

Account of the principal banks of Europe.

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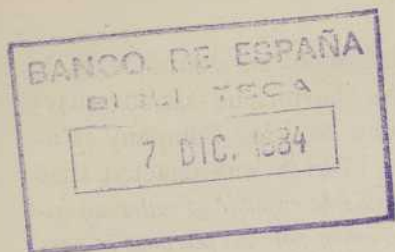
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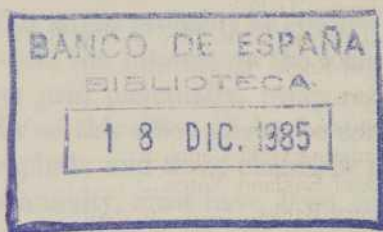
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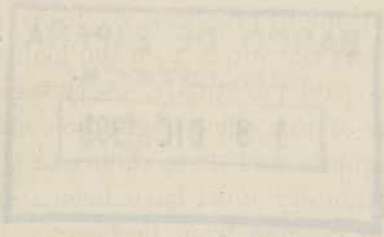


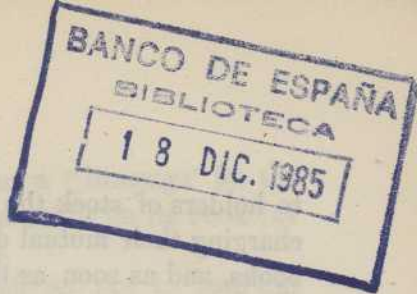


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BANK OF VENICE.

This was the most ancient bank in Europe. Neither the date nor the circumstances which led to its establishment are exactly known. Historians inform us that in 1171 the Republic being hard pressed by war, levied a forced contribution on the richest of its citizens, giving them in return a perpetual annuity at the rate of 4 per cent. An office was established for the payment of this interest, which, in the sequel, became the *Bank of Venice*. This might probably be effected in the following manner:—As the interest on the loan to Government was always paid punctually, every registered claim in the books of this office might be considered as a productive capital; and these claims, or the right of receiving this annuity, must have been soon transferred, by demise or cession, from one person to another. This practice would, in the sequel, suggest

to holders of stock the simple and easy method of discharging their mutual debts by transfers on the office books, and as soon as they became sensible of the advantages to be derived from this method of accounting, *bank money* was invented.

The Bank of Venice was essentially a deposit bank. Though established without a capital, its bills bore at all times an *agio*, or premium above the current money of the republic. The invasion of the French in 1797 occasioned the ruin of this establishment.

BANK OF AMSTERDAM.

This bank was founded in 1609, on strictly commercial principles and views, and not to afford any assistance, or to commix with the finances of the state. Amsterdam was then the great *entrepot* of the commerce of the world, and of course the coins of all Europe passed current in that city. Many of them, however, were so worn and defaced as to reduce their general average value to about 9 per cent. less than their mint value, and, in consequence, the new coins were immediately melted down and exported. The currency of the city was thus exposed to great fluctuations; and it was chiefly to remedy this inconvenience, and to fix the value or par of the current money of the country, that the merchants of Amsterdam established a "Bank" on the model of that of Venice. Its first capital was formed of Spanish ducats or ducatoons, a silver coin which Spain had struck in the war with Holland, and with which the tide of commerce had enriched the very country it was formed to overthrow. The Bank afterwards accepted the coins of all countries, worn or fresh, at their intrinsic value, and made its own bank money payable in standard coin of the

country, of full weight, deducting a "brassage" for the expence of coinage, and giving a credit on its books, or "bank money," for the deposits.

The Bank of Amsterdam professed not to lend out any part of the specie deposited with it, but to keep in its coffers all that was inscribed on its books. In 1672, when Louis XIV. penetrated to Utrecht, almost all who had accounts demanded their deposits at once, and they were delivered to them so readily, that no suspicion could be left of the fidelity of the administration of the Bank. Many of the coins then brought forth bore marks of the conflagration which happened soon after the establishment of the Bank, at the Hotel de Ville. This good faith was maintained till about the middle of last century, when the managers secretly lent their bullion to the East India Company and to Government. The usual "oaths of office" were taken by a religious magistracy, or rather by the magistracy of a religious people, that all was safe; and the good people of Holland believed, as an article of their creed, that every florin which circulated as Bank money, had its metallic constituent in the treasury of the Bank, sealed up and secured by oaths, honesty, and policy. This blind confidence was dissipated in December 1790, by a declaration that the Bank would retain L.10 per cent. of all deposits, and would return none of a less amount than 2500 florins.

