints touched on clerks operating in the markets. But also in the pages of Bosanquet's notebook we find other clerks' criticisms of Vickery. It seems that a number of clerks had poor relations with Vickery, that 'bad words' had been exchanged in a number of instances and that there was 'cause for discontent in the Consols Office against Mr Vickery'. Moreover, Mr Nesbitt reported that Mr Vickery had many enemies in the Stock Exchange

[75] Ibid, fo. 56.

[76] BEA, M5/471, passim.

because he was viewed to have too close a connection with one of the brokers. He also noted that Vickery 'acts improperly & over rough with the clerks' and that he sometimes came late to work. Nesbitt himself was judged by Bosanquet to have been intelligent, gentlemanlike and respectable, so his testimony might be judged as being reliable.[77] Other clerks too spoke of Mr Vickery as being a partner in a broking firm and privileging his own customers over those of the Bank. It is not possible for the historian to know precisely the rights and wrongs of the squabbles in the Consols Office but one thing clearly emerges and that is that the supposed separation between Bank and market was thoroughly compromised in the case of Abraham Vickery. Indeed, in the 1790s it was discovered by the Bank that Abraham Vickery was still in partnership with a stockbroker named Salmon. After promising to dissolve the partnership, he was allowed to continue in his position only to be found a few years later still indulging in the stock-broking business, at which point he was forced into early retirement from the Bank.[78]

Conclusion

By the middle of the eighteenth century, the Bank of England found itself in a most peculiar position. It was the self-styled guardian of public credit, an institution which stood aloof as mediator between the state and its creditors, and, at the same time, the location of a market that was often criticized for its supposed attempts to undermine the stability of the state and for taking advantage of the exigencies of war. The Bank dealt with this by attempting to create both physical and business separation between the business of managing the public credit and the business of trading the government's debt. In this, it was largely unsuccessful.

[77] Ibid., passim.

[78] Acres, *Bank of England*, pp. 244-45.

The market encroached on the office spaces. The chief jobbers and brokers took advantage of their access to the Bank's inner spaces by going behind the desks to check ledgers, and dividend and transfer clerks were tempted often into jobbing and broking. The Bank, in other words, could not maintain that distance from the market that, to judge from its administrative and architectural arrangements, it deemed necessary to demonstrate its careful management of the state's debt.

On the other hand, the location of the market within the Bank's walls did serve several useful purposes. It made the market easy to locate and accessible, if not always easy to negotiate. It allowed the visitor to the Bank to observe all the processes of providing public credit. Indeed, the Bank was undeniably a space in which public credit was put on display and the financial integrity of the state was demonstrated. From its grand architecture to the open-plan arrangement of the offices to the Rotunda where the brokers and jobbers gathered, visitors were invited to witness public credit at work.

Arguably then, despite all the potential disadvantages of locating the market within the Bank, some wider and more important purposes were realized: those of exposing the functioning of the market in the state's debt to scrutiny and demonstrating the credibility of public credit. Arguably this tells us something about the nature of credible commitment. Rather than residing in state institutions that might have seemed rather nebulous in the eyes of most public creditors, perhaps by the mid-eighteenth century 'credible commitment' could be found and observed at the Bank of England. There credibility lay in the provision of liquidity and a one-stop-shop in which all business relating to the public debt could indeed be done with 'readiness, ease and dispatch'.

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