

**Credit, credibility, commitment and the circulation of Exchequer Bills**  
**in the early Financial Revolution**

Aaron Graham

[aaron.graham@ucl.ac.uk](mailto:aaron.graham@ucl.ac.uk)

**Abstract**

The Exchequer Bills were one of the most important experiments of the early financial revolution in England in the 1690s. Their successful circulation in 1696 and 1697 at a moment of financial crisis has been seen as proof of the ‘credible commitment’ that English institutions had made to the money markets after 1688, and as the evidence that the English Treasury was at last competing with other borrowers on equal terms. They embodied, in other words, the benefits of parliamentary finance and proper institutional design. Yet the private letters of key officials working at the heart of the fiscal-military state reveals the informal measures that also helped to give these bills the credit or credibility required for circulation. Pressure was placed on major officials and contractors to subscribe to the fund for circulating the bills, while others were secretly bought off to maintain the pretence that these new and uncertain instruments were still circulating at par. Measures to maintain the integrity of the bills by detecting and prosecuting fraud and forgery were unsystematic, opportunistic and in some cases were hijacked for political ends. Beyond the institutional factors that delivered some form of credible commitment in the English financial revolution in the 1690s, the informal measures behind the scenes therefore remained equally important in explaining the ultimate origins of modern public credit and finance.

Among the many experiments in the early stages of England's financial revolution in the 1690s were Exchequer Bills. Originally intended as a form of government paper currency backed by the general credit of the English state, they became a short-term paper security that served as the Treasury's main instrument for raising working credit during the eighteenth century, and one of the principal elements of the fiscal-military state. More immediately, they enabled the English state to get over the destructive monetary and credit crisis it faced between 1696 and 1698, perhaps the most serious financial crisis it would face until the French invasion of 1797 and the suspension of conversion by the Bank of England. The Exchequer bills were therefore one of the most important hinges on which the early financial revolution turned, and a detailed study of how they were given credit and credibility and brought into circulation can shed important light on this revolution. In recent years, approaches taken from new institutional economics have been applied to official records to argue how financial institutions were created in the 1690s that for the first time built confidence in public credit within markets composed of rational economic actors. Reading these records alongside the private papers of these actors demonstrates that these institutions were clearly important in successfully introducing the Exchequer bills into circulation, but that they also operated within a wider financial environment marked in fact by private deals and *ad hoc* measures more typical of earlier years. The bills therefore obtained credit and credibility by a combination of formal and informal measures, indicating that institutional approaches to the construction of financial credibility in this period also need to take account of the operation of informal measures.

By April 1696 the English government was near to financial exhaustion. Almost nine years of war had drained the nation's coffers and the combined effects of a prolonged trade slump, the remittance of vast amounts of money overseas for the army, and the recall and recoinage of the nation's money from circulation in 1695 and 1696, made it nearly impossible to borrow money to keep the navy at sea and the army in the field.<sup>1</sup> The temporary boost provided by the foundation of the Bank of England in 1694 had subsided, and the stumbling start of its putative successor the National Land Bank seemed to presage disaster.<sup>2</sup> Charles Montagu, Whig politician and Chancellor of the Exchequer, wrote to William Blathwayt, the Secretary at War at the king's side in Flanders, that 'faction and party ... has broken all proper credit, ... so that whereas formerly the paper money in London was more than all the cash in England, at present no bill or note will pass in payment'.<sup>3</sup> Blathwayt also had letters from his friend the earl of Ranelagh, paymaster-general of the army, who told him that 'we are, at least, in as miserable a condition as to want of money ... [and] what can be done to relieve us in this fatal extremity I cannot see'.<sup>4</sup> The solution was suggested by Montagu, who proposed that the government circulate its own paper money, called Exchequer Bills, which

---

<sup>1</sup> P. G. M. Dickson, *The financial revolution in England: a study in the development of public credit, 1688-1756* (London, 1967) pp. 46-57; D. W. Jones, *War and economy in the age of William III and Marlborough* (Oxford, 1988) pp. 23-6, 95-161; Brodie Waddell, 'The politics of economic distress in the aftermath of the Glorious Revolution, 1689-1702', *English Historical Review*, 130 (2015) pp. 318-51; Richard Kleer, *Money, politics and power: banking and public finance in wartime England, 1694-1696* (London, 2017) pp. 186-92. For the political context, see Henry Horwitz, *Parliament, policy, and politics in the reign of William III* (Manchester, 1977) pp. 175-81. For a broad overview that synthesises politics and finance, see Craig Rose, *England in the 1690s: revolution, religion, and war* (Oxford, UK, 1999) pp. 63-151.

<sup>2</sup> J. Keith Horsefield, *British monetary experiments, 1650-1710* (Cambridge, MA, 1960) ; Dickson, *Financial Revolution* pp. 56-7; Richard Kleer, "'Fictitious Cash": English public finances and paper money, 1689-97', in Charles Mcgrath and Christopher Fauske (eds.), *Money, power and print: interdisciplinary studies on the financial revolution in the British Isles* (Newark, DE, 2008) pp. 70-103.

<sup>3</sup> BL, Add. MS 34335 f. 2r-v, Charles Montagu to William Blathwayt, 29 May 1696. All dates are 'old style'.

<sup>4</sup> Baker Library, Harvard Business School, Kress MS [hereafter BAL, Kress MS], Earl of Ranelagh to William Blathwayt, 9 June 1696

would overcome the shortage of coin and provide a breathing space until the war was over and enough revenue brought in to redeem the bills in coin. This article will examine first how these bills sat within the wider English financial revolution, then identify the measures used to support their credit, by leaning on people to invest, by manipulating the supply of bills, and then by making examples to deter fraud.

Montagu intended that the Exchequer bills would be issued by the Exchequer as the main cash-keeper of the English state, backed by its general credit, and would then circulate throughout the country until taxes came in to redeem them. They would be accepted in payment of taxes and carry a moderate rate of interest, about 4 per cent, both intended to promote circulation. The bills were therefore to be both a currency and a credit instrument, which Montagu hoped would replace the Land Bank and make good its promise to raise £2.564 million for the use of the nation. The same act that created the Land Bank in April 1696 gave permission for the Treasury to issue £1.5 million in bills if the bank proved unsuccessful, which it did.<sup>5</sup> Yet, contrary to the predictions of Douglass North and Barry Weingast that issuing a paper instrument backed by parliamentary authority was sufficient to make it 'credible' and to give it circulation, these bills likewise proved an embarrassing failure.<sup>6</sup> As Richard Kleer, Georges Gallais-Hamonno, Christian Rietsch, Anne Murphy and others have shown in their studies of other financial innovations in this period, to give these

---

<sup>5</sup> Dickson, *Financial Revolution* pp. 364-8; J. H. Clapham, *The Bank of England: a history* (Cambridge, 1945) vol. i, 38-9, 54; Horwitz, *Parliament, policy and politics* pp. 167, 175-82; Kleer, *Money, politics and power* pp. 96-114, 150-203

<sup>6</sup> D. C. North and B. R. Weingast, 'Constitutions and commitment: the evolution of institutions governing public choice in 17th century England', *Journal of Economic History*, 49 (1989) pp. 803-32. For a discussion of this argument and the current state of the field, see D'maris Coffman and Larry Neal, 'Introduction', in D'maris Coffman, Adrian Leonard, and Larry Neal (eds.), *Questioning credible commitment: perspectives on the rise of financial capitalism* (Cambridge, 2013) pp. 1-19

credit with rational investors it was necessary to structure them properly so that their returns to investors outweighed the risk.<sup>7</sup> The Malt Lottery Loan of 1697, for instance, did not sell more than 1,763 of its 140,000 tickets because it was poorly designed and only offered a return half that of comparable investments.<sup>8</sup> Dickson argued that this first tranche of Exchequer bills was also ‘not very skilfully designed’, offering holders only 5 per cent interest compared to other investments paying 7 per cent or more and also lacking adequate funds for repayment: one of the Treasury Lords told Blathwayt in July 1696 that they were now wholly reliant on the credit of the bills, ‘and that we cannot propose to establish any further at present than we have the money to support it’.<sup>9</sup> Because people refused to give the bills credit and take them in payment from the government, only £160,000 of the £1.5 million could be issued, and within twelve months most of this was no longer in circulation. This suggested to Dickson and others that the bills failed due to poor design and that the subsequent tranches emitted after 1697 succeeded because they gave better returns and more security.

