Objections to the British Funding-System and the National Debt 1793-1821: A New Perspective

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Abstract

After more than two decades of warfare with France between 1793 and 1815 the British National Debt stood at £844,300,000, over 200% of GDP.[1] Where did this money come from? Using often overlooked contemporary objections to the workings of the British funding-system a surprising paradox is explored. A paradox centred around the fact that the government's ostensible creditors often had, in reality, very little 'real' money to lend. Indeed, they were often reliant for their own solvency upon the very government they were lending to. By viewing the workings of the British funding-system not only through the prism of economic developments, but also through the prism of power relations, it is demonstrated how the objections raised towards this system contain many pertinent observations that remain relevant over two centuries later.

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Chapter One

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Thesis Aim

The following work examines contemporary objections towards the British funding-system between 1793 and 1821. By juxtaposing these objections with an examination of the methods and processes involved in Britain's funding-system it is hoped that more critical perspectives towards these practices can be developed, perspectives that have until now been largely overlooked by historians.

Between 1793 and it post-war peak in 1819 the British national debt increased from £242,900,000 to £844,300,000.[2] Where did this money come from? The simple answer is that the British government was borrowing the spare capital of its citizens and foreign investors. This was not the case. The methods used to raise Britain's huge war loans (loans that funded Britain's wars and led to a vast increase in the national debt) were shrouded in a web of secrecy, intrigue and corruption that involved the use of credit, fictitious capital and stock market manipulation to an unprecedented degree. In order to pay for these loans taxation increased by over 400%, a move that exacerbated inequality and witnessed a transfer of wealth up the social scale.[3] In addition, the methods used in the financing of these wars had an immense influence on subsequent financial and social developments, going on to form the basis of the modern global financial system.

The financial practices that underpinned Britain's victory against France were intimately tied to Britain's 'financial revolution.' A revolution that had enabled Britain to raise and service a national debt throughout the eighteenth century on a scale far greater than that of any of its rivals. Despite this evolutionary link, the Wars against France and its aftermath witnessed the adoption of many novel financial innovations. Not the least of these was the fact that the Bank of England (between 1797 and 1821) was able to issue unprecedented amounts of un-backed paper-money under legal protection from the British government. A period referred to as the 'suspension of payments.' The success of this experiment with fiat money meant that this period led to many innovative, novel and highly influential financial developments; a fact recognized by contemporaries at the time and, subsequently, by historians of this topic.

The contemporary objections raised against the methods of the British funding-system came from a broad spectrum of society. Political 'Radicals' such as Thomas Paine and William Cobbett, Parliamentarians such as William Pulteney and Pascoe Grenfell and financiers such as David Ricardo and Walter Boyd all raised vehement protests towards the