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The 1783 proposal for a readymade note at the Bank of England

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This article analyses the 1783 proposal to issue readymade notes to the Bank of England's private banking customers. Prior to 1783, I argue that there were two broad categories under which the Bank issued its notes into circulation: (1) notes which were issued to government in relation to the Bank's role as facilitator of the fiscal revenues of state, and (2) notes which were issued to its private banking customers. The readymade note was a form of paper money which the Bank had previously been issuing only to government and, unlike the notes which the Bank originally issued to its private banking customers, was made out in advance of its being issued into circulation. I argue that the transformation suggested in the 1783 proposal was made possible by the unique relationship which the Bank had always had with the government, and I will make three observations based on identifying how this transformation took place.

Keywords: Bank of England, readymade note, paper credit, issuance

JEL classification: N23, N43, E42

I

On 13 March 1783, the Court of Directors of the Bank of England formed a Committee of Inspection to 'inspect and enquire into the mode and execution of the Business as now carried on in the different departments of the Bank'.[1] The six reports of this committee along with their minutes of investigation were written over a period of a year by three Bank Directors. They ranged over a number of important issues which the Bank of England was beginning to face with the management of its staff, and the Committee of Inspection was the first systematic review of the work done by these three hundred clerks, as well as the overall organisational structure within which these clerks worked.

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[1] Bank of England Archive (BEA), 'Committee of Inspection Minutes' (CIM), M5/212, p. 1.

The 1783 Inspection Committee has traditionally been seen by historians of the Bank as a response to the increasing level of counterfeits discovered to have been committed by its staff throughout the early 1780s – most notably by Clutterbuck and Price. These resulted from the 'haphazard and antiquated' methods of business carried out in the many varied departments and offices of the Bank, and it was to remedy these that the Committee was established (Acres 1931, I, pp. 234, 238). The historian Anne L. Murphy (2015), however, has recently criticised this narrow interpretation of the origin and relevance of the 1783 Inspection Committee. On the basis of its objectives and mode of operation, the origin of the 1783 Committee can be traced to the broader reforms of England's public finances which were occurring in the late eighteenth century in the wake of the American War of Independence. In this view, the 'haphazard and antiquated' methods of business were still a concern for the Bank, but such concerns are placed within the larger context of the nation's financial and fiscal institutions, on par with the government's Exchequer and Excise departments. This places the Bank of England, along with its internal organisation, modes of operation and the management of its staff, where it ought to be: within the financial and fiscal infrastructure of the British state.

In line with this approach, in this article I would like to present evidence from the Committee of Inspection which I will argue shows the substantial impact it had on the form which the Bank's privately issued notes were able to take as a means of national payment. Following Murphy, my study will focus on the important and privileged role which the Bank of England played within the financial and fiscal institutions of the British state, analysing the effect that this unique relationship had on the character and importance of the Bank's privately issued notes.

Specifically, I will look at a proposal found in the second report of the 1783 Committee of Inspection which was to suggest issuing to their private banking customers what the authors called 'ready made Bank Notes'[2] – a form of paper money which the Bank had previously been issuing only to government in relation to its role as facilitator of the fiscal revenues of state, and which, unlike the notes previously paid away to its private customers, was fully made out as a valid monetary sign in advance of its being issued into circulation. I will argue that the transformation of the Bank's privately issued notes brought about by the 1783 proposal was made possible by the unique relationship which the Bank had always had with the government and I will draw two observations which show how the nature of the Bank's privately issued notes changed after the 1783 proposal was implemented: (1) the improved efficiency of the Bank's private note issuance and an increased potential for its private notes to circulate; and (2) a physical equivalence brought about between the Bank's privately issued notes and the notes it was paying away to government. In light of the 1783 proposal, I will also make a third historiographical observation: (3)

[2] BEA, CIM, M5/212, p. 165.

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a clarification of the origin of the practice of using fictitious payees on the Bank's notes.

In conclusion I will argue that 1783 Committee of Inspection had an important effect on the underlying material and technological infrastructure of money because the proposal for a readymade note extended the note-issuing technique that was already being used on notes that were paid away to government, to the privately issued notes which the Bank was paying away to its individual customers.

II

From shortly after its foundation in 1694, the Bank of England's ability to function as a bank of issue was not only one of its most unique features but also one of its most important, even if such a status was not officially acknowledged (Clapham 1945, I, pp. 3–4; Desan 2014, pp. 304–8; Rogers 2016, pp. 536–9). An early director of the Bank, Theodore Janssen, for example, would write in 1697 that 'no other Bank gives out Notes payable to the Bearer', and that 'the custom of giving Notes hath so much prevailed amongst us that the Bank could hardly carry on business without it' (quoted in Clapham 1945, I, p. 3). And so it comes as no surprise, almost half a century later, that the main topic of the Inspection Committee's second report was, in their words, that 'Object of infinite importance … we mean the whole process concerning Bank Notes from their formation for currency to their final discharge.'[3] Even though Banknotes were only one of a number of experimental forms of paper credit which the Bank initially offered in its dealings with the government and private individuals, by the mid eighteenth century the Banknote had come to be the dominant form of paper money offered by the Bank of England (Clapham 1945, I, pp. 21–2; Mackenzie 1953, p. 4; Horsefield 1977, pp. 117–19; Desan 2014, pp. 308–11). In this section, I will argue that there were two different 'customs of giving notes' at the Bank of England, two broad categories under which the Bank issued its notes.

The Bank of England and its note-issuing functions were conceived primarily as a revenue-raising institution of the state (Horsefield 1960, pp. 125–44; Ugolini 2017, p. 63). Indeed, the fact that the government was willing to spend the Bank's paper money domestically constituted one of its most important privileges. As the historian John Clapham (1945, I, p. 24) would write, 'chartered by the government as a money-raising machine … the Bank was continuously pressed for more money'. By 1696, two years after the Bank's inception, it had paid in total £2,767,000 to the government, of which £2,000,000 remained outstanding in the Bank's paper money (Desan 2014, p. 307). The Bank's paper money was the means by which the government made use of both the short- and long-term debt it had contracted with its various creditors. Acting as an intermediary between government and creditor,

[3] BEA, CIM, M5/212, p. 157.

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funds would be directed into the hands of the government through loans made by the Bank in the form of its paper money regardless of whether any gold or silver had been originally deposited (Desan 2014, pp. 305–6). The Bank's paper money was similarly made use of by government through the increasingly centralised role which the Bank of England would play in the management of the National Debt (Brewer 1989, p. 102; Ugolini 2017, p. 188). From government annuities, stock and state Lotteries, it was one of the primary responsibilities of the Bank of England with its army of accountants and clerks to manage these financial liabilities, paying the regular returns on these investments on behalf of the government in the form of Banknotes. The Bank would not necessarily have to redeem the notes it had paid away to – or on behalf of – the state however, because by at least quite early in the eighteenth century the Bank of England's notes had become generally acceptable in the final settlement of debts, and the government too had come to accept them as a means to settle tax obligations (Horsefield 1977, pp. 128–31). Since these notes could then be used by government to pay back the loan which had originated their issue at the Bank of England – or at least the interest which had accumulated on the loan – the so-called 'fiat loop' had been closed (Desan 2014, pp. 14–15, 311–20; Aglietta 2018, pp. 135–43). In this way, the government's willingness to both spend borrowed Banknotes domestically and accept them in payment of tax constituted a unique way in which its notes were privileged amongst the myriad of other forms of paper credit which existed in the first half of the eighteenth century.