However, recent work by Carl Wennerlind, Christiane Desan and many others has emphasised that credit in this period was not always a rational calculation made by investors possessing perfect information, but a perception or belief reached on the basis of inadequate

---

<sup>7</sup> Anne L. Murphy, 'Lotteries in the 1690s: investment or gamble?', *Financial History Review*, 12 (2005) pp. 227-46; Kleer, "'Fictitious Cash": English public finances and paper money, 1689-97', pp. 70-103; Richard Kleer, 'A new species of money': British Exchequer bills, 1707-1711', *Financial History Review*, 22 (2015) pp. 179-203; Georges Gallais-Hamonno and Christian Rietsch, 'Learning by doing: the failure of the 1697 Malt Lottery Loan', *ibid.* 20 (2013) pp. 259-77

<sup>8</sup> Gallais Gallais-Hamonno and Rietsch, 'Learning by doing', pp. 259-77

<sup>9</sup> Dickson, *Financial Revolution* p. 368; Roy A. Sundstrom, *Sidney Godolphin: servant of the state* (Newark, 1992) p. 76; The institutional failings of the bills have been echoed most recently by Desan: Christine Author Desan, *Making money: coin, currency, and the coming of capitalism* (Oxford, 2014) pp. 337-41; By contrast, D. W. Jones notes the unfavourable economic circumstances: Jones, *War and economy* p. 24.

information and subject to manipulation by political, social and cultural forces.<sup>10</sup> This has mirrored other work within new institutional economics recognising that actors might display ‘bounded rationality’, arising either from their possession of imperfect or incomplete information or the countervailing impact of various non-economic incentives and inducements, such as political advantage or social advance.<sup>11</sup> Anne Murphy’s recent study of private stock-trading and initial public offerings in the 1690s, for instance, has demonstrated that stocks and shares were traded rationally through networks of brokers and investors who nevertheless possessed limited information, despite the rise of a public sphere which offered the investors the tools to keep themselves informed and sometimes even to demand credible conduct from the state.<sup>12</sup> Other studies of the Mississippi and South Sea bubbles of 1719 and 1720 have likewise reassessed each as examples of bounded rationality rather than mass hysteria.<sup>13</sup> Credit was therefore as much a product of sentiment and perception as rational calculation, yet the historiography of English public credit still largely depends on the institutional foundations for credible commitment proposed by North and Weingast and noted above. The theoretical or conceptual architecture they have created therefore depends for its validity upon an empirical foundation which is now being challenged and reassessed, but so

---

<sup>10</sup> Carl Wennerlind, *Casualties of credit: the English financial revolution, 1620-1720* (Cambridge, MA; London, 2011) pp. 83-122, 161-234; Desan, *Making money* p. , esp. pp. 295-304, 322-38

<sup>11</sup> For a useful survey of this literature, see William Deringer, 'For what it's worth: historical financial bubbles and the boundaries of economic rationality', *Isis: a journal of the History of Science Society*, 106 (2015) pp. 646-56.

<sup>12</sup> Anne L. Murphy, *The origins of English financial markets: investment and speculation before the South Sea Bubble* (Cambridge, 2009) pp. 89-136, 161-219; Anne L. Murphy, 'Demanding 'credible commitment': public reactions to the failures of the early financial revolution', *Economic History Review*, 66 (2013) pp. 178-97; See also Dickson, *Financial Revolution* pp. 486-97

<sup>13</sup> Gary S. Shea, 'Understanding financial derivatives during the South Sea Bubble: the case of the South Sea subscription shares', *Oxford Economic Papers*, (2007) pp. 73-104; Helen J. Paul, *The South Sea Bubble: an economic history of its origins and consequences* (London, 2011) pp. 12-23, 75-87; Deringer, 'Bubbles', pp. 651-5; For an alternative perspective which stresses irrationality, see Richard Dale, *The first crash: lessons from the South sea bubble* (Princeton, NJ, 2004)

far only for the growth of private rather than public credit in the 1690s. This article takes as its starting point the fact that even Montagu accepted in 1696 that informal measures would also be necessary to give the new Exchequer bills credit and circulation.

‘We are now come to the experiment of our Exchequer bills ... and we must set our shoulders to it to make them pass’, he told Blathwayt on 23 June, ‘[but] ‘tis a terrible prospect and I have yet no comfort nor hopes of being successful, for all credit is so utterly destroyed’.<sup>14</sup> Rather than simply letting the market set their value, he instead attempted to make arrangements with merchants in major commercial towns such as Norwich, Newcastle, Bristol and Exeter who would circulate the bills by accepting them and paying them out, as a ‘little Bank’, which he considered ‘the most difficult thing that was ever brought about’.<sup>15</sup> By September there was an ‘Exchequer Bank’ in Exeter which agreed to circulate the bills for one per cent commission, offering them to local merchants in return for cash or bills of exchange and cashing them on demand.<sup>16</sup> Montagu also asked Blathwayt to persuade the king, William III, as the Stadtholder of the United Provinces, to order merchants there to accept the bills; ‘it would do the whole thing’, he begged, ‘and give them such a reputation as would enable us to turn all to money’.<sup>17</sup> Yet popular confidence in the credit of the bills remained low. Ranelagh told Blathwayt on 6 June that they lacked credit and credibility because they had no real security and could not be turned into money at will. People were therefore unwilling to accept them, even at very high rates of discount, since there was no

---

<sup>14</sup> BL, Add. MS 34335 f. 7r, Charles Montagu to William Blathwayt, 23 June 1696. For the financial and political context, see above n. 5.

<sup>15</sup> BL, Add. MS 34335 f. 7r-v, 10v, Charles Montagu to William Blathwayt, 23 June 1696, 3 July 1696. Kleer p. 204. The Bank of England considered a similar proposal ‘for circulating Bank notes in the west of England’ in September 1696: Clapham, *Bank* vol. i, 41

<sup>16</sup> CTP i, 545-6; CTB xi, 268

<sup>17</sup> BL, Add. MS 34335 f. 7v-8r, Charles Montagu to William Blathwayt, 23 June 1696

guarantee that they would be able to sell them again, or exchange them with the government for cash. ‘If there be not a fund of three or four hundred thousand pounds in the Exchequer to answer them, who shall [?agree] to turn those bills into money’, Ranelagh wrote, ‘... and where to find that fund is the difficulty’, since the money market was an ‘a tottering condition’.<sup>18</sup> The principle of a fund that would give the bills currency by circulating some of them was essentially the same principle of fractional-reserve banking which had supported the introduction of Bank of England notes only a few years before, and had occurred to Montagu as well, who wrote to Blathwayt on 17 July with his proposal.<sup>19</sup> A memorandum he drew up around this time shows the expedients that Montagu already had in mind.

