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The Rise of the Gold Standard, 1660-1819

1676

'The mystery of the new fashioned goldsmiths or bankers: their rise, growth, state, and decay, discovered in a merchant's letter to a country gent who desired to bind his son apprentice to a goldsmith'. This anonymous pamphlet is often cited as evidence for the transition, between about 1640 and 1670, of goldsmiths from trade in plate to private banking, and to support the argument that banking in England evolved from the goldsmith trade. Many prominent English banks indeed traced their origins back to goldsmiths, though economic historians caution against such a simplistic explanation.

Sir, Since you are pleased to demand my advice in the disposal of your Son to the *Goldsmiths* Trade, and my opinion of the Trade itself; I must trouble you more than I was willing to set down what I have observed of the *Goldsmiths* since I have Traded, and the steps of their Rise and Progress, and leave the judgement of the whole to your Self; tis but fit that a Son should owe the good choice of his imployment and way to his fortunes to the prudence and love of his Father.

If I could now discourse you, I ought to be satisfied whether you have thoughts to put your Son to a *Goldsmith* of the Old or New Fashion, those of the profession having of late years wholly changed their way of Trading. In my time their whole imployment was to make and sell Plate, to buy forreign Coyns and Gold and Silver imported to melt and cull them, and cause some to be coyned at the *Mint*, and with the rest to furnish the *Refiners*, *Plate-makers*, and *Merchants*, as they found the price of gold and silver to vary, and as the Merchants had occasion for Forreign Coyns.

But about Thirty years since, the Civil Wars giving opportunity to Apprentices to leave their Masters at will, and the old way having been for Merchants to trust their Cash in one of their Servants custody, many such Cashiers left their Masters in the lurch and went to the Army, and Merchants knew not how to confide in their Apprentices; then did some Merchants begin to put their Cash into *Goldsmiths* hands to receive and pay for them, (thinking it more secure) and the trade of Plate being then but little worth, most of the Nobility and Gentry, and others melting down their old Plate rather than buying new, and few daring to use or own Plate, the *Goldsmiths* sought to be *Merchants* Cash-Keepers to receive and pay for nothing, few observing or conjecturing their profit they had for their pains.

It happened about that time that the then Parliament had coyned out of Plate, and otherwise seven Millions in Half-Crowns, and no Mills being then used in the Mint, the Money was of a very unequal weight, sometimes two pence or three pence in an ounce difference, & the *French* and others then changing the value of their Coyns often, which made silver and gold of much greater value abroad than at our *English Mint*: The *Goldsmiths* found a new Mischeivous trade to send all the money trusted in their hands into their Cocklofts, where they had Scales and various Weights adapted for their pourpose, and servants constantly weighed every half-crown (at least) and sorted them to

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melt for Two pence or three pence, or sometimes less gain by the ounce, and sometimes their advantage greater by the accidents of the rise or fall of the exchange, those heaviest Coins were sent away in specie, several *French* men and other Merchants making it their whole and only business to transport the gold and silver so culled, either melted down or in specie; and from hence the *Goldsmiths* set up another new Trade of buying old English gold coin at a rate much above its Lawful coyned value, buying and selling it at five, seven, eight and ten pounds in the hundred more than it was coyned for, still sending it away so fast, or supplying those with it whose business was to Transport it, that by a modest computation eight parts of ten of the coyn'd Gold was suddenly consumed, and two shillings a piece was commonly given for gold, when a penny a piece was often given before to exchange gold into silver; the Seven Millions also of silver new Coyned was apparently reduced to less than one Million, and the people so abused in their money, that there was little Coin passed in trade but overworn, washed, and clipt, to the great vexation and loss of the Traders.