But Theodore Janssen's invocation of the 'custom of giving notes' did not just apply to the privileged relationship which the Bank had with the government. The very origin of the Banknote which the Bank was paying away to government and its creditors was the 'running-cash note', a form of promissory note that emerged alongside other forms of private paper credit in the early banking houses of sixteenth- and seventeenth-century Europe (Quinn and Roberds 2003; Ugolini 2017, pp. 61–2). The running-cash note was a receipt issued in return for a deposit of gold, silver, or other valuables which could pass from person to person – retaining its original, nominal value only within private, well-known groups of individuals who could easily and confidently gauge each other's trustworthiness (Horsefield 1977, pp. 121–5; Kohn 2020). With the advent of full negotiability and assignability in the late sixteenth and early seventeenth century, the running-cash note could begin to circulate more broadly in a more legally secure setting (Rogers 1995, pp. 170–86; Desan 2014, p. 311). The running-cash note was adopted by the Bank of England shortly after its inception in 1694 as a means of facilitating its private banking operations with individual customers above and beyond its obligations to the government's fiscal and financial needs. Proprietors of the Bank and leading merchants of London were encouraged to keep cash accounts at the Bank and use its running-cash notes – and later, Banknotes – as a means of payment amongst themselves (Clapham 1945, I, pp. 20–1). The historian Christine Desan writes that 'by 1696 the Bank was issuing from 30 to 50 percent more notes than the £1.2 million authorised by the Bank of England Act' (Desan 2014, p. 311). This private issuance of Banknotes was widespread

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enough for it to be a point of concern for critics of the Bank who interpreted such actions as a violation of the Bank's charter (Clapham 1945, I, p. 22; Hewitt and Keyworth 1987, p. 24).

The earliest Banknotes were thus a form of paper credit in the form of a promissory note, a written contract made out between the Bank of England and a named payee promising to pay either them or the bearer the stated value on demand (Quinn and Roberds 2003; Poovey 2008, pp. 42–51). As the historian Brian Rotman (1987, p. 46) has written, the referential basis of the running-cash note was that it was a 'deictic', or 'indexical sign': 'one can say that its utterance as a sign was governed by a demonstrative personal pronoun tying it to the concrete particulars of a temporally located, named individual'. In order for such paper credit to represent the value it purported to embody, it needed to be 'written to a payee by its owner through a reference, a date, and a signature'.

Originally, the running-cash notes of the Bank were intended to be partially printed, partially hand-written; but, concerned with forgery, the first ones to be issued were entirely hand-written, and it was not until about 1697 that the partially printed, partially hand-written form was issued again (Bank of England 1969, p. 212; Hewitt and Keyworth 1987, pp. 22–3). Figure 1 is an example of what the authors of the 1783 Committee of Inspection called a 'blank note'.[4] It is a Bank of England Note from 1783 prior to its being filled in.

From this specimen we can understand the elements of the production of the Bank's paper money that remained after the printing process had ended but were still required before the note could be issued into circulation as a valid monetary sign – what I would like to call the note's *technical supplementation*. From top to bottom, they are:[5]

(1) The note's number. This consisted in a letter signifying the Cash Book the note was entered into and an ordinal number which were both written in the top left-hand corner after the printed 'N°' sign.
(2) The payee: the person or corporate entity who requested the note at the Bank. The name of the payee was written in the blank space contained in the phrase 'Promise to pay to _____ or bearer.'
(3) The word 'pounds' written after the printed amount of the note. This omission allowed for the possibility of issuing notes to odd amounts.[6]
(4) The note's date: the date on which it was requested. This was written in the blank spaces contained in the phrase 'London the ___ day of _____ 17___.'

[4] BEA, CIM, M5/212, pp. 99–129.

[5] The first printed running-cash notes at the Bank had a blank space for the value of the note. From 1725, however, round sums were printed instead with the blank space after for fractional amounts – as in Figure 1 (Hewitt and Keyworth 1987, p. 27).

[6] In the early 1780s some notes actually printed the word 'pounds' after the note's value (Bank of England 1969, p. 216, fn. 1).

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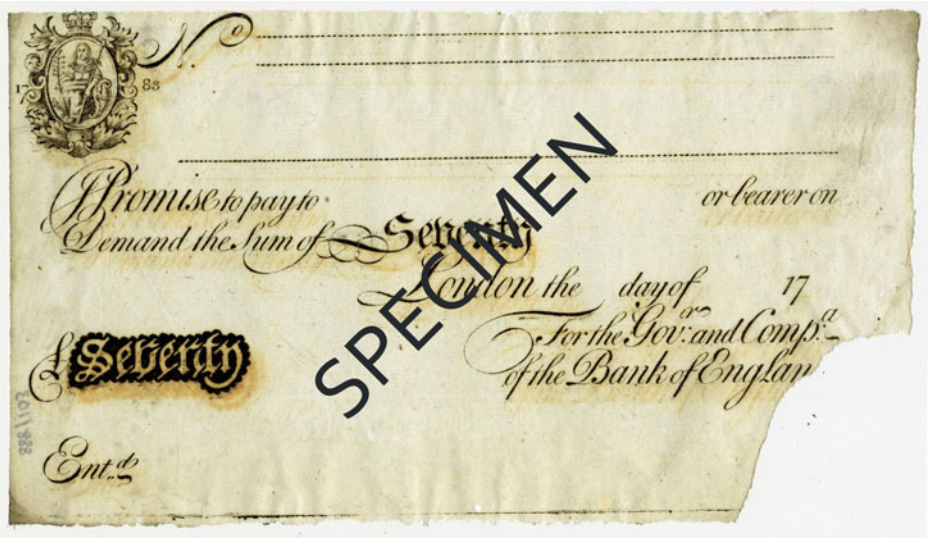

Figure 1. *A blank £70 note from 1783 (195mm × 120mm)*
Source: 'Withdrawn Banknotes', Bank of England, www.bankofengland.co.uk/banknotes/withdrawn-banknotes, © Bank of England.

(5) The countersignature: the signature of the clerk that entered the note's details into the Cash Book. This was located in the bottom left-hand corner next to the printed 'Ent^{d}.'
(6) The cashier's signature: the final authorising signature of the note validating it for issue. This was signed in the bottom right-hand corner.

These features can be seen filled in on a 1771 Banknote in Figure 2.

Since the physical form of the notes which the Bank was issuing to both government and private individuals had emerged alongside the private functions of deposit banking, the technical supplementation which all Banknotes required before they could be issued – writing of the name of the payee, the date it was requested, etc. – was naturally suited only to the private banking functions which the Bank performed, not to those situations in which the Bank of England would be supplying the fiscal needs of the state. When paying loans to government in the form of Banknotes, for example, it was not clear what name or date should have been written on the note because it would not have been clear to whom the note would eventually be paid nor when it would eventually come to be issued into circulation.

As a result, the two note-issuing functions at the Bank – the two different 'customs of giving notes' that were present at the Bank of England from its foundation in 1694 – resulted in two different techniques of technical supplementation and, I will argue, two different physical Banknotes. In the next section, I will illustrate this with detailed evidence from in the 1783 Committee of Inspection.

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Figure 2. *A filled-in £25 Banknote from 1771 (203mm × 127mm)*
Source: 'Withdrawn Banknotes', Bank of England, www.bankofengland.co.uk/banknotes/withdrawn-banknotes, © Bank of England.

III

From shortly after the Bank's foundation, the creation of Banknotes was divided into two distinct stages. The first was the production of 'blank notes' and was concerned with the practice of mould-making, paper-making and copper-plate printing; the second stage was what I have called the technical supplementation that they required before being issued into circulation. In what follows, the focus will be on the second stage.

From the 1783 Committee of Inspection minutes, we read that blank notes were delivered from a Store Room to one of six Cash Books at the beginning of each day in an amount that seemed appropriate for the day's work.[7] Each of these Cash Books – designated either A, B, C, H, K or O – were associated with a particular function the Bank performed that required fully made out notes to be issued into circulation.[8] The Cash Books were the main records of the Bank's notes as valid monetary signs; through the various Cash Books all notes issued by the Bank and all notes subsequently returned in payment would pass, leaving their records in the columns and rows of each page.[9] As discussed above, there were two broad categories under which the Bank was issuing its notes into circulation: the Bank of England was (1) issuing its notes to individual customers in relation to its private functions as a deposit bank at the

[7] BEA, CIM, M5/212, pp. 129, 158.
[8] BEA, CIM, M5/212, p. 158.
[9] BEA, CIM, M5/212, p. 90.