This proposal opened by rehearsing the collapse of public credit and the need for a substitute instrument for circulation. Exchequer bills could serve, and could best be kept in circulation ‘by a general consent and agreement’ among all people to accept and receive them. Officials could be publicly ordered to receive them as legal tender for taxes, but merchants also needed some way to know that other merchants would accept the bills, ‘whereby they might know one another’s mind and mutually join in the understanding and so be secure of having those bills accepted on one hand which they receive on the other’. Having established the importance of public confidence in circulating the bills, which was not necessarily tied to institutional design, Montagu suggested that subscribers sign a public indenture pledging to accept and receive the Exchequer bills up to a certain sum, which would also ‘give those who

---

<sup>18</sup> BAL, Kress MS, Earl of Ranelagh to William Blathwayt, 9 June 1696. Sidney Godolphin, one of the Lords of the Treasury, made the same point to William III: Horsefield, *Monetary experiments* p. 124

<sup>19</sup> University of London, Senate House Library, MS 65, Memorandum by Charles Montagu, circa 1696. For the date and attribution of this letter, see Horsefield, *Monetary experiments* pp. 122-4; Kleer, *Money, politics and power* pp. 207-8. For Blathwayt, see BL, Add MS 34355, Charles Montagu to William Blathwayt, 17 July 1696. For the Bank of England and fractional reserve banking, see below 22.

are willing to assist the Government in this exigency an opportunity to express those intentions'. All the subscribers would also pay in one-tenth of their subscription, creating a fund of £250,000 'which will be sufficient capital to answer all demands at the Exchequer if the subscribers circulate them as is proposed', and receive interest. To secure this fund though Montagu proposed to place pressure on the political and monied elite, including the Lords Justices of the kingdom, the Privy Council, and the Lord Mayor and Court of Aldermen of the City of London, as well as the livery companies and also the Jews and goldsmiths in Exchange Alley, 'that they may either come in and assist or show their unwillingness to help the Government'. Though recognising that some form of institutional fund was necessary to set public fears at ease and to create confidence that the Exchequer bills could be answered in cash if necessary, Montagu therefore also saw that public confidence and credit rested on a far broader basis and that this might be supported by persuading political and financial figures to invest, as a patriotic rather than strictly profitable act, to encourage others to do the same.<sup>20</sup>

The act authorising a new tranche of £1.5 million Exchequer Bills in April 1697 also therefore permitted the Treasury to raise a fund by subscription to circulate them, in return for a generous rate of interest which recognised the competition for funds at a moment when the money markets were in freefall.<sup>21</sup> This could be smaller than the tranche itself because the intention was to persuade holders to keep the bills in their hands, so the fund would only need to answer the bills that they chose to present; it would therefore operate on the principles of a fractional-reserve bank. In this period the Bank of England tried to maintain a cash reserve of ten to twenty percent to back the notes in circulation, and the Treasury proposed that this

---

<sup>20</sup> For this point, see Horsefield, *Monetary experiments* p. 124

<sup>21</sup> Dickson, *Financial Revolution* pp. 369-73; Clapham, *Bank* vol. i, 55.

First Subscription be set at the same level of £400,000 or roughly a quarter of the £1.5 million Exchequer bills in circulation, though because only £100,000 of this subscription would be paid up at the start, the actual ratio was closer to six per cent.<sup>22</sup> Careful institutional design was therefore crucial, both to persuade investors to subscribe and to reassure the people holding Exchequer bills that the fund would encash them on demand. Subscribers were offered a rate of interest of 7.6 per cent, equivalent to more than thirty per cent on paid up capital, and to protect the interests of the government, subscribers and bill holders the business would be handled at arm's length by twelve Trustees, six of them appointed by the Treasury and six elected by the subscribers. To prevent people with Exchequer bills immediately presenting them all for payment, the Treasury agreed to take them in repayment of taxes to encourage their circulation, and that the Trustees only had to encash bills tendered in repayment of loans to the public or taken by the revenue in payment of taxes.<sup>23</sup> 'Otherwise the subscription money would not last one day', wrote Sir James Bateman, an important Whig financier, to Richard Hill, the deputy-paymaster in Flanders, 'for all men that were possessed of Exchequer bills would immediately come for their money'.<sup>24</sup> Yet besides these various institutional mechanisms intended to build public confidence in the bills and the circulation, the Treasury also employed a number of informal mechanisms to maintain their credit.

---

<sup>22</sup> Clapham, *Bank* vol. i, 41-2; Kleer, *Money, politics and power* pp. 33-54; Desan, *Making money* pp. 304-8, 322. The minutes of the East India Company show that the full subscription was eventually called up between May and December 1697: BL, IOR/B/41, f. 174, 180, 183, 185, 187, 189, 202, 211, 232.

<sup>23</sup> Dickson, *Financial Revolution* pp. 370-3; Jones, *War and economy* p. 67

<sup>24</sup> Henry E. Huntington Library, San Marino, California, HM 78009, Sir James Bateman to Richard Hill, 25 May 1697. For Bateman, see Gary Stuart De Krey, *A fractured society: the politics of London in the first age of party, 1688-1715* (Oxford, 1985) pp. 151-2; E. Cruickshanks, S. Handley, and D.W. Hayton, *History of Parliament: The Commons, 1690-1715* (5 vols., Cambridge, 2002) vol. iii, 147-9

By the time that the necessary act was passed in April 1697 and the subscriptions for the circulation could begin, the entire English fiscal-military system had advanced from its state of exhaustion twelve months before to one of seeming paralysis and imminent expiration.<sup>25</sup> Bateman reported to Hill on 2 April that the Treasury could not pay any of its debts. ‘I do believe their minds and wills are good, but they want the means to effect it’, he said, ‘and such necessities I find they are under that those who have ready money may have anything they please to ask for it’.<sup>26</sup> The discount on government paper was higher than it had ever been, and the catastrophic collapse of public credit seemed imminent. One week later he noted ‘all their dependence is on the Exchequer notes’, but that only a mere £50,000 of the £400,000 necessary for the circulation had been subscribed.<sup>27</sup> Despite the attractive terms offered, few were thus immediately willing to act as subscribers. Bateman informed Hill the next week that Exchequer bills still lacked credibility. ‘I fear the same evil and ill conveniency of buying, selling and discount will attend them as does at present our Bank notes’, he said, ‘and I fear they’ll not answer their design or expectation, for the subscriptions goes on very slowly and few people have writ but those in places and dependent on the court’.<sup>28</sup> Even on 20 April he reported that subscriptions had been received for only half the fund, ‘yet all people agree ‘tis the common interest to promote making them up to £400,000 for a fund to circulate those bills’.<sup>29</sup> Closer examination of the methods used to fill the First

---

<sup>25</sup> Dickson, *Financial Revolution* p. 57; Clapham, *Bank* vol. i, 54-6. For the political context, see Horwitz, *Parliament, policy and politics* pp. 184-91

<sup>26</sup> HL, HM 78001, Sir James Bateman to Richard Hill, 2 April 1697.

<sup>27</sup> Beinecke Rare Book and Manuscript Library, Yale University, Osborn MS 31 [hereafter BEL, Osborn MS 31], Box 1, Folder 5, Sir James Bateman to Richard Hill, 9 April 1697

<sup>28</sup> HL, HM 78002, Sir James Bateman to Richard Hill, 13 April 1697

<sup>29</sup> HL, HM 78003, Sir James Bateman to Richard Hill, 20 April 1697

and Second subscriptions of April and July 1697, when the danger to public credit was at its height, confirms that people also invested in the fund because the ministry was worried about the consequences if they did not.

For instance, in mid-March the Treasury had made informal contact with the Court of Directors of the East India Company, the largest trading company in England and one of the biggest single investors in public debt.<sup>30</sup> The directors had debated ‘a paper of a proposal for reviving the credit of this nation by giving a currency to the Exchequer Bills’, and received permission from the shareholders to bargain with the ministry.<sup>31</sup> After four weeks of negotiations with the duke of Shrewsbury and earl of Portland, key figures in the ministry, ‘who recommended it to them with some earnestness to use their interest with the Generality [i.e. shareholders] to promote the subscriptions now afoot’, the directors eventually agreed to sign up for £40,000 or one-tenth of the whole subscription if the Treasury allowed them to use the bills rather than cash to pay customs duties.<sup>32</sup> The Lord Mayor of London was told by the secretary of state on 20 April that ‘the king regards the subscriptions to the Exchequer bills as a matter of exceeding moment to his service and to the advancement of the public credit and interest at this time, and therefore desires you will earnestly promote the same with the Common Council’, who added that ‘you and the city have here as seasonable an opportunity as could be wished to give a very signal proof of your affection and zeal to His

---

<sup>30</sup> Dickson, *Financial Revolution* p. 50

<sup>31</sup> BL, IOR/B/41 (Court of Directors Minute Book) f. 155, 156 (19 March 1697, 22 March 1697)

<sup>32</sup> BL, IOR/B/41, ff. 167-9 (10 April 1697, 12 April 1697, 14 April 1697, 16 April 1697); CTB xii, 6, 7. The East India Company may also have been influenced by demands for a ‘New’ East India Company, recognising that official support depended on their willingness to loan money to the public: see Horwitz, *Parliament, policy and politics* pp. 178, 190-1, 232-4; K.N. Chaudhuri, *The trading world of Asia and the English East India Company, 1660-1760* (Cambridge, 1978) pp. 432-6