These unlawful practices and profits of the *Goldsmiths*, made them greedy to ingross all the Cash they could, and to combine with all mens servants who continued to keep any Cash, to bring their moneys to them to be culled, and to remain with them at four pence the day interest *per centum* without the Master privity: And having thus got Money into their hand, they presumed upon some to come as fast as others was paid away; and upon that confidence of a running Cash (as they call it) they begun to accommodate men with moneys for Weeks and Months upon extraordinary gratuities, and supply all necessitous Merchants that over traded their Stock, with present Money for their Bills of Exchange, discounting sometimes double, perhaps treble interest for the time as they found the Merchant more or less pinched.

Profit arising by this Trade, some of them who had the highest Credit, undertook to receive Gentlemens Rents as they were returned to Town, and indeed any Man's money, and to allow them some interest for it though it lay for a month only, or less, the Owners calling for it by a hundred or fifty pounds at a time as their occasions and expenses wanted it; this new practice giving hopes to everybody to make profit of their money until the hour they spent it, and the conveniency as they thought, to command their money when they pleased, which they could not do when lent at interest upon personal or reall Security; These hopes I say, drew a great Cash into these new *Goldsmiths* hands, and some of them stuck to their old Trade, but every of them that had friends and credit, aspired to this new Mystery to become *Bankers* or *Casheers*, and when *Cromwell* usurped the Government, the greatest of them began to deal with him to supply his wants of Money upon great Advantages especially after they had bought these Dollars whereof he robb'd the *Spaniards* to about the value of £300,000.

After the King's return he wanting money, some of these Bankers undertook to lend him not their own but other mens money, taking barefaced of Him ten pounds for the hundred, and by private contracts many Bills, Orders, Tallies, and Debts of the King's, above twenty, and sometimes thirty in the hundred, to the great dishonor of the Government.

This Prodigious unlawful Gain induced all of them that could be credited with moneys at interest to become lenders to the King to anticipate all the Revenue, to take every Grant of the *Parliament* into pawn as soon as it was given, I had almost said, before the *Act* was passed for it, and to outvie each other in buying and taking to pawn, Bills, Orders, and Tallies, in effect all the King's revenue passed into their hands, and if *Solomon* be in the right, *that the Borrower is a Slave to the Lender*, the King and Kingdom became Slaves to these *Bankers*, and Kingdom gave no small share of their Taxes to them, paying double and

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treble Interest, as if they had not been able to raise Money for the publick Service at the times it was requisite.

But the number of these *Bankers* increased so fast, and the money at Interest come so much into their hands, that the King and His Farmers, and all Tallies of Anticipation and Orders, could not secure all the money they had to lend. Hereupon they sought out according to the several natural wits and capacities, how to dispose of money for more than lawful Intrest, either upon Pawns or Bottom, Reason or unreasonable discounts of Intrest for Bills, or upon notorious usurious Contracts, or upon personal Securities from Heirs whose Estates are in expectancy, or by sudden advance of money to Projectors, who drawn into Projects many Responsible Men to the ruin of their Families; These *Goldsmiths* however getting 10*l.* or 15*l. per Centum*, and sometimes more, only for the present advance of the money, besides the future Intrest, These and a hundred other practices they have used and do still continue in contempt of Law and Justice, whereof they are so conscious to themselves, that most of them do once a year (at least) sue out their general Pardon to avoid the penalty of those wholsom Laws made to prevent such Frauds, Oppressions, contempt of Government, and mischeives to the Publick as they are dayly guilty of: Tis also suspected that their original Trade of culling the heavy Money is not deserted by some of them; also how come all clipt and washed money to pass so currant at their Shops, and so little appearance in payments of all the new coyned Money since the King's return, so many £100,000's of the *Parliaments* Coin, besides *Bullion* imported having been new coyned, and how comes *Guinies* also to be bought and sold by them so much above the Coynage rate, that upon their account only, and by their means, they pass currant in payments for more than they are really worth from some of their Shops: I am sure some Merchants are supplied with Gold and Silver *English* Coyn, to transport upon the advantage of the exchange, or making their present Bargains in *France* and elsewhere, for importing Prohibited Goods.