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A, B, C, H and O Cash Books, under what I will call the *classical mechanism of issue*; and (2) issuing its notes to the state and its creditors in relation to its public functions as a facilitator of government fiscal revenues at the K Cash Book, under what I will call the *fiscal mechanism of issue*.

The A, B and H Books were located in the main Hall of the Bank – 'on the side under the Clock, where the Cashiers sit near them'[10] (Figure 3). The A Book would deal with requests for notes made there by individual customers exchanging gold or silver coins into Banknotes.[11] At the B and H Books, old Banknotes could similarly be exchanged for new ones or converted into different amounts.[12] Just off from the main Hall, the C Book was located in the Drawing Office, which dealt with the credit accounts of individuals and the 'drafts' or 'cheques' which were drawn on them for payment.[13] Drafts or cheques drawn on credit accounts held at a bank were the main mode of either withdrawing cash from an account, or of transferring directly from one account to another without the use of cash[14] (Clapham 1945, I. pp. 221–3) Any individual who wanted to make use of funds lent them by discounting bills of exchange would do so with a draft on their credit account at the Bank; similarly, when the Bank bought gold or silver bullion it was paid for in drafts which could be exchanged for coins or notes.[15] The O Book was associated with the Court of Chancery, and was located in an office away from the main Hall towards the back of the Bank called the Chancery Office.[16] This office kept an account of all moneys received or disbursed within the English Court of Chancery, which, from the early eighteenth century, had been managed by the Bank of England on behalf of the Accountant-General (Harrison and Williams 1796, II, pp. 152–7; Heward 1983). Individuals who were to receive money from the Court of Chancery would apply here with drafts on the Accountant-General.[17]

At each of the Cash Books associated with the classical mechanism of issue there were always at least two clerks at work[18] (Figure 4). When a request was made for notes at these Cash Books, the first clerk would select the appropriate blank notes from their drawer and fill them in one by one with the traces that would define the particulars of that specific request; writing first the requesting individual as the payee, the current date, then the word 'pounds' into the blank spaces left for that purpose.[19] Passing the notes over, the second clerk would then enter them into

[10] BEA, CIM, M5/212, p. 91.
[11] *The Bank of England's Vade Mecum* …, pp. 11–12.
[12] *The Bank of England's Vade Mecum* …, pp. 12–13.
[13] BEA, CIM, M5/212, pp. 90–1.
[14] *The Bank of England's Vade Mecum* …, pp. 17–18.
[15] BEA, CIM, M5/212, pp. 130–1.
[16] BEA, CIM, M5/212, pp. 90, 107.
[17] *The Bank of England's Vade Mecum* …, pp. 20-1; BEA, CIM, M5/212, p. 91.
[18] BEA, CIM, M5/212, p. 158.
[19] As I mentioned before, some notes had the 'pounds' already printed, but most did not.

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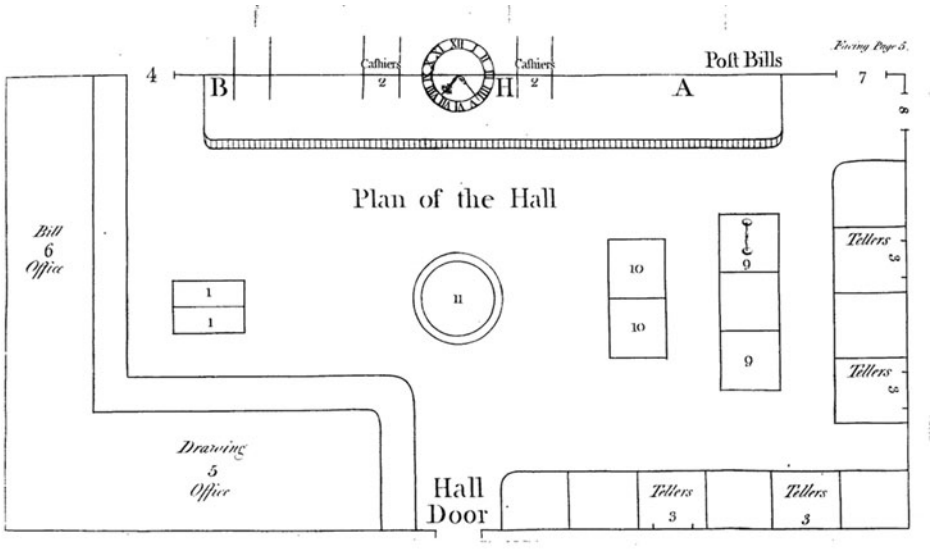

Figure 3. *A plan of the Bank of England's main hall in 1782 (1) Desks for writing names on notes (2) Where the cashiers sit (3) Where the tellers sit (4) Door to other offices (5) Drawing Office (6) Bill Office (A) The A Cash Book (B) & (H) The B and H Cash Books (7) To the Bullion Office (8) Door to the Treasury and Store Room (9) Scales (10) Tables for examining money (11) Fireplace/Heater*
Source: The Bank of England's Vade Mecum …, pp. 5–6.

the Cash Book, writing first the letter of the Cash Book and then a number onto the note[20] (Byatt 1994, p. 14). Having entered and countersigned the notes, the Cash Book clerks would hand them over to one of a number of cashiers who, sitting close by, were 'appointed to sign all Bank Notes' with their authorising signature, finally handing them back to the requesting individual.[21]

From this, we can see that Banknotes filled in and entered at the A, B, C, H and O Cash Books were issued to individual customers of the Bank only once they brought various items of value – gold or silver coins, other Banknotes, drafts or cheques etc. – to be exchanged for new, freshly issued Banknotes. They contained elements that could only be filled in after such a request had been made and were therefore technically supplemented at these Cash Books at the same place they were issued. This technique of supplementation existed because of the Bank's adoption of private banking shortly after its inception in 1694, which I discussed above. It directly reflects the origin of the physical form of the Bank's paper money as a written contract with a private individual: the note that was issued was a concrete record of a named individual who had brought in an equivalent item of value to be deposited at the Bank.

[20] BEA, CIM, M5/212, p. 92.
[21] BEA, CIM, M5/212, pp. 92, 158.

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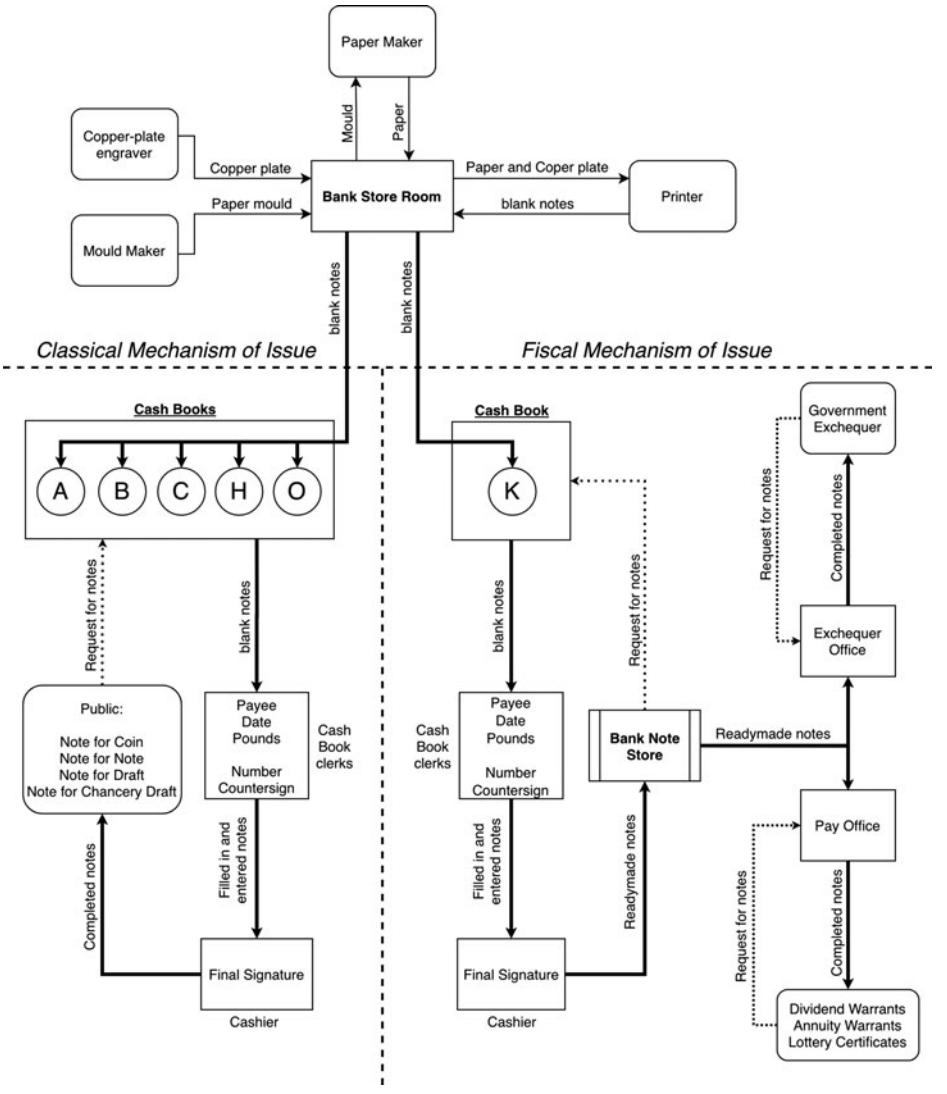