Majesty and the public by your hearty and ready performance herein'.<sup>33</sup> The Lord Mayor and the Chamberlain or treasurer duly subscribed £5,000 between them.<sup>34</sup> The Bank of England agreed with the Treasury on 19 April that if they could appoint six of the twelve Trustees they would recommend to their shareholders to subscribe £50,000, 'and further several of the Directors will subscribe over and above in their particular persons, and also will promote the subscriptions of the several members of the General Court'.<sup>35</sup> The shareholders refused but Bateman told Hill of the pressure put on them by the king. 'Several of us have writ £2,000 each as particular men, for he told us he could not go out of the kingdom until it was done', he said, 'for until it is things are at a stand, but, this over, all things will revive'.<sup>36</sup>

The list of subscribers to the First Subscription likewise demonstrates that Montagu made extensive use of political influence to find investors. Out of the £430,450 or so underwritten by 449 individuals, more than £90,000 came from leading figures in the ministry and the upper reaches of the fiscal-military state, including the Lords of the Treasury, various revenue commissioners, departmental treasurers and receivers, and senior Exchequer officials.<sup>37</sup> For instance, the financier and Treasury commissioner Sir Stephen Fox subscribed £8,000, 'undertaken at least in part in order to inspire confidence in the rest of the

---

<sup>33</sup> William John Hardy and Edward Bateson (eds.), *Calendar of State Papers, domestic series, of the reign of William and Mary* (11 vols., London, 1895-1937) vol. viii, 114. The earl of Wharton likewise attended the City directly 'to dispose people's minds right': see Horwitz, *Parliament, policy and politics* pp. 191, 216

<sup>34</sup> See below n. 37 for Edmund Clarke (the Lord Mayor) and Thomas Cuddon (the Chamberlain).

<sup>35</sup> Bank of England Archives, London [hereafter BEA], G4/2 (Court of Directors Minutes), p. 221 (19 April 1697); Clapham, *Bank* vol. i, 54-5

<sup>36</sup> HL, HM 78003, Sir James Bateman to Richard Hill, 20 April 1697

<sup>37</sup> This paragraph is based on UOL, MS 65, 'A list of subscribers to the contract for lending money to circulating bills authorised by Parliament to be issued at the Exchequer for £1,500,000'. Officials have been identified using J.C. Sainty, *Treasury officials, 1660-1870* (London, 1972) ; John Christopher Sainty, *Officers of the Exchequer* (London, 1983)

investing community'.<sup>38</sup> 'The Lords of the Treasury and all the officers of the revenue were subscribers', one anonymous commentator later noted, '(and those officers who would not subscribe ... must lose their places)', such as the financier Sir Robert Clayton, who was dismissed as a commissioner of customs in May, 'great notice being taken of his discouraging the subscriptions which are to be the foundation for issuing Exchequer Bills'.<sup>39</sup> The East India Company subscribed £40,000, and although the Bank of England failed to convince its shareholders, the individual directors privately offered over £30,000 in total. Nearly £50,000 was also invested by the remittance contractors who sent money to the army in Flanders, such as Sir Solomon Medina, as one of a number of loans he made in the 1690s to support English public credit.<sup>40</sup> A closer study would undoubtedly identify many more, who subscribed either directly or on behalf of others. For instance, the third-largest single subscription of £10,000 came from John Germaine, a Dutch favourite of William III (and suspected of being his illegitimate son), who was possibly acting as the king's agent.<sup>41</sup> As Bateman noted, well over half of the First Subscription therefore came from major officials subject to political pressure, or else from contractors who could expect to receive in payment the same Exchequer bills they were helping to circulate.

By forcing interested parties to assist the Treasury therefore supported the credit of the Exchequer bills, both by advertising their firm financial backing and by setting up an

---

<sup>38</sup> C.G.A. Clay, *Public finance and private wealth: the career of Sir Stephen Fox, 1627-1716* (Oxford, 1978) pp. 232-3, 241-4

<sup>39</sup> *Calendar of the Manuscripts of the Marquis of Bath*, (5 vols., London, 1904-80) vol. iv (Prior Papers), p. 112; BL, Harley MS 6838 f. 86r, 'The History of Exchequer Bills'. This is undated, but its reference to the recent Fourth Subscriptions for the circulation (f. 87r) dates it to March or April 1698.

<sup>40</sup> These have been identified based on Richard Hill's accounts in Shropshire Archives, Attingham MS [hereafter SA], 112/1A/1, General Account Book, 1692-1700. For Medina, see Oskar K. Rabinowicz, Judith K. Tapiero, and Theodore K. Rabb, *Sir Solomon de Medina* (London, 1974) pp. 28-31

<sup>41</sup> Cruickshanks, Handley, and Hayton, *Hist. Parl. 1690-1715* vol. iv, 13-14

informal structure of shared incentives that complemented institutional measures and made it too expensive for either side to default. Desan and Kleer have proved that similar structures were used to build public confidence in other new instruments, such as the Bank of England bills in 1694: ‘public officials and individual holders cooperated to institutionalise them’, Desan notes, ‘... [and] it [they] gained stability from the reciprocity of their obligation.’<sup>42</sup> The Second Subscription of July 1697 to circulate a further tranche of £1.2 million Exchequer bills was set up on a similar basis. Bateman told Hill on 2 July that the bills would not circulate until they could secure another subscription, ‘[and], if it takes effect, they will be more acceptable. But this will require time, and uncertain if we succeed or no’.<sup>43</sup> Abbott told Hill on 9 July that that £90,000 had already been subscribed ‘and I doubt not we shall have a large subscription’, but this was because Montagu and the Treasury were already at work behind the scenes.<sup>44</sup> Letters were sent on 8 July to the Bank of England and East India Company asking them to subscribe directly and to recommend it to their shareholders, ‘looking upon it as a matter highly serviceable to the government ... [and] Their Lordships being sensible of what good effect the Company’s example hath formerly been on the like occasion’.<sup>45</sup> The directors managed to extort further concessions before they would subscribe another £40,000, but payments remained slow, and Montagu confessed to Blathwayt that ‘the old artifices are playing over again and endeavouring to confound all’.<sup>46</sup> Due to some ‘some unlucky accidents ... [and] malicious contrivances’ it took until 30 July

---

<sup>42</sup> Desan, *Making money* pp. 308-20

<sup>43</sup> BEL, Osborn MS 31, Box 1, Folder 4, Sir James Bateman to Richard Hill, 2 July 1697, 6 July 1697

<sup>44</sup> SA, 112/1/533, Mordecai Abbott to Richard Hill, 9 July 1697. This letter is dated 1696, but has been re-dated to 1697 on the basis of internal evidence.

<sup>45</sup> CTB xii, 57; BL, IOR/B/41, ff. 186-187 (9 July 1697, 14 July 1697)

<sup>46</sup> BL, IOR/B/41 ff. 188-9 (20 July 1697); BL, Add. MS 34335 f. 43r, Charles Montagu to William Blathwayt, 16 July 1697

to assembly some £360,000 and thus allow Montagu to write ‘that now we are again afloat’.<sup>47</sup> Once again, informal efforts were needed to find enough subscribers to make the subscription credible.

Experience also showed that it was not enough simply to assemble the subscription, as the Exchequer Bills had to be fed gradually into the financial markets in order not to create a glut that would push down their price and squeeze out investors in favour of speculators.