Even this was submitted to and forgiven. But four years afterwards, on the invasion of the French, the Bank was obliged to declare that it had advanced to the States, and the East India Company, more than 10,500,000 florins, which sum they were deficient to their depositors; to whom, however, they assigned these claims. Bank money, which previously bore an

agio of 5 per cent. immediately fell to 16 per cent. below current money.

This epoch marked the decay of an institution which had long enjoyed an unlimited credit, and had rendered the greatest services to the country. The amount of the treasure of the Bank of Amsterdam, in 1755, was estimated, by Mr Hope, at 33,000,000 of florins.

BANK OF HAMBURGH.

The Bank of Hamburgh was established in 1619, on the model of that of Amsterdam; its stock originally consisted of German crowns, called specie dollars. In 1770, in order to obviate the inconvenience arising from the receipt of bad coins, it was arranged that the Bank should receive bullion as well as coin; and it soon afterwards ceased keeping any account in coined money. *The bank now receives specie in ingots or foreign coins, as bullion only, which renders the money or paper of this Bank the least variable standard of any in Europe.* Its standard is 47 of pure metal, 1 of alloy. Those who deposit pay less than one-half per cent. for the security, and one to one and a half per cent. for refining; when they re-demand their deposit in the proper standard, which few do, but for a profit on the metal beyond this charge, preferring at all other times the Bank money. The Bank also lends on the deposit of Spanish dollars, by giving its receipts payable to bearer; the charge for this accommodation is only 3s. 4d. per month, or 2 per cent. per annum. The loans are limited to three months, when the deposit is retired, or the loan renewed. The Bank of Hamburgh is the best administered of any in Europe; its business and accounts are the most open and bestknown to the public. Its governors are responsible, and frequently renewed.

When Marshal Davoust retook Hamburg, (4th of November 1813,) he seized on all the treasure he found in the Bank, amounting to 7,500,000 marcs banco: part of this treasure has been restored by France.

BANK OF VIENNA

was founded by Maria Theresa, in the seven years' war. The Empress issued simple "bills of credit," for 12,000,000 of florins, ordering a proportion of the taxes to be receivable in this paper only. This regulation, by obliging those who had taxes to pay, to purchase bills, gave them at first a value *superior to metallic currency*. But the necessities of Government having led to their excessive issue, gold and silver were gradually withdrawn from circulation. At length, in 1797, (a curious coincidence,) the Bank became altogether unable to pay its paper in specie on demand, and was relieved from this obligation, while at the same time its notes were ordered to be received as legal money. Their depreciation soon followed, but was accelerated and exaggerated by the expedient of creating a copper coinage, of little value; 100 lb. of copper being coined into 2400 pieces, and stamped as of the value of 600 florins, which were made the standard. During the subsequent years of the war, the Government, fearing to add to the already exorbitant weight of taxation, and without credit, had no other resource but to add to the quantity of paper in circulation. In 1810, above 1,060,000,000 of paper florins had been issued, and a florin of silver was then worth no less than 12 or 13 *florins in paper*. The depreciation could be carried no farther, without risking the safety of the State; and in February 1811, *the Government* declared it would issue *no more*; and ordered the current paper

money to be liquidated at ONE-FIFTH part of its nominal value, *in a new paper money*, called "Bills of Redemption," to be retired by a sort of sinking fund formed by the sale of ecclesiastical property. The misery and destruction of property that was thus occasioned may be conceived, but cannot be described.

Though the new paper, in point of intrinsic worth, was no better than the former, *the reduction of its quantity alone served to assist its currency and support its value*. In May 1812, 100 florins silver would exchange for only 186 of this paper, while the former had fallen below 12 to 1. From a statement, by Mr Haldimand, of the value of Austrian paper money in 1815, 1816, 1817, and 1818, printed in the Appendix to the Lords' Report on the State of the Bank of England, it appears, that in the month of April 1815, 100 silver florins were worth 489 paper florins; and that on 12th December last, 247 paper florins were worth 100 silver ditto. The value of paper has been gradually increasing since 1816.

BANK OF STOCKHOLM,

one of the most ancient, dates from 1657, and was established by the Government. Its capital was 300,000 specie-crowns. It issued notes bearing interest, and payable to bearer. It borrowed at 4 per cent. and lent at six. It was so well administered, that at the death of Charles XII. its capital had augmented to 5,000,000.