Figure 4. *The process of manufacturing and issuing Banknotes prior to 1783*
Source: Author's own diagram, based on the processes outlined in BEA, 'CIM', M5/212.

The K Book, on the other hand, was different (Figure 4). It was kept upstairs in an office called the Bank Note Office, intentionally separated from customers who would frequent the main Hall and associated Offices.[22] Its job was to fill in and enter blank notes continuously throughout the day, maintaining a supply of between £100,000 and £300,000 fully made out, valid monetary signs in a Bank

[22] BEA, CIM, M5/212, pp. 91, 99; *The Bank of England's Vade Mecum …*, p. 19.

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Note Store ready for immediate issue.[23] The readymade notes which it produced had two purposes: (1) payment of dividend warrants, annuity warrants and lottery certificates; (2) payment into the government's Exchequer.

Dividend and annuity warrants were the means by which the Bank of England paid the regular returns on government annuities and stocks which it managed on the government's behalf (Brewer 1989, pp. 93–102; Murphy 2014, pp. 2–9; Kynaston 2017, pp. 28, 40–1, 179–80). Similarly, lottery certificates were the means by which the prize money for national lotteries was paid out to successful ticket holders (Richards 1934; Clapham 1945, p. 73; Horsefield 1977, p. 129; Murphy 2005). Both warrants and certificates were essentially returns paid out to individuals who had, in effect, lent money to the government and which could be subsequently exchanged for Banknotes in the Pay Office of the Bank.[24] In the Pay Office there were six tellers who, at the beginning of each day, would receive from the Bank Note Store a quantity of readymade notes which had already been filled in at the K Cash Book. Each teller would keep a book in which was 'set down the sums of all the Warrants brought in by each person' and 'what proportion of it is paid in Money, and what in Notes'.[25]

The Exchequer was located in Westminster Hall, and was where the government managed and controlled all of its monetary affairs. Clerks in the Exchequer Office of the Bank would travel to Westminster every morning to 'pay and receive Monies issued or brought in there for the use of Government'.[26] That is, they received and kept account of the money and various securities which were brought in to the Exchequer as crown revenue – land tax, customs or excise payments – while depositing whatever amount of Banknotes and coins the government needed throughout the day. The paper money which they paid into the Exchequer was collected each morning from the store of readymade notes supplied by the K Book. At the close of business, a balance was made between the Exchequer and Bank, and any difference between the amount deposited by the Bank clerks and the amount received in crown revenue that day was settled by exchanging Exchequer Bills – short-term or unfunded government debt held by the Bank as an asset[27] (Clapham 1945, pp. 174–5, 210; Desan 2014, pp. 314–15; Kynaston 2017, pp. 41–2).

As a result of the significance and consistency of the demand that these two note-issuing functions generated, 20,000 notes per month were made out at the K Book to keep the quantity of readymade notes in the Bank Note Store at the required level.[28] Unlike the notes which were issued at the A, B, C, H and O Books, however, the clerks working at the K Book could neither know the payee to whom the note

[23] BEA, CIM, M5/212, p. 164.
[24] *The Bank of England's Vade Mecum* …, pp. 22-4.
[25] BEA, CIM, M5/212, pp. 32-5.
[26] BEA, CIM, M5/212, p. 139.
[27] BEA, CIM, M5/212, pp. 139-46.
[28] BEA, CIM, M5/212, p. 99.

would ultimately be issued, nor the date on which it would in fact enter circulation. This was because the Banknotes that were filled in and entered at the K Book were being made out for the unqualified use of government – or at least use on its behalf – and could, therefore, have subsequently been paid out into circulation to anyone and at anytime the government desired. The practice had emerged, therefore, of making out notes at the K Book to a high-ranking Bank clerk instead of the individual to whom it would be issued, and of simply filling in the date on which they were entered into the K Book instead of the date they would be issued into circulation (Mackenzie 1953, pp. 18–19; Bank of England 1969, p. 214; Rogers 2016, p. 539). After these fictitious traces had been written into the blank spaces of the notes they would be countersigned by the entering clerk and distributed amongst the cashiers in the Hall for signing before being stored for later issue by the Pay and Exchequer Offices.[29] Rather than supplementing the printing process at the moment of issue with traces that defined the particulars of that request, notes which originated at the K Cash Book under the fiscal mechanism of issue were filled in and entered with fictitious traces well before the note was issued into circulation.

As mentioned above, there were two broad categories under which the Bank of England issued its notes: the first was concerned with the fiscal revenues of the state; and the second was concerned with the private functions of deposit banking. We can see that these two note-issuing functions resulted in two different techniques of supplementation – two different ways in which the Bank's notes would be filled in, entered and issued for circulation. The important point here is that the existence of these two mechanisms of issue derived from the Bank of England's unique relationship with the government. Because of their origin in the private functions of deposit banking, Banknotes required a particular set of information, which was dependent on the moment of issue, to be inscribed onto their surface. It was precisely because the Bank of England was also issuing its notes in relation to the fiscal revenues of the state that a different technique of supplementation and issuance was required, a technique in which the name of a Bank employee replaced the payee, and the date it was entered into the Bank's Cash Books substituted for the date of issue. Because the Bank's privileged relationship with the government was unique among the myriad of other private banking firms of the late seventeenth and early eighteenth century, this bifurcation between the two mechanisms of issue would not have been present in any other institution, company, or firm that also issued promissory notes.

Because there were two different mechanisms of issue at the Bank of England prior to 1784, there was an explicit *physical* difference between the notes that were issued by the Bank for the purposes of government spending under the fiscal mechanism of issue and notes which were intended for use by the Bank's private customers. There were those that circulated which had been originally spent into circulation by government, and those that circulated which had been originally spent by

[29] BEA, CIM, M5/212, p. 162.