Bateman and his remittance consortium were owed £200,000 for funds they had sent to the army in Flanders, but the Treasury had delayed issuing them the first tranche, and so, he informed Hill on 7 May, ‘we must wait and hold the candle to see others first dispose of theirs, great parcels being already issued out for several purposes, and the greediness people have of turning them into money makes them run already at an 8 per cent discount’.<sup>48</sup> An anonymous commentator later noted that this ‘brought discredit upon the bills’, and Bateman wrote to Hill that the rate of discount might soon double to 15 or 16 per cent. Matters did not improve over the next week. ‘Many of them are already issued out and there is really abroad too great a glut of them’, Bateman wrote ‘... [and] whether ‘tis too many coming abroad or the scarcity of money or the value those who have put on’t, but these bills I am told are run to 6, 7 and 8 per cent discount ... and I fear the £400,000 subscription will not be a sufficient fund to answer the quantity of these bills as they come in’.<sup>49</sup> An letter from Ranelagh to Blathwayt written at roughly the same time made a similar point. ‘Exchequer notes have been offered to the parties ... but not one of them will accept them, so that now we are forced to try all manner of ways to turn those bills of the Exchequer into money, which we shall not

---

<sup>47</sup> BL, Add. MS 34335 f. 45r, Charles Montagu to William Blathwayt, 30 July 1697

<sup>48</sup> BL, Harleian MS 6838 f. 88r; BEL, Osborn MS, Box 1, Foldier 4, Sir James Bateman to Richard Hill, 9 April 1697; HL, HM 78002 and 78006, Sir James Bateman to Richard Hill, 13 April 1697, 7 May 1697

<sup>49</sup> HL, HM 78008, Sir James Bateman to Richard Hill, 14 May 1697

be able to do without a considerable loss', he said, 'and it is to be feared that the allowing of this loss will bring a disrepute upon our Exchequer Bills, which is the thing in the world we ought to avoid, especially at their first setting out'.<sup>50</sup> If the discount continued to rise the demand for encashments might bankrupt the trustees, destroy the credit of the bills, and thus undermine English public credit.

Troubling signs of this began to appear in May. 'There is a very pressing occasion for money at this time to be applied for payment of wages to seamen', the Treasury wrote to the Court of Directors on 3 May, for example, and noted that lending £50,000 on the bills would be 'a very acceptable service, and we doubt not will tend as well to the interest of the Bank as to the good of the public', but the directors refused to make the loan.<sup>51</sup> Bateman wrote to Hill on 25 May that the Treasury would not allow him 'the common discount' on the bills he was offered in payment, and he had thus refused to accept them at a 10 per cent loss.<sup>52</sup> 'I am heartily sorry for it', he told Hill, '... [but it] would have been greatly to my loss, and I believe you would not have me suffer for my readiness in serving you'.<sup>53</sup> When even a loyal contractor like Bateman was not willing to accept the bills, the collapse of public credit must have seemed imminent, although Montagu asserted otherwise in his letter to Portland on 18 May, writing that 'your Lordship has a very wrong account of the Exchequer bills, for they are in great credit and pass current in most payments at par with money'.<sup>54</sup> Some persons had indeed been forced to dispose of them at a discount, 'but that went not far and has hurt

---

<sup>50</sup> BAL, Kress MS, Earl of Ranelagh to William Blathwayt, [undated, but circa mid-1697].

<sup>51</sup> CTB xii, 151; BEA, G4/2 f. 224r (4 May 1697)

<sup>52</sup> HL, HM 78009, 78010, Sir James Bateman to Richard Hill, 25 May 1697, 28 May 1697.

<sup>53</sup> BEL, Osborn MS 31, Box 1, Folder 4, Sir James Bateman to Richard Hill, 18 May 1697. For a similar reluctance by the Bank of England, see Clapham, *Bank* vol. i, 56, 58-9.

<sup>54</sup> Nottingham University Library, Portland MS [hereafter, NUL], Pw A 937, Charles Montagu to the Earl of Portland, 18 May 1697

them much less than could be imagined, considering the great quantities we have been forced to issue at once'. He also sent a hopeful note to Blathwayt on 25 May that the bills 'do as well as could be expected from so new a thing, under a great opposition', though he admitted that the Treasury had been forced to issue so many that the fund for circulating them was almost exhausted.<sup>55</sup> In fact the state of affairs was very bad indeed, and the Treasury was forced on 1 June to adopt a risky expedient. Ranelagh wrote to Blathwayt that he had instructions to make good any losses the remittance contractors such as Bateman might suffer from taking the bills, as the army had to be kept in the field at all costs.<sup>56</sup> 'But this must be kept a great secret', he warned, 'for should it take air we must prepare to allow a discount for all Exchequer Notes [sic] ... than which nothing can be more fatal, especially at a time when we are labouring all we can to make our bills equal to money, which certainly in real value they are'.

This combination of *ad hoc* and informal expediencies in support of the trustees for circulating Exchequer Bills was enough to maintain the credibility of the bills and to prevent a run on the trustees. Montagu was able to report on 6 July that the public credit was more 'enervated' than usual, '[but] I am more and more in hopes that we shall set up paper credit as high as ever'.<sup>57</sup> By August it was becoming clear that negotiations at Rijswick would produce a peace, and he told Portland that 'the news from your side is so good that all credit mends every day, and after ages will not believe how great an alteration has been made in one year'.<sup>58</sup> Ranelagh commented to Blathwayt that the Second Subscription had doubled to £670,000 in a few days and might soon reach its target of £800,000, 'which is an undeniable

---

<sup>55</sup> BL, Add. MS 34335 f. 27r-v, 28r, 35v, Charles Montagu to William Blathwayt, 25 May 1697, 18 June 1697.

<sup>56</sup> BAL, Kress MS, Earl of Ranelagh to William Blathwayt, 1 June 1697

<sup>57</sup> BL, Add. MS 34335 f. 41r-v, Charles Montagu to William Blathwayt, 6 July 1697

<sup>58</sup> NUL, Pw A 940, Charles Montagu to the Earl of Portland, 13 August 1697

evidence that our credit recovers to a miracle'.<sup>59</sup> When news arrived that the Peace of Rijswick had been signed on 20 September, confidence in English public credit was restored almost at once, and Bateman told Hill that it would be easy enough for the Treasury to raise their loan of £200,000 to meet the costs of disbanding the army, '[as] they will now readily find people enough to supply them withal, all things being exceedingly mended and will yet daily grow better', though Montagu confided to Blathwayt that this loan had still required a trip to the City to encourage investors.<sup>60</sup> By October, Bateman was able to report to Hill, with a sense of triumph, that 'all things mend, and money seems as plenty [sic] as ever'.<sup>61</sup> The English state had therefore successfully made it across the financial abyss that it had encountered in 1696 and 1697, but, as will have become clear, with the assistance of a raft of informal measures that were intended to maintain public confidence even as the foundations began to tremble.

This is not to dismiss the importance of effective institutional design in encouraging subscribers to come forward to invest in the circulation, by providing a competitive rate of interest and appropriating reliance sources of taxation for repayment. Public confidence was undoubtedly strengthened by the creation of the Trustees who could be trusted to represent the interests of the subscribers to the Treasury and secure the necessary funds; for example, in January 1698 they petitioned the Treasury to allot fresh revenues to pay the bills being presented to them for payment, 'otherwise the consequences may be very fatal ... [as] if these specie bills are not punctually paid as hitherto they have been, such a defect would shake the

---

<sup>59</sup> BAL, Kress MS, Earl of Ranelagh to William Blathwayt, 27 August 1697

<sup>60</sup> Horwitz, *Parliament, policy and politics* pp. 194, 199; HL, HM 78013, Sir James Bateman to Richard Hill, 28 September 1697; BL, Add. MS 34335 f. 57r, Charles Montagu to William Blathwayt, 1 October 1697

<sup>61</sup> HL, HM 78014, Sir James Bateman to Richard Hill, 19 October 1697

whole credit of the nation'.<sup>62</sup> Yet this would probably have made no difference if the Trustees had not also been men of considerable political weight, drawn from the monied interest and the upper reaches of the state, which allowed them to compete against other departments with their own urgent demands on the Treasury, though we lack the sources to assess this. It is also probably significant that the Trustees staffed their office with veteran officials from the Treasury and Exchequer, including the secretary Lionel Herne, the cashier Samuel Edwards, and the assistant cashier Richard Taylor.<sup>63</sup> One writer later noted that there had been a continual communication between the Trustees and the officials of the Exchequer, where the bills were initially presented for payment, 'so they, knowing beforehand, would provide money according ... [or] stop the Tallies and Orders of Loan for a week or more, until the subscriptions were called in to furnish money'.<sup>64</sup> These point to a wider nexus of informal administrative links, which cannot now be recovered, which also served to support the credit of the bills.