Another Bank was afterwards established, and soon united to the first. They now made advances to the Government and to the nobility, increased their paper to 600,000,000 of crowns of copper, or about L.8,000,000 of our sterling. This issue was excessive.

The bank paper could not be liquidated even in copper, and fell to the 96th part of its nominal value. In 1762 the Government owed the Bank more than 80,000,000 of silver crowns, or above L.3,000,000 sterling.

Gustavus III. for a time, by strong and wise measures, remedied much of this disorder, but destroyed at last his own labours, by making war on Russia: from this time the country has been deluged by a paper-money without value, and has been so completely stripped of metallic currency, as to be obliged to use notes of the low value of sixpence!

BANK OF COPENHAGEN

was founded by royal authority in 1736, with a capital of 500,000 crowns. In 1745, in the tenth year of its establishment, it applied to government to be relieved from the obligation of discharging its notes in coin: it continued, however, to issue paper, and to make advances to the state, and to individuals. The public suffered, but the proprietors gained; their dividend was so large, that the shares of the Bank sold for three times their original deposit. In 1773, when the Bank had issued 11,000,000 of paper crowns, the king returned their deposits to the shareholders, and becoming himself sole proprietor, carried this issue to 16,000,000. Specie immediately disappeared, and Government was obliged to issue paper notes of a single crown.

The evil being come to its acmé, a remedy was attempted.—In 1791, all further emission was forbidden, and a progressive liquidation ordered. A new Bank, called the “Species Bank,” was created, with a capital, in shares, of 2,400,000 specie crowns. This Bank is independent of the government; and the directors,

sworn to be faithful, are, in all that relates to its affairs, relieved formally from their oath to the sovereign. Its issue of paper was limited to one and nine-tenths (less than double) of the specie in its coffers. The former Bank was to retire annually 750,000 of its paper crowns. By these means it was calculated to relieve Denmark in less than fifteen years from its oppressive load of paper money; but the event did not justify this expectation. When once the gangrene of a forced state paper money has seized on a country, neither the Government nor individuals can extirpate this "caries" of the public economy, by mild and slow operations. Only a decided, prompt, and radical measure can relieve a country sinking under an increasing depreciation. In 1804, the new notes lost 25 per cent. compared with the currency in which they were payable; the notes of the old Bank were at a discount of 45. In October 1813, the depreciation was such, that 1800 crowns in paper were offered for one crown of silver!

BANK OF RUSSIA.

Russia, too, has her paper money. On the 29th of December 1768, the Empress Catherine, at the commencement of the war against the Turks, established the Bank of Assignats, designed to issue notes of bills payable to bearer. In the manifesto, these notes were declared, in general terms, and very indistinctly, "to be payable in current money." This doubt, however, was soon dispelled. In the first months of their issue it was ascertained that they would be discharged in copper only, in imitation of the Bank of Stockholm. But this was as impossible as it was improper. The value of copper was too small and too variable, and the difficulty of its transportation rendered it impracticable

for this purpose. Only gold or silver could be the standard. The notes, therefore, soon *ceased to be notes of credit*, and became merely a state paper money. This paper money, however, by its convenience, the moderation of the Government in its issue, and the regulation that it should be received instead of specie in all the Government Treasuries, *bore a value above its nominal par with silver*. In the first eighteen years, only 40,000,000 (equivalent then to nearly L.5,000,000 sterling) were in circulation, and no note for less than twenty-five roubles, or about L.5, at the exchange of that time. This limitation of quantity, with the real advantages of paper currency, made the assignats so agreeable to the public, that, until 1788, they preserved an *agio*, or premium, of five per cent. above copper money, and silver had no more than *three per cent. premium in its favour*. In 1774, at the peace of that date, paper was on a par with silver.

In 1786, the Empress created a Loan Bank, and increased the mass of assignats to 100,000,000, engaging to carry it no farther; but the wars with Turkey, Sweden, Poland, and Persia, occasioned the failure of this engagement in the year 1790. At her decease, in 1796, the assignats in circulation amounted to about 160,000,000 of roubles.

This increase was too great and too sudden, and necessarily led to depreciation. In 1788, paper was at discount; in 1795, it had sunk nearly one-third, and metallic currency had disappeared so much the more, because paper notes of 10 and of 5 roubles were issued, and all payments made in paper or copper.