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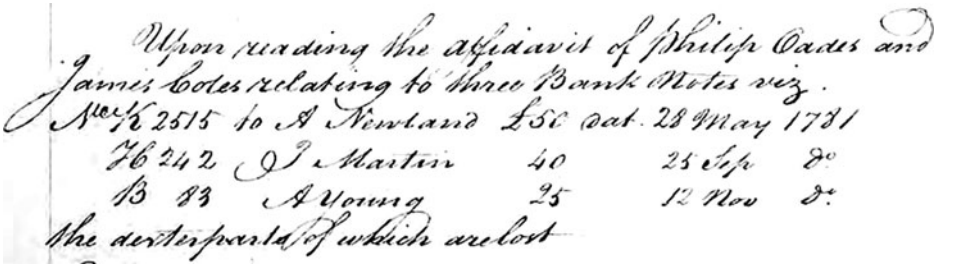
Upon reading the affidavit of Philip Cades and James Coles relating to three Bank Notes viz.
No K 2515 to A Newland £50 dat. 28 May 1781
H 242 J Martin 40 25 Sep 80
B 83 A Young 25 12 Nov 80
the duplicate of which are lost

Figure 5. *Three notes reported lost in 1782*
Source: BEA, 'Court of Directors: Minutes', G4/23, p. 281.

private customers of the Bank. We can see this specifically in Figure 5, which shows the details of three notes which were reported lost to the Bank's Court of Directors in 1782. The first note is from the K Book with number 2515 payable to A. Newland – the Chief Cashier of the Bank – issued on 28 May 1781. The other two notes are from the H and B Books issued in the same year and are payable to individuals who were not employees of the Bank.[30]

As Figure 5 shows, it was easily determined if a note was issued for the purposes of facilitating the fiscal revenues of the state or of if it was issued for the purpose of the Bank's private banking business by simply looking at the letter and the name which was written on it. Notes which had the letter K in their number as well as an employee of the Bank as the payee were originally spent by government under the fiscal mechanism; those that did not, were paid to individual customers under the classical mechanism.

IV

Central to the investigation of the Committee of Inspection was a plan detailed in the second report, which was 'intended to supersede a practice of many years standing'.[31] It would propose issuing to its private banking customers 'ready made Bank Notes', transforming the mode of issuance at the A, B, C, H and O Cash Books to align with the 'manner practiced in the Dividend Pay Office and at the Exchequer'.[32] The proposal for a readymade note, after it was implemented in the middle of 1784,[33] would 'banish from the Hall the Cash Books now kept there and the blank notes attendant on them', and require increasing 'the Store [of Bank Notes] in the Warehouse to 500,000 Pounds Sterling'.[34] The practice suggested would alter the technical

[30] The employees of the Bank in 1781 can be found in: BEA, Court of Directors: Minutes, G4/23, pp. 176–80.
[31] BEA, CIM, M5/212, p. 164.
[32] BEA, CIM, M5/212, p. 165.
[33] BEA, CIM, M5/213, pp. 161, 162, 168.
[34] BEA, CIM, M5/212, p. 165.

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supplementation of notes issued to the public at the A, B, C, H and O Cash Books, replacing the classical mechanism of issuing notes with the fiscal mechanism of issue.

The precise origins of this proposal are not clear, but by the time of the finished report the inspectors had consulted with various cashiers on numerous occasions, asking '[their] opinion on the practicability of a plan, which they had thought of, of accommodating the Public [private customers of the Bank] with Bank Notes ready made out'.[35] In some cases the responses were unhelpful.[36] In other cases these clerks gave detailed suggestions which greatly influenced the plan outlined in the second report. The Chief Cashier Abraham Newland, for example, appears to have recommended the note-issuing technique in the Exchequer Office as a suitable model which could be adopted throughout the Bank; and another, Sewallis Larchin, suggested that the proposal for issuing readymade notes might be based on the techniques used in the Pay and Dividend Office.[37]

According to the finished proposal, there would now be only four Cash Books all of which would be kept well away from the public in 'retired Offices'[38] (Figure 6). Blank notes would be delivered to these Books at the start of each day from the Bank Store Room along with a list of notes to be made up by them.[39] Since all of the Cash Books and their clerks would now be removed from the moment of issue the practice of filling in notes with fictitious payees and dates, which had occurred previously only at the K Book, became officially acknowledged and extended to all four Books.[40] Indeed, it was acknowledged that the proposal for a readymade note would only work if the Bank's customers 'would be satisfied without having the Notes made out in their own Names'.[41] Each blank note when taken by a Cash Book clerk was to be filled in, first with 'the name of either of the 2 Chief Cashiers', as the payee, then the current date at the time of entering as the date of issue.[42] The note's details were entered into one of the Cash Books from which it gained a number only and was then countersigned by the entering clerk. The letters of each Cash Book were removed from the technical supplementation of blank notes in the 1783 proposal because each of the four Books would be performing the same function and so there would be no need to differentiate between them. These notes would then be collected into parcels of 50, given their final authorising signature by a cashier and finally delivered to the Bank Note Store to await issue.[43] This store would furnish fully made-out notes 'for every purpose for which Bank

[35] BEA, CIM, M5/212, pp. 109, 111, 112, 113, 116, 119, 121, 149.
[36] For example: BEA, CIM, M5/212, p. 121.
[37] BEA, CIM, M5/212, pp. 113, 119.
[38] BEA, CIM, M5/212, p. 174.
[39] BEA, CIM, M5/212, p. 169.
[40] BEA, CIM, M5/212, p. 168.
[41] BEA, CIM, M5/212, p. 119.
[42] BEA, CIM, M5/212, p. 168.
[43] BEA, CIM, M5/212, p. 169.

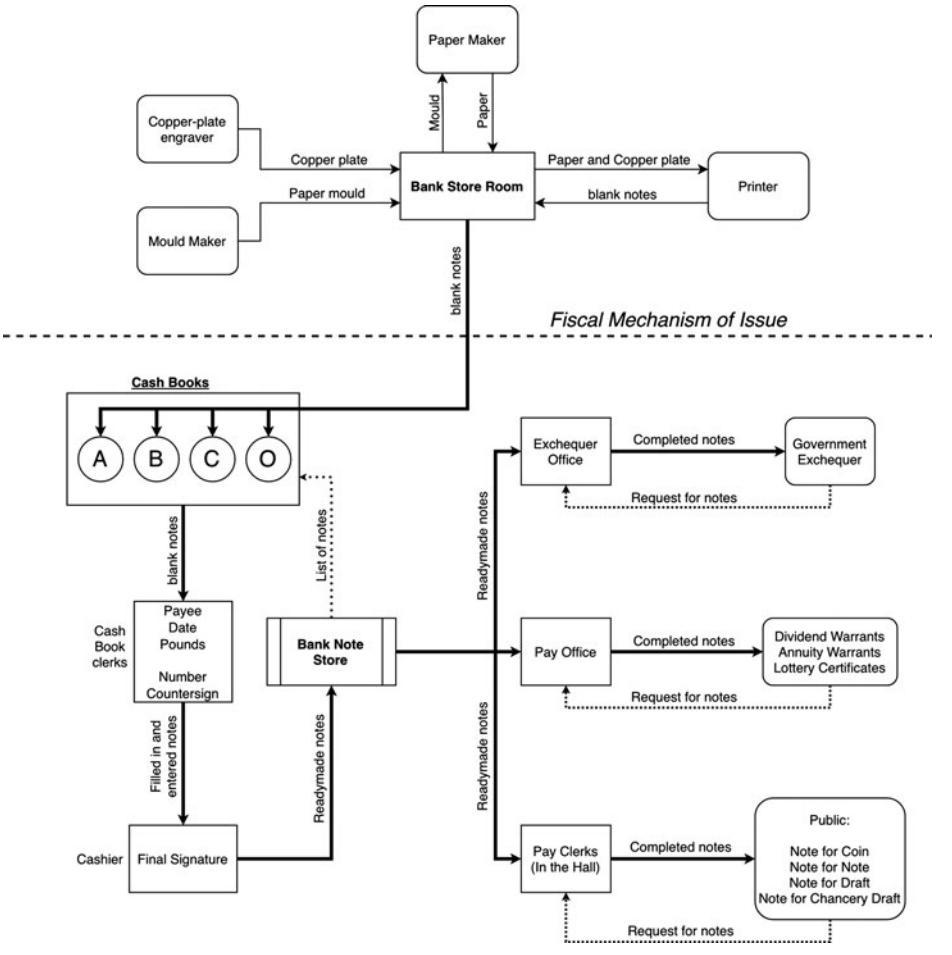

Figure 6. *The process of manufacturing and issuing Banknotes after 1783*
Source: Author's own diagram, based on the processes outlined in BEA, 'CIM', M5/212.