-IV-

Once the war was over the Treasury and the Trustees could begin to address their attention to important but less urgent matters, such as the problem of counterfeiting. Forgery is hugely destructive to the circulation of all forms of money, since it erodes confidence and discourage circulation, and throughout the early financial revolution both the Treasury and the Bank of England therefore went to great lengths to uphold confidence in their money by preventing fraud. The Master of the Mint, Sir Isaac Newton, organised an elaborate network of

---

<sup>62</sup> TNA, T1/51/9, Trustees [for Circulating Exchequer Bills] to the [Lords of the] Treasury, 10 January 1698; TNA, T1/51/33, Trustees to Treasury, 2 February 1698.

<sup>63</sup> Dickson, *Financial Revolution* p. 370n

<sup>64</sup> BL Harleian MS 6838 f. 86v

informants to catch and convict major coiners such as William Challoner, and the Bank used skilled engravers and special paper to prevent forgery and also prosecuted counterfeiters.<sup>65</sup>

The Trustees faced greater challenges. Beyond the obvious problem that forged bills drained the fund allocated for circulating the Exchequer bill, the policy of restricting encashments to those bills received for taxation had been adopted specifically to keep the bills in circulation and to stop them from being presented to the Trustees all at once, which would have exhausted their limited cash reserves. This had instituted a distinction between ‘specie’ bills which had been endorsed by a receiver or collector and could immediately be turned into cash, and ‘non-specie’ bills, which circulated at a higher discount. The problem of ‘false endorsements’ in which a revenue officer falsely endorsed the bill to increase its value and pocket the difference therefore posed a double threat to the credibility and circulation of the Exchequer bills, by lowering trust and heightening the risk of a run on the Trustees. Yet the Treasury and the Trustees seem to have depended heavily on informal measures to back up their institutional safeguards, sometimes with mixed results for the credit of the bills.

For example, in January 1698 the House of Commons ordered the arrest of Andrew Huddleston, receiver-general of taxes for Cumberland, and his sons William and Andrew junior, for false endorsements of Exchequer bills.<sup>66</sup> Andrew had collected £3,446 4s 4<sup>3</sup>/<sub>4</sub>d by October 1697 and should have sent it up to his father in coin, but the Treasury took over the case after it was brought to their notice on 1 February and argued that one of them had used the cash to buy non-specie bills at a discount and falsely endorsed them and paid them into

---

<sup>65</sup> Richard S. Westfall, *Never at rest: a biography of Isaac Newton* (Cambridge, 1983) pp. 567-75; Randall McGowen, 'From pillory to gallows: the punishment of forgery in the age of financial revolution', *Past & Present*, 165 (1999) pp. 107-40; Malcolm Gaskill, *Crime and mentalities in early modern England* (New York, 2000) pp. 186-99; Wennerlind, *Casualties of credit* pp. 123-57; Kleer, *Money, politics and power* pp. 54-9

<sup>66</sup> CTB xiii, 60; CJ xii, 78, 83. For the Huddlestons, see W. R. Ward, *The English Land Tax in the Eighteenth Century* (London, 1953) pp. 11, 45

the Exchequer at face value, pocketing the difference, ‘though none of the said bills were signified by you as received upon any branch of the customs, which tend greatly to the King’s disservice and prejudice of the credit of the Exchequer’.<sup>67</sup> The customs accounts at Whitehaven listing the bills received there did not match the lists of the Exchequer or Trustees in London, and once Andrew junior and his staff submitted affidavits disclaiming any knowledge of this, the Treasury switched their attention to his father.<sup>68</sup> On 2 February the Treasury passed the case over to the Trustees, who reported back two weeks later that there was no firm proof of malfeasance by him, ‘[but] there appeared a strong presumption that he did buy them up with design to pay them into the Exchequer for taxes’.<sup>69</sup> He was dismissed from his post one week later, and his son Andrew followed in June on the advice of the Trustees and Customs Board ‘for irregularities and ill practices’, despite his patrons’ efforts to convince the Treasury that the accusations arose from ‘the malice of his enemies ... who would have his employment, [and] have been persuading people to give information against him’.<sup>70</sup>

However, the private papers put together by the Huddlestons to respond to these charges suggest a different story. Andrew senior had to accept taxes in Cumberland in clipped money and Scottish and foreign coins, ‘there being little or none else stirring in those countries so far

---

<sup>67</sup> Carlisle Archive Centre [hereafter CAC], Papers of the Huddleston [sic] family of Hutton John, Greystoke, D/HUD/6/2, James Strangeways to Andrew Huddlestone, 15 March 1698.

<sup>68</sup> CAC, D/HUD/6/2, ‘Deposition of Andrew Huddleston junior’, ‘Deposition of Joseph Jewell and Thomas Chambers’, ‘Deposition of Leonard Higgins and John Windsor’ [all undated but circa 1698]; TNA, T1/51/4, George Tollet to William Lowndes, 30 December 1697 and 3 January 1698.

<sup>69</sup> CTB xii, 65; TNA, T1/52/42, Trustees to the Treasury, 10 February 1698

<sup>70</sup> CTB xii, 65, 99; CAC, D/HUD/6/2, Wilfred Lawson to John Smith, Lord of the Treasury, 26 June 1698; Viscount Lonsdale to Charles Godolphin, Commissioner of Customs, 28 June 1698; Viscount Lonsdale to Charles Montagu, Chancellor of the Exchequer, 27 June 1698; TNA, T1/52/21, Richard Taylor to Trustees, 7 April 1698.

north', and when William had tried to pay them into the Exchequer in London for him in late 1697 these coins had been rejected.<sup>71</sup> Unable to return them, William had struck a bargain with a Jewish broker on the London Exchange named Isaac Helbut to give him the coins at a 3 or 3½ per cent discount in return for non-specie Exchequer bills, then still at 5 per cent discount.<sup>72</sup> These had to be endorsed though before they could be paid into the Exchequer, so William had fraudulently signed them as if they had been received in payment of taxes in Cumberland, 'by putting the names of such Head Collectors as he did suspect the money to have come from'.<sup>73</sup> His purpose in falsely signing the bills was therefore convenience rather than profit. 'William had no advantage by the bargain because the discount on the bill will not make up the loss he must sustain', the Treasury was told, '...[and] the King is made a gainer by this bargain', because the Exchequer had received bills purchased at a 3½ per cent discount rather than the clipped or foreign coin, which was then at a 10 per cent discount. Both father and son firmly insisted 'there were no more Exchequer Bills paid into the Exchequer than was had in exchange for the hammered and foreign money'. The Treasury and the Trustees had therefore largely detected the fraudulent endorsements by accident, thanks to an informer named Richard Blake, and though their prosecution undoubtedly deterred other false endorsements, it also probably made things harder for revenue officials collecting the taxes on which it was based.<sup>74</sup>

Indeed, the prosecution of the Huddlestons exemplifies the *ad hoc* approach adopted by the Treasury and the Trustees, who seemed to have been more interested in making examples as

---

<sup>71</sup> CAC, D/HUD/6/3, 'The Case of Andrew Huddlestone and William his son before the House of Commons, 3 February 1698 and 'The Case of Andrew Huddlestone Esq and William his son before the House of Commons, being different from the case of all the others', [undated but circa January 1698].

<sup>72</sup> For Helbut, see Dickson, *Financial Revolution* p. 188.

<sup>73</sup> See above n. 71.