The progress of the depreciation will be rendered more evident by the following statement, which we extract from another part of M. Storch's work:

Account of the Number of Paper Assignats in circulation in Russia from 1786 to 1814 inclusive, and of the variations in their value as compared with silver.

Years.	Annual Emissions of Paper Roubles or Assignats.	Total Paper Roubles in Circulation.	Mean value of the silver Rouble in Assignats.	Mean value of the Assignat in Silver.
	Roubles.	Roubles.	Copecks.	Copecks.
1786	40,000,000	40,000,000	102	98
1787	60,000,000	100,000,000	103	97
1788	100,000,000	108	92 $\frac{5}{8}$
1789	100,000,000	109	91 $\frac{1}{4}$
1790	11,000,000	111,000,000	115	87
1791	6,000,000	117,000,000	123	81 $\frac{1}{3}$
1792	3,000,000	120,000,000	126	79 $\frac{1}{3}$
1793	4,000,000	124,000,000	135	74
1794	21,550,000	145,550,000	141	71
1795	4,450,000	150,000,000	146	68 $\frac{1}{2}$
1796	7,703,640	157,703,640	142	70 $\frac{1}{2}$
1797	5,871,200	163,574,840	126	79 $\frac{1}{3}$
1798	31,356,765	194,931,605	137	73
1799	15,068,395	210,000,000	148	67 $\frac{1}{2}$
1800	2,689,335	212,689,335	153	65 $\frac{1}{3}$
1801	8,799,000	221,488,335	151	66 $\frac{1}{4}$
1802	8,976,090	230,464,425	140	71 $\frac{2}{3}$
1803	17,160,240	247,624,665	125	80
1804	13,033,885	260,658,550	126	79 $\frac{1}{3}$
1805	31,540,560	292,199,110	130	77
1806	27,040,850	319,239,960	137	73
1807	63,089,545	382,329,505	148	67 $\frac{1}{2}$
1808	95,039,075	477,368,580	186	53 $\frac{1}{4}$
1809	55,832,720	533,201,300	224	44 $\frac{2}{3}$
1810	43,798,700	577,000,000	300	33 $\frac{1}{3}$
1811	577,000,000	394	25 $\frac{2}{3}$
1812	577,000,000	379	26 $\frac{5}{8}$
1813	577,000,000	397	25 $\frac{1}{2}$
1814	577,000,000	397	25 $\frac{1}{2}$

Since the peace, the Russian Government has made every possible exertion to lessen the quantity of paper money. From a report of the finance minister, M. Gourieff, dated 9th April last, it appears that about 118 millions of assignats have already been withdrawn from circulation, and it is estimated that in the next two years an additional 100 millions will be cancelled.

This has been partly effected by funding the assignats, and partly by exchanging them at certain rates for gold and silver roubles, of which there has been of late a very extensive coinage. In consequence of the diminution of their number, the relative value of the assignats has advanced considerably; and the paper prices of all commodities have proportionally declined.

BANK OF ENGLAND.

It will be seen from this sketch of the history of the principal Continental Banks, that *their connexion with their respective governments has been the radical defect of their constitution*, and the real cause of the various disorders we have thus briefly detailed. The lending of large sums to government is a transaction altogether incompatible with the real nature of Banking, and which could not fail to prove fatal to any company who were obliged to pay their notes on demand. If, previously to a loan being made to Government, the currency was sufficiently abundant, and paper on a par with gold, it is obvious that the additional supply of paper thus thrown into the market would sink its value, and there would be a run on the Bank for gold for exportation. Thus circumstanced, unless the Bank had immense surplus funds which it could easily convert into cash or bullion, it would stand an extreme risk of being obliged to stop payment, and would at all events suffer considerable embarrassment and difficulty.

If a considerable amount of paper had been borrowed by Government from a Bank on long credit, without supposing its issue to have been in excess, it might nevertheless expose the establishment to great hazard. In the case of either real or imaginary dangers, arising from political or other causes, a run is always made on

the Banks; and if their funds are locked up, or not available, the consequences must inevitably prove fatal.

Circumstances of this nature caused the crisis of 1797, and the Restriction Act. The issues of the Bank of England were not at that time super-abundant, for there was no excess of the market above the mint price of gold. The run was entirely owing to political causes, and would soon have subsided had the Directors been able sufficiently to control their issues, or had their paper been only issued to private individuals, from whom, in the course of 60 days at farthest, they would have received payment. Their capital, however, and several millions of their notes, having been lent to Government, they could not recover payment of either the one or the other. The beggarly importunity of the Ministry had emptied their coffers, and multiplied their notes—increased their debts, and lessened their means of payment. “It was then owing,” says Mr Ricardo, “to the too intimate connection between the Bank and Government, that the restriction became necessary; it is to that cause, too, that we have owed its continuance.”