Notes can be required' and was 'replenished, by daily supplies from the several Cash Books, as to keep the sum of 500,000 Pounds Sterling constantly complete'.[44] To facilitate the issue of notes to the Bank's private customers, a new office was set up in the Hall to replace the cashiers and Cash Books that were formerly there.[45] Two Pay Clerks with three assistants would now sit in 'the space under the dial in the Hall' and be furnished with a drawer of readymade Banknotes – 'of all different sums' – at the start of each day.[46]

[44] BEA, CIM, M5/212, p. 169.
[45] BEA, CIM, M5/212, p. 170.
[46] BEA, CIM, M5/212, pp. 171–2.

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V

In replacing the mechanism that the Bank used to issue its notes to its private banking customers with the fiscal mechanism of issue, a number of important observations can be made. The first two of these concern how the nature of the Bank's privately issued notes changed after the implementation of the 1783 proposal, and the third is a historiographical note about the origin of fictitious payees.

(1) With the implementation of the proposal in the early months of 1784, the Bank was able not only to improve the security and safety of its private note-issuing functions, but was also able to increase the efficiency of its issuance, helping the Bank to increase the potential for its privately issued notes to circulate in the decades to come.

In 1783, the Directors of the Bank were concerned with the efficiency, accountability and transparency of the mode of business being conducted at the Bank. As has been noted above, this was one of the motivating causes of the Inspection Committee. Many of the changes to the technique of issuing notes to the Bank's private customers would reduce the potential for the Bank's staff to commit – or at least be tempted to commit – the counterfeiting of its notes (Acres 1931, I, p. 238). Similarly, many of these changes would establish for the first time clear chains of accountability and responsibility amongst the clerks, detailing the exact nature of the work they were expected to do and how they were expected to behave (Murphy 2015).

The Bank Directors, however, were not just interested in the regulation of their clerks; they were similarly concerned with the circulation of their notes. William Lander, a cashier at the Bank, had given evidence to the Committee of Inspection that he thought the proposal for a readymade note would be 'more expeditious and convenient for the Publick' because 'at present many persons refuse to wait at the Bank the time necessary to have their notes changed and made out afresh, and go away to [private] Bankers to have their business done with less delay'.[47] Because of the existing note-issuing technique, Lander was concerned that the Bank's private customers were going away either to have their notes made out by private London bankers instead, or to conduct their business through means other than Bank of England Notes, i.e. through the cheques and drafts of private London bankers. The second is the most likely as private London bankers had mostly ceased to issue their own notes by the 1780s and had moved to a system of cheques and deposits accounts instead (Macleod 1892, I, p. 515; Clapham 1945, I, p. 162). There is, however, considerable doubt as to when private London bankers universally discontinued the issue of their notes. According to Macleod (1892, I, p. 284) the latest example of a London banker's banknote is from Child & Co. dated 12 April 1793; and in 1832 we find that the London banker Sir Coutts Trotter of Coutts & Co. had still been 'within a very few years, in the habit of issuing notes' (Committee of Secrecy on the Bank of England Charter 1832, Q. 3225). Each of these examples of note issuance

[47] BEA, CIM, M5/212, pp. 116–17.

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are well after the 1783 proposal and so there would still have been private London banks issuing notes at the time. Joslin (1954, p. 170), however, writes that even though this may have been the case, the volume of notes issued by private London bankers never 'assumed really major proportions', and that it was through their system of deposit accounts, drafts and cheques that they posed a potential threat to the Bank in the late seventeenth century.

Either way, it is clear from Lander's comments that the classical mechanism of issue at the Bank had the potential to hold up private customers who had come to have Banknotes changed or made out afresh. Whether they went to have those notes made up by private bankers instead or to have their business done by means other than Banknotes does not matter. What is important is that they were being held up and had the option of doing their business somewhere else. The Directors appear to have agreed with Lander on the issue. For, 'by the proposed plan,' they wrote in their report, 'the Publick will be accommodated on demand, *without the delay they are now subject to*, a consideration not to be overlooked', it was added, 'as it may have a tendency to increase the Circulation of Bank Notes'.[48]

An increase in the efficiency of the Bank's privately issued notes was therefore an intended effect of the 1783 proposal that the Directors were well aware of. For the use of a single mechanism of issue after 1783 now meant that the constraints on Banknote creation which formerly existed under the classical mechanism were no longer present. The technical supplementation of the blank notes issued to the Bank's private customers would now be decoupled from any knowledge of who they would be paid to and when they would be issued. Clerks would now sit at desks in retired rooms entering and signing notes throughout the day regardless of the specific requests made in the Hall. As a result, *all* notes issued by the Bank – not just those issued to government – could now be continuously made out in advance to be held readymade in a Bank Note Store with nothing but the Bank's own expectation of future demand constraining it.

This increase in efficiency is significant because in the decades after the implementation of the 1783 proposal a number of social and political events transpired to increase the demand for the Bank's private notes. For example, an increase in the number of country banks in the 1780s, as well as a commercial boom during 1789–92, would have increased the private demand for Bank of England Notes (Clapham 1945, I, pp. 165–6; Kynaston 2017, p. 58). Similarly, Britain was at war with revolutionary France from 1792 through to 1815. This brought about not only a substantial increase in the fiscal demand for Banknotes by government, but the unprecedented introduction of low denomination £5, £2 and £1 Banknotes, which were subsequently made use of by individuals who had never before interacted with the Bank commercially (Clapham 1945, I, pp. 258–72; Mackenzie 1953, p. 19; Hewitt and Keyworth 1987, pp. 38–41). These low-denomination notes were issued

[48] BEA, CIM, M5/212, p. 166.

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in large numbers by the Bank to replace the gold and silver coins which had disappeared from circulation and would have significantly increased the private demand for notes (Shin 2015).

The fact that the Bank of England was able to *anticipate* the future demand for its privately issued notes by simply increasing the amount of readymade notes it held in reserve would have helped it to successfully respond to these episodes of vastly increased private demand. The new technique of issuing notes contrasted with the earlier technique in which the Bank would have been able to make out privately issued notes only after they had been requested. Moreover, after 1783, under a single, unified, note-issuing mechanism, notes which might have been anticipated for use by government could just as easily have been issued to private customers instead whenever the need arose. Such mutability between the different notes issued by the Bank would have been impossible under a bifurcated system in which the issuing of private notes was separated from the issuing of government notes.

As such, the implementation of the 1783 proposal was able to help the Bank increase the potential for its privately issued notes to circulate through simply increasing the number of notes it held readymade in reserve regardless of whether they were originally intended for the Bank's private customers or not. We can see the increases in the amount of notes held readymade in the Bank's Note Store in Figure 7.[49]

Before the implementation of the proposal for a readymade note in 1784, the notes held by the Bank fluctuate around an average of £194,944. In 1784, the first year of the proposal's implementation, the notes increase to an amount higher than any previous year. After 1784, the average of notes held up until 1797 jumps to £905,154; and from 1797 – the year of the Bank Restriction (Hawtrey 1918) – to 1810 the average of notes jumps even higher to £2,205,948.

The increases shown here in the number of readymade notes held at the Bank would have been caused by a range of different factors, some due to an increase in the demand for notes by the Bank's private customers and some due to an increase in the demand for notes by the government. What is important, however, is that regardless of what was causing these readymade notes to increase – whether they were intended for the Bank's private customers or not – after the 1783 proposal, such notes had the potential to be paid away both to the Bank's private customers as well as the government. An efficiency which the Bank was able to achieve only by consolidating two different techniques of note issuance and extending the fiscal mechanism of issue to the notes the Bank was issuing to its private banking customers.