<sup>74</sup> TNA, T1/52/42, Trustees to the Treasury, 10 February 1698.

and when false endorsements were detected than in systematic measures to address the problem. For instance, on 19 April 1698 the Treasury held an extended hearing based on information received against John Andrews, the receiver-general of taxes for Warwickshire, but after hearing affidavits from his collectors and the gentry of the country, they ruled that ‘the accusations against Mr Andrews are [not] made out, but on the contrary ... he has carried himself fairly in his office and to the satisfaction of the gentlemen and others of the county’.<sup>75</sup> Other receivers were hauled before the Treasury but only when informers brought malfeasance to their attention, and Bateman confided to Hill his personal opinion that such cases were merely the tip of a far larger iceberg, as ‘I doubt [not] if ‘twas strictly examined, most, if not all, the receivers in England would be found guilty’.<sup>76</sup> The Treasury likewise relied on the mixture of informers and exemplary punishment to detect counterfeit bills and then deter others. For instance, in May 1698 the assistant clerk of the Trustees, Richard Taylor, received information from a goldsmith’s clerk that a woman named Elizabeth Jenkins had attempted to pass a false bill.<sup>77</sup> Jenkins was interviewed by the Treasury and offered information on a forging ring established by Aubrey Price, the accomplice of the forger William Challoner, to counterfeit coins, lottery tickets and Exchequer bills, and also claimed that she had already been hired as an informant by Isaac Newton. Price was detained, prosecuted and executed. When the Treasury sent off Lionel Herne to Bedford in July to examine a ring of counterfeiters, it was because retailers handed over several forgeries they

---

<sup>75</sup> CTB xiii, 79-83. The case was probably part of a wider tussle in Warwickshire politics: see Ward, *Land tax* pp. 11, 43, 60

<sup>76</sup> See for example CTB xiii, 48, 59, 64; HL, HM 78015, Sir James Bateman to Richard Hill, 2 November 1697.

<sup>77</sup> CTB xiii, 87-8, 89-91; CTP vol. ii, 222. For Price, see Rachel Judith Weil, *A plague of informers: conspiracy and political trust in William III's England* (New Haven, CT, 2013) pp. 128-39; Westfall, *Newton* pp. 569, 571-5, 593

had detected and a printer reported that he had been approached by someone with a forged plate for printing counterfeit bills.<sup>78</sup>

The approach adopted for securing the integrity of the Exchequer bills was therefore much the same used to detect coining and counterfeiting, relying overwhelmingly on informers to bring cases to their attention and using exemplary punishments in order to deter others.<sup>79</sup>

Although the Treasury had asked the revenue departments to draw up procedures for preventing the fraudulent endorsement of bills and detecting them in circulation, and some collectors forwarded suspicious bills to the Treasury, most of the cases they examined were brought in to them by informers.<sup>80</sup> When the Treasury proposed to tighten up detection in the wake of a serious scandal in November 1697, described below, they reported that they had given £500 to the informer and stood ready to encourage others.<sup>81</sup> In February 1698 they received a petition from a Mr Whitley, '[who] desires to be employed in finding out frauds about Exchequer bills'.<sup>82</sup> The Trustees were responsible for investigating forgeries by tracing back the bills to their owners, but Herne and Clayton stated to the Treasury in October that even they were 'finding that way or method very difficult to discover the fraud', and proposed instead to increase the rewards to informers and place advertisements in newspapers

---

<sup>78</sup> CTB xiii, 98, 102; CTP ii, 237; TNA, T1/54/57, 'A Report ... by Lionel Herne and Nicholas Baker, appointed by Their Lordships to go down to Bedford Gaol and examine three persons that were in custody there for disposing of counterfeit Exchequer bills, and upon suspicion of counterfeiting the same'.

<sup>79</sup> See above n. 65.

<sup>80</sup> For the instructions, see CTB xiii, 4, 18, 20, 22 and Ward, *Land tax* pp. 45, 60. Copies of the instructions received by the Huddlestons can be found in CAC, D/HUD/6/2, 'Directions for payment of Exchequer bills on customs' [undated but circa 1697] and D/HUD/6/3, Agents for Taxes to Andrew Huddleston, 9 September 1697, 23 October 1697, 9 November 1697. For an example of a revenue officer detecting counterfeits, see CTP ii, 148-9, Benjamin Matthews to William Clayton, 6 April 1698, where a counterfeit bill was detected by an excise surveyor in Northamptonshire and sent up to London, 'as the villainy was plain'.

<sup>81</sup> CTB xiii, 35

<sup>82</sup> CTB xiii, 65

requiring people to accept the bills from strangers at their own risk.<sup>83</sup> The credibility and integrity of the bills was therefore maintained not by a systematic and thorough detection and examination of offenders concluding with proportionate punishment, but through an *ad hoc* and largely spontaneous prosecution of offences as and when they were brought to the attention of the Treasury and the Trustees, with the intention of making examples that might deter other offenders. This made for a highly arbitrary process that could seriously backfire when the focus shifted from protecting the credit and credibility of the bills to other aims, best seen in efforts to prosecute John Knight, Bartholomew Burton and Charles Duncomb in 1697 and 1698 for false endorsements.

These three men were all senior revenue officials – the treasurer of the customs, the cashier of the excise and the receiver-general of the excise respectively – and their successful prosecution should have been a major deterrent to other forgers.<sup>84</sup> Along with their accomplice Reginald Marriott, a clerk in the Exchequer, they had bought up at least £50,000 in non-specie Exchequer bills at a five per cent discount, falsely endorsed the bills, and then paid them into Exchequer at their face value. Yet they were found out largely by accident and their clumsy and partisan prosecution served mainly to expose some of the flaws in the bills. Their malfeasance was first detected on 10 September, when two informers exhibited to the Lord Justices some £200 or £300 in counterfeit Exchequer bills, ‘unskilly’ [sic] done.<sup>85</sup>

---

<sup>83</sup> TNA, T1/54/47, ‘Second Report humbly presented ... by William Clayton and Lionel Herne, appointed by Their Lordships to inquire into the matter of fact in respect to several Exchequer Bills that appear to have been counterfeited’, and ‘Third Report’

<sup>84</sup> For the backgrounds of these men, see Dickson, *Financial Revolution* pp. 369, 415-416; Clay, *Public finance* pp. 232, 237, 252; De Krey, *Fractured society* p. 161; Cruickshanks, Handley, and Hayton, *Hist. Parl. 1690-1715* vol. iii, 937-8; vol. iv, 578-9, 761; Aaron Graham, *Corruption, party and government in Britain, 1702-13* (Oxford, 2015) pp. 67-8, 106

<sup>85</sup> Hardy and Bateson (eds.), *Calendar of State Papers, domestic series, of the reign of William and Mary* vol. viii, 363

The Treasury and the Trustees traced them to a Portuguese Jewish merchant named Domingo Antunes, who had altered the denomination of several genuine non-specie Exchequer bills to increase their value and put them into circulation.<sup>86</sup> One of the bills had passed through the hands of a tailor named Richard Maryot, and when he was brought in for questioning he testified that had bought and sold the bill in good faith, adding offhand that his namesake Richard Marriott had falsely endorsed the bill as a favour to him, to make it a specie bill that would be paid by the Trustees.<sup>87</sup> When Marriot heard of this, he panicked, and had ‘sent for him [Maryot] and said he had undone him’, as the Treasury and the Trustees would now switch the focus of their attention to him. He therefore tried to convince the Trustees to drop their investigation and simply write off the bill as a bad debt, promising in return, ‘[as] it would be so much to the public prejudice, that he and the clerks of the Exchequer would make good the money by contribution’.<sup>88</sup> Only once it was clear that the game was up did Marriott present himself to the Treasury, on 12 October, and then, ‘with the greatest shame and confusion’, take full responsibility.<sup>89</sup> The Treasury and the Trustees therefore came across the most serious threat to the credibility of the Exchequer bills, carried out by their own revenue officials, largely by accident and through the actions of informers and the ill-judged honesty of Richard Maryot.