Sir, I Have given you my Remarques upon the Rise and growth of these new kind of Goldsmiths, and I take them to have been in their highest Ascendant or States about the time that our Ships were burnt at *Chatham* by the *Dutch*: that cold Storm of the Peoples fears that their money was not safe in the *Bankers* hands blighted them, and since being in their declension, the Famous stop upon the Exchequer almost blasted their very root, men being unwilling to trust money in their hands to lend to his Majesty, **so long as they hear the deplorable Cryes of the Widdow and Fatherless, whose money they say at Feasts, they lent the King, and cannot repay them, no nor their Intrest to nuy them Bread.**

Now admitting that all the Creditors of the *Bankers* can no more think it safe that their money should be lent to the King since Tallies, Orders, and the Great Seal itself, are found to be no security, I cannot imagine how Bread should be got by their trade of borrowing money upon lawful Intrest to lend upon unlawful to private persons, though they can silence their consciences and forget Christianity, and neither regard their neighbours welfare, nor the good of the whole Kingdom, but seek by Usurious unlawful Bargains, and oppressive Exactions from the needy and men in streights, and by hook and by crook to make most of their Cash.

I dare take it for granted that the men now of that Trade are not men of greater natural Abilities nor acquired parts, than other Tradesmen of their age and degree, nor are they better instructed than others to imploy greater Stocks in an advantageous Trade, nor have they greater Stocks of their own to hazzard to remote places, from whence most profit may be hoped for; Neither have these men greater skill in Law than other Citizens, to judg of Securities to be taken for Money, nor have they more knowledge of Men to guess at the

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value of their Bonds; how then should they be able to make more Intrest of money than other Traders; yet the most profit that may satisfy other Traders, cannot be sufficient for them to keep open their Shops; they must have a great dead stock of Cash to answer all Payments, and be always ready occasionally to advance great Summs; their Servants and Shops must be maintained for no use but Payments and Receipts, and deducting dead Stock and Charges, if they do not take nine *per Cent.* intrest for what they Lend and dispose of, they cannot make one of one, much less subsist. Besides there must be allowance for Charges to defend themselves against Informers for their usurious Contracts, and procuring frequent Pardons, and for hazard of loss of their Money lent upon unlawful Intrest, every borrower having it in his pwer to plead their usury against them in lue of their Debts. All these things, and many more being duly considered, I suppose people will suddenly come to their wits, and begin to examine why a *Goldsmith-banker* should be better Security than another man, or fitter to be trusted for ten times more than he is worth: They give only personal Security, and many times their Notes for £500, £1000 or more, when they owe before they give that Note, twenty times the value of their own Estates, and yet these free Lenders will scarce be satisfied with two or three Mens Bonds £1000 that are known to be worth £5000 a Man; doubtless I say, People will think at last that a *Banker* ought to give as good Security for money he borrows as another man, especially since he runs the greatest hazards in his disposing of Money for excessive gain or intrest.

I leave it then to your self to judg whether *Banking* be like to continue half your Son's Apprenticeship, and whether all the Arts that they can teach him can be worth one of the £200 you design to give with him; I presume upon your Pardon for my plainness and tediousness; Yet I am prompted to say something more in point of Conscience, doubting whether it be Lawful to exercise any Trade in a constant avowed breach of the Laws of the Kingdom, as all *Bankers* do, these Laws being made for the good of the Society, to which the Scripture commands obedience for Conscience sake, *where they are met contrary to the Laws of God.*

Perhaps it is worth the inquiry upon that account, whether any man that hath exercised the Mystery of *Banking*, hath living or dying, gone off the stage with a clear good Estate, all his Creditors being paid, fully paid. But I judg no Man. *I submit these thoughts and my Self to Your Prudent Censure, and remain, Sir, Your Humble Servant J. R.*

Source: Martin, 1892, pp. 285-293; Anderson and Cotterell, eds., 1974, no. 17, pp. 159-165; Thirsk and Cooper, 1972, no. 6.56, pp. 684-687.