(2) After the 1783 proposal, an equivalence was effected between the privately issued notes of the Bank and the paper money that was spent by government. This

[49] The numbers in this figure come from an account of the Bank of England's liabilities and assets published in 1967 (Bank of England 1967). In this article a column appears labelled 'Notes: In the Bank'; it refers to the fully made out readymade notes which the Bank had in store at the beginning of each year.

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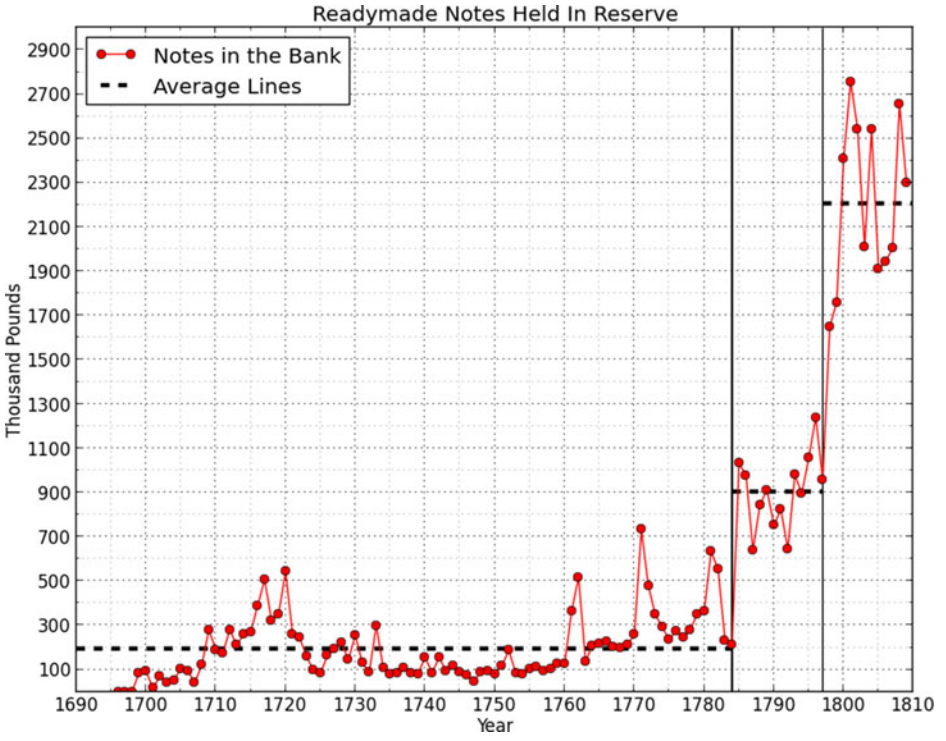

Figure 7. *The value of readymade notes held by the Bank of England awaiting issue between 1696 and 1810. Vertical lines are at 1784 (the implementation of the proposal for a readymade note) and 1797 (the beginning of the Bank Restriction period)*
Source: Author's own graph based on data from Bank of England (1967, appendix).

equivalence was brought about because the 1783 proposal made the notes which the Bank issued to its private customers in the Pay Hall physically indistinguishable from the Banknotes which were issued to – or on behalf of – the government in the Exchequer and Pay Offices. I will propose that this equivalence strengthened the privately issued notes which the Bank of England was paying to its individual customers, increasing their legitimacy as a means of payment.

As I have argued above, before the implementation of the 1783 proposal the notes that were being paid away by the Bank to government were distinct from the notes that were paid away to its individual customers insofar as the classical mechanism of issue and the fiscal mechanism of issue resulted in different physical notes. Although such a physical difference existed prior to 1784, it is not yet clear to what extent the notes issued to the Bank's private customers were treated any differently when compared to the notes paid away to government by the individuals who handled them, or whether any physical difference was ever noticed.[50] It might be

[50] This will be the object of future research.

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expected, however, that the generic name of the senior Bank officials that came to be associated with the notes paid away to government under the fiscal mechanism of issue made those notes function more like 'outside money', capable of circulating anonymously from person to person without relying on the specific, personal knowledge of a named payee; whereas, in contrast, even though privately issued Banknotes could legally circulate from person to person, because of the specific information which they required to become valid monetary signs they were still only a form of 'inside money' and were therefore not capable of circulating anonymously[51] (Capie 2004, p. 218; Lagos 2008, p. 360). Regardless of any differences in the way each note was treated, after the 1783 proposal for a readymade note, the physical distinction between the two notes issued by the Bank was eliminated.

The effect which the equivalence between the two techniques of note issuance had on the physical form which the Bank's notes took can be seen in Figure 8. This figure shows the details of seven notes which were reported lost to the Bank's Court of Directors in April 1785. Each of these notes has exactly the same payee, the Chief Cashier Abraham Newland. The first six are dated throughout 1785 and last is dated in December 1784. What is interesting here is that – unlike the notes issued prior to 1784 – it is not possible to tell whether they were issued to individual customers within the Bank's private banking functions or paid to government in relation to the fiscal affairs of the state: the two identifying marks which previously indicated this – the originating Cash Book the name of the payee – either do not exist anymore, or no longer reveal this information.

I propose that this equivalence strengthened the privately issued notes which the Bank of England was paying to its individual customers, increasing their legitimacy as a means of payment. It did this because after 1783 no distinction could be made by the government or private individuals between which notes the government spent into circulation and which notes the Bank's private customers spent into circulation. This distinction is important because although the government was willing to accept *both* the privately issued notes of the Bank *and* the Banknotes it had itself spent into circulation as sufficient to discharge tax obligations, the 1783 proposal shows that prior to 1784 it was only using one of these physical forms as a means of making payments (Table 1).

Because the notes which the Bank of England was paying to its private customers under the classical mechanism of issue were physically distinct from the notes which it was paying to government under the fiscal mechanism, and, because the government was using only the later as a means of *both* receiving *and* making payments, it should be the case that, prior to the 1783 proposal, the Bank's privately issued notes held a less

[51] Similarly, taking the Bank plus the government as the 'non-private sector' it is clear how Banknotes issued to government in exchange for government securities represent net financial assets for the 'private sector' and are thus 'outside money'; whereas Banknotes issued to private banking customers in exchange for private securities do not represent net financial assets for the 'private sector' and are thus 'inside money' (Lagos 2008, p. 360).

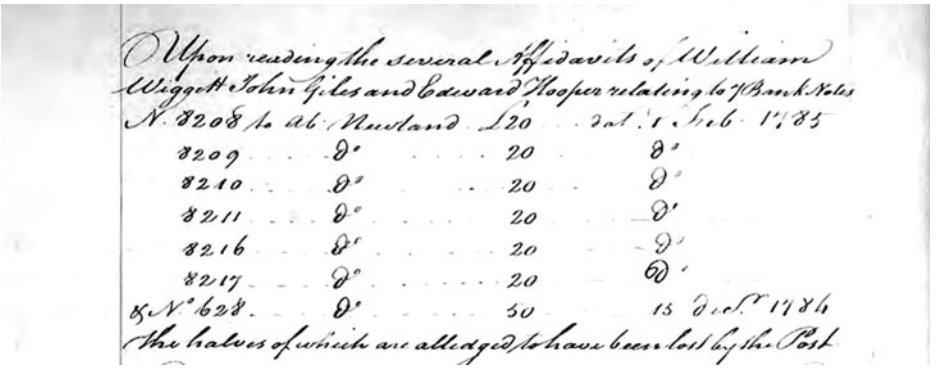
Upon reading the several Affidavits of William Wiggett John Giles and Edward Hooper relating to 7 Bank Notes
N. 8208 to 8216 Rowland £20 dat. 1 Feb. 1785
8209 D° 20 D°
8210 D° 20 D°
8211 D° 20 D°
8216 D° 20 D°
8217 D° 20 60
& N° 628. D° 30 15 Dec.r 1784
the halves of which are alledged to have been lost by the Post

Figure 8. *Seven notes reported lost in 1785*
Source: BEA, 'Court of Directors: Minutes', G4/24, p. 141.

significant position as a means of payment compared to the notes issued to government. This would be the case simply because the government was not using the Bank's private notes as a means of payment.