Their decision to continue enquiries and then to punish the counterfeiters, however, was primarily made from political motives and only secondarily to preserve the credit of the bills. The Treasury found Marriott’s confession insufficiently ‘ingenuous’ or frank, and on further enquiry he was induced to admit that Knight, Burton and Duncomb had persuaded him to

---

<sup>86</sup> CTB xii, 79-82; CTP ii, 94

<sup>87</sup> CTB xii 82, 83-4

<sup>88</sup> CTB xii, 82

<sup>89</sup> CTB xiii, 4-5

make a false confession in order to prevent further investigation.<sup>90</sup> It became clear that they had taken advantage of the carelessness of the clerks at the customs and excise officers in failing to endorse the bills with the proper names and dates, and at the Exchequer for adding these endorsements on trust, to buy up at least £50,000 in non-specie bills at 5 per cent discount and add false endorsements. Some had been signed by Marriott or at his instigation, and others by Duncomb's broker John da Costa, whom he had urged 'to set his own name and other feigned names [on them] ... [and] paid them into the Exchequer ... though he knew they were not paid in to the excise'.<sup>91</sup> Since the bills were received in the Exchequer at their face value this scheme had probably secured all concerned about £2,500, a relatively small sum in the circumstances, but at a conference on 20 November the king and other ministers stated for the record that examples should be made of all four men.<sup>92</sup> 'It is justice I owe to the nation that has contributed so much', said the king. The Lord Chancellor John Somers, a leading Whig politician, reminded them that the Treasury Lords had said that 'if there were no punishment it would have an ill effect, [as the] disrepute to the bills has been of great disadvantage'. The earl of Sunderland, another leading Whig politician by this stage, added that 'if the war had continued this would have destroyed credit, [and] if these persons [be] not prosecuted as far as law will admit, there is no punishment for venturing to ruin a nation'. Yet the Whigs also saw an opportunity to rid themselves of Duncomb, an important Tory politician who had been a thorn in their side for much of the 1690s.<sup>93</sup> By making the matter

---

<sup>90</sup> The investigation can be followed in CTB xiii, 5-14, 16, 18, 22-4, 31-3 and the full details of the conspiracy in William Cobbett, Thomas Bayly Howell, and Thomas Jones Howell, *Cobbett's complete collection of state trials* (34 vols., London, 1809-28) columns 1,016-1,106 and **CJ** vol. xii, 23-7, 28-9, 33-6, 78, 91, 124.

<sup>91</sup> Cobbett, Howell, and Howell, *State Trials* vol. xiii, column 1063

<sup>92</sup> CTB xiii, 35-6

<sup>93</sup> See above n. 84 and Horwitz, *Parliament, policy and politics* pp. 230, and, for the political context, pp. 222-31

into one of party politics the Treasury in fact undermined their position, and the fiasco that resulted probably did more to undermine than to reinforce the credit of the bills.

All four men were immediately dismissed from their posts, along with the clerks in the Exchequer.<sup>94</sup> After the Tories claimed that Montagu had also falsely endorsed Exchequer bills, the Whigs introduced three bills of attainder into Parliament against Knight, Burton and Dumcomb in February 1698 in a measure so blatantly partisan that the Attorney-General, a moderate Tory named Sir Thomas Trevor, felt compelled to object, and even to argue that the law was ‘uncertainly premised’ and that the men had offered a public service.<sup>95</sup> ‘Tis true this is a transgression of the rules of honesty’, he noted, ‘... [but] we must make allowance ... [for] the necessity of making these bills to circulate as much as may be for the support of their credit’. He concluded that it ‘was not very honestly [done] ... [but] if you would not allow men to have got by them, Exchequer Bills would have been worth nothing, and their credit would have been quite sunk’.<sup>96</sup> In defending the men against partisan attacks, the leading law officer in England therefore broadcast to the public that the law against forgery of Exchequer bills was uncertain and that false circulation might be a public service, while the prosecution of Duncomb and the others also served to distract Parliament from more important business, such as voting the taxes needed to fund the bills and prevent their discount rising, as noted earlier. Bateman had been hot for prosecuting them in November 1697, ‘for the king and nation has been very falsely cheated’, but by March he merely complained to Hill that it would ‘waste much of their time and greatly obstruct the public

---

<sup>94</sup> CTB xiii, 29, 32.

<sup>95</sup> Horwitz, *Parliament, policy and politics* pp. 229-31

<sup>96</sup> BL, Stowe MS 364 ff. 72-74v, ‘Mr Attorney-General’s speech in the House of Commons against Mr Duncomb’s bill’, [circa 1698].

affairs'.<sup>97</sup> The bills of attainder therefore became partisan measures which were then lost in the Lords, albeit only by one vote, as the Tories closed ranks to protect Duncomb and defeat the Whigs. The Treasury then prosecuted him at law in June 1699, but Duncomb argued that his endorsements were purely for the purpose of administration rather than fraud and a partisan jury acquitted him of all crimes despite equally partisan instructions from the Lord Chief Justice that any false or unauthorised endorsement of the bills was fraud.<sup>98</sup> The policy of relying on a few exemplary prosecutions to deter malfeasance was therefore hijacked for partisan ends and backfired badly, demonstrating the limits of informal manipulation when the focus moved away from maintaining the credit of the bills.

-VII-

Measures to maintain the circulation of Exchequer bills became less urgent after 1698 as the economy revived, and taxation and public credit with it. Bateman wrote to Hill in March 1698 that the bills 'are much more esteemed than they were', to the point where the Treasury could pay them out at par, 'so I doubt [not] they'll be difficult to come by for that they serve their turn as well as money'.<sup>99</sup> By the end of 1699 more than half the bills had already been cancelled, rising to 60 per cent by 1700 and 70 per cent by 1701, though annual contracts for circulating the bills were made by the Treasury until they were all cancelled in 1709.<sup>100</sup> The number of trustees fell to three, one of them Sir James Bateman, and his letters to Hill made

---

<sup>97</sup> HL, HM 78015, 78016, Sir James Bateman to Richard Hill, 2 November 1697, 21 March 1698; BEL, Osborn MS 31, Box 1, Folder 4, Sir James Bateman to Richard Hill, 1 February 1698, 15 February 1698.

<sup>98</sup> The trial is reported in Cobbett, Howell, and Howell, *State Trials* vol. xiii, columns 1061-1106. A copy of Duncomb's defence was printed as *Mr Duncomb's case*, ([undated but circa 1699])

<sup>99</sup> HL, HM 78016, Sir James Bateman to Hill, 21 March 1698.

<sup>100</sup> Dickson, *Financial Revolution* p. 371; TNA, E406/26 ff. 10v-17r

no further mention of Exchequer bills except as profitable investments.<sup>101</sup> They had become routine, even mundane, and could therefore be resurrected with relatively little fuss between 1707 and 1711 when the Treasury tried again to introduced a government paper money and credit instrument into circulation, though this time the Bank of England took over the business of circulation, forming a reciprocal nexus of mutual advantage that persisted into the nineteenth century.<sup>102</sup> Although they never became a substitute for Bank notes that Montagu had hoped they would be, the bills were nevertheless one of the most important and successful experiments in public finance in the 1690s, and thus the wider narrative of ‘credible commitment’ first introduced by North and Weingast, and this study has suggested the need to reassess further how this was achieved.

Credibility was clearly crucial in keeping the Exchequer bills in circulation despite the near-collapse of English public and private credit in 1696 and 1697, but the letters and private correspondence of key figures shows that it did not arise simply because the bills were backed by parliamentary taxation, or even thanks to improving institutional design which struck a better balance between security, profit and risk. The Treasury also employed a number of informal measures, ranging from private negotiations with key inventors and the concession of reciprocal advantages to the secret manipulation of public opinion by regulating the flow of bills, and the use of informers to identify and deter counterfeiting and fraud. As Desan has recently concluded from her own study of England’s financial revolution in the 1690s, its instruments and institutions therefore did not emerge simply from the rational and unmediated operation of market forces. ‘In fact, there was no invisible hand

---

<sup>101</sup> BEL, Osborn MS 31, Box 1, Folder 4, Sir James Bateman to Richard Hill, 9 August 1698, 13 September 1698; HL, HM 78021, 9 November 1698

<sup>102</sup> Clapham, *Bank* vol. i, 64-72, 78, 79; J.E.D. Binney, *British public finance and administration 1774-92* (Oxford, 1958) pp. 127-31; Dickson, *Financial Revolution* pp. 373-92; Kleer, "New species", pp. 179-203

at work in the dawn of capitalism’, she notes, ‘[and] the fingerprints of public authority, along with those of its business allies and the larger community, were all over the new medium’.<sup>103</sup> Financial actors in this period therefore displayed bounded rationality in their responses to the new types of credit instruments in the 1690s, taking into account political and commercial as well as financial considerations and also acting on incomplete and sometimes misleading information, demonstrating that there were no easy and unproblematic linkages between English political and financial institutions, rational markets, and the growth of ‘credible commitment’ after 1688.

---

<sup>103</sup> Desan, *Making money* p. 328