The late reports of the Bank Committees afford the most convincing proof of the accuracy of this statement. From 1790 to 1797, when the Restriction Act passed, the amount of the advances made by the Bank to Government, and of the notes outstanding on the 25th of each year, was:—

	Bank Notes.	Advances.
1790.....	10,217,360	7,908,968
1791.....	11,699,140	9,603,978
1792.....	11,349,810	9,839,338
1793.....	11,431,180	9,066,698
1794.....	10,963,380	8,786,514
1795.....	13,539,160	11,114,230
1796.....	11,030,110	11,718,730

The amount of the advances of the Bank to Govern-

ment on the 20th February and 2d August each year since 1814, and of the Bank notes issued during the corresponding half years, is reported by the Commons' Committee as follows :

	Bank Notes.		Advances.
1814. Jan. to June	25,511,012	— Feb. 26. 1814	23,607,300
July to Dec.	28,291,832	— Aug. 2. —	34,937,800
1815. Jan. to June	27,155,824	— Feb. 26. 1815	27,156,000
July to Dec.	26,618,210	— Aug. 2. —	24,079,100
1816. Jan. to June	26,468,280	— Feb. 26. 1816	18,988,300
July to Dec.	26,681,398	— Aug. 2. —	26,012,600
1817. Jan. to June	27,339,768	— Feb. 26. 1817	25,399,500
July to Dec.	29,210,035	— Aug. 2. —	27,330,718
1818. Jan. to June	27,954,558	— Feb. 26. 1818	27,002,000
July to Dec.	26,487,859	— Aug. 2. —	27,060,900
		Feb. 11. 1819	21,930,000

The circumstance of the public creditors being obliged to receive payment of their dividends in Bank of England paper, has, since the epoch of the restriction, rendered it nearly as *compulsory* as that of any of the Continental States. That it has not been equally depreciated is to be ascribed entirely to its being liable to have its concerns inquired into by Parliament, and canvassed by the public. We trust, however, that this ruinous connection between the Bank and Government is now about to be dissolved; that in future the Directors will be compelled to regulate their issues by reference to a fixed standard, and not according to their varying whims and caprices; and that they will no longer have it in their power to play at fast and loose with all the property in the kingdom.

Like the Bank of Venice, the Bank of England owed its origin and its privileges to the distresses of Government. It was founded in 1694. The original capital was only L.1,200,000, mortgaged to Government for an annual interest of L.100,000. In a year or two afterwards its capital was increased to L.1,400,000. In 1700

the Bank obtained from Parliament an assurance, that, during the continuance of its charter, no similar charter should be granted to any Banking Company established in England; and in 1708 it was enacted that no more than six *persons should be capable of entering into any association or copartnership for the purpose of carrying on the trade of Bankers.* This most impolitic regulation has not hitherto been repealed. The capital of the Bank of England now amounts to L.11,686,800, lent to Government at an interest of 3 per cent., and payable at the expiration of the charter. The Bank notes in circulation on 26th August 1818, amounted to L.28,087,865, and on 11th February 1819 to L.23,028,820. In 1790 the Bank had gold coin and bullion in its coffers of the value of L.5,619,000; but on 26th February 1797, the epoch of the restriction, this supply was reduced so low as L.1,272,000. We do not know that an account has been published of the amount of cash and bullion in the Bank at any subsequent period.

The following is a brief view of a few leading points of difference between our present situation and that in which we were when the restriction took place.

	Jan. 1797.	Jan. 1819.
Annual Net Revenue.....	L.18,737,760	L.49,549,899
Interest of Public Debt.....	11,844,407	29,068,137
Sinking Fund.....	2,338,984	14,726,039
Outstanding Exchequer Bills.....	13,218,600	43,655,600
Unfunded Debt.....	5,248,932	1,677,125
Outstanding Credits due to the Bank of England.....	17,597,280	39,096,900
Exports.....	30,518,000	53,559,711
Imports.....	23,186,000	36,900,681
Circulating Gold Coin.....	30,000,000	—
Bank of England Notes.....	8,640,250	25,956,840
Country Banks.....	230	750

To which may be added an increase of population exceeding one million and a half.