As many have recently argued, the state is an important actor in its domestic economy precisely because of its ability to both tax and spend. Through this important fiscal influence, the state is uniquely placed to contribute towards the emergence of money (Innes 1914; Grierson 1977; Ingham 2004; Wray 2004), not only in the establishment and standardisation of an abstract measurement of value in the unit of account, but also in defining the specific physical objects which will answer to the unit of account and discharge the debts it represents – the means of making payment (Ingham 2004, pp. 1–14; Mitchell *et al.* 2019, p. 135). In this case, the government's ability to make particular physical objects emerge as a means of making payments does not necessarily arise from its formal power to provide such objects with a legal-tender status for all private and public transactions; but, rather, it emerges from its own use of such physical objects as a means of both making and receiving payments specific to it (Ugolini 2017, pp. 174–5). The two most important forms of making and receiving payments are: (1) spending, in order to implement domestic policy and to transfer goods and services form the private sector into the public sector; (2) taxing, so as to provide an incentive for specific actors in the economy to accumulate the physical objects which are spent by government (Mitchell *et al.* 2019, p. 137). It is these two forms of making and receiving payments which, when acting *together* on the same physical object, constitute what Christine Desan (2014, pp. 14–15, 311–20) has called the 'fiscal loop', a necessary condition of the emergence of a national currency proper.

And so, by creating an equivalence between the two types of notes they had formerly been issuing prior to the 1783 proposal, the Bank of England would have strengthened the privately issued notes which they had been paying to their individual customers, increasing their legitimacy as a means of payment. This would be the case

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Table 1. *Spending and taxing of the Bank's notes prior to the 1783 proposal*

	Notes of:	
	Private customers: classical mechanism	Government: fiscal mechanism
Government spending	✗	✓
Government taxing	✓	✓

simply because the government would now be making payments with the same type of Banknote as the Bank's private customers. The fiat loop, I contend, was inadvertently enlarged – beyond those notes which were simply spent by government – to include the Bank's notes associated with its private business dealings (Table 2).

To be sure, more needs to be done to show how this transformation affected the way in which individuals treated the Bank's paper money, and whether or not this transformation specifically had any effect on individuals' willingness to circulate and accept Banknotes more than when the two note-issuing mechanisms were separated. But, if this analysis is correct, not only had the Bank of England been able monetise the debt of the government (Ugolini 2017, pp. 174–5) but, by the 1780s, it had also made the notes it issued in its private banking business indistinguishable from this monetised government debt; effectively augmenting the creditability of its private business operations through the privileged relationship it had as the facilitator of the fiscal revenues of the state. Importantly, this demonstrates the way in which certain state-based institutional relationships can help to broaden the trust and acceptability of private banking beyond the immediate sphere of merchants and industrialists (Capie 2004, pp. 217–21). So, although the separation between state finance and private lending through a trusted third party was crucial in allowing the public's confidence in private credit to extend to government after the turbulent years after the Glorious Revolution (Neal 2004), the significance of the 1783 proposal is that it illustrates the role ultimately played by the Bank's relationship with the fiscal institutions of state in the attempt to transform its privately issued 'inside money' into something which can more broadly be recognised as a national currency.

(3) The 1783 Committee of Inspection fills in important details of the explanation normally given by historians of the Bank on the origin of the practice of using fictitious payees on Bank of England notes, and helps to clarify some of the comments which they have made in relation to the proposal for a readymade note. It is thought that the practice of using fictitious payees on the Bank's notes arose over complications relating to whether the bearer of a note – if they were not also the payee – could initiate legal action against the Bank for a failure to pay a note in gold or silver coins (Bank of England 1969, p. 214; Hewitt and Keyworth 1987, p. 53 fn. 45). The law declared that the bearer of the note could sue in their own

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Table 2. *Spending and taxing of the Bank's notes after the 1783 proposal*

	Notes of: Government *and* private customers: fiscal mechanism
Government spending	✓
Government taxing	✓

name only if they were the named payee, and, as a result, 'the name of the payee, therefore, became of the greatest importance, and the custom grew up of entering, in the space provided for the payee's name, that of persons known to the Bank' (Mackenzie 1953, p. 18) – presumably so that when legal actions were initiated the Bank would have a greater control over the proceedings. Importantly, it is argued, this practice continued throughout the seventeenth century even though full assignability had been granted to the Bank's notes in 1704.

The account presented in this article suggests that the unique relationship the Bank and its notes had to the state also played an important role in the origin of this practice. The fact that the Bank of England was issuing to the government not only gives another reason as to why the Bank was not able to use 'real' payees and dates on some of its notes, but, more importantly, also explains why such a practice only emerged on notes that originated from the K Cash Book under the fiscal mechanism of issue – a fact which historians of the Bank do not identify. If their explanations were correct, we would expect notes from all Cash Books to have fictitious payees; but, prior to 1784, we find only notes issued at the K Book have such fictitious traces.

Moreover, according to A. D. Mackenzie, prior to 1782 the use of a fictitious payee on Banknotes was 'intermittent', but from 1782 he claims such a practice 'appears repeatedly'. 'The fact that the payee's name would be no longer subject to variation', he continues, 'made possible a proposal, which was put forward in the following year [1783], that notes should be ready made out in advance' (Mackenzie 1953, pp. 18–19). Mackenzie therefore implies that from between 1782 and 1783 most, if not all, notes issued by the Bank already had fictitious payees prior to the proposal, and that the Committee of Inspection was merely suggesting that, as a result, such notes could be made out in advance. As is clear from my above account, however, not all of the Bank's paper money was issued with fictitious payees prior to 1783: there was in fact a very clear delineation between which note-issuing functions did use this technique and which still used real names and dates – precisely the distinction between the two mechanisms of issue I describe above. No historian of the Bank appears to have made such a distinction before. The notes which were proposed to be made ready-made in 1783 were precisely the notes which *did not have fictitious payees* prior to 1783. Contrary to Mackenzie's suggestion and everyone who has repeated it since (Bank of England 1969; Hewitt and Keyworth 1987, pp. 7–37; Byatt 1994, p. 30; Kynaston 2017, pp. 68–74; Grossman 2019, pp. 300–3), the 1783 proposal specifically

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suggests *extending* the practice of making notes out in advance – which was *already* practised in the Pay and Exchequer Offices – to the Bank's private note issuing in the Hall, *and therefore* using the same fictitious traces which were also made use of in the Pay and Exchequer Offices.

VI

The historian Anne L. Murphy concluded her study of the 1783 Committee of Inspection on a circumspect note. Although the Bank's Committee of Inspection 'suffered from no lack of resources or powers of enforcement', 'its impact was nonetheless relatively limited'. This was the case, she argued, because 'the Inspectors approved of a great deal of what they saw' in the various departments of the Bank, and 'had a very strong sense of the Bank's contribution to the wider economy' (Murphy 2015, pp. 166–7). Unlike the public accounts of the Exchequer – which underwent fundamental changes in this period due to its inefficiency and mismanagement – managerial capitalism, it seems, was already working well at the late eighteenth-century Bank of England, leaving little room for improvement (Murphy 2016).

While maintaining the validity of Murphy's conclusion, I would like to suggest that the committee of inspection did have an important impact; not necessarily on the management of the Bank or its clerks *per se*, but on what has been called money's underlying material and technological infrastructure (Rella 2020, p. 237). The proposal for a readymade note represents an important step in the transition away from the fact that, because the Bank was issuing its notes both to government and its private customers, the Bank of England had two separate techniques for filling out and issuing its notes into circulation. The transformation in money's underlying material and technological infrastructure was this: the technique that was already present in the note-issuing functions associated with the Bank of England's *fiscal* responsibilities towards the state was extended to also cover the Bank's *private* issuance of notes to its individual customers. This extension reflects the important role that the state – a central, authoritative and socially constituting body – ultimately plays in the creation of new monetary forms.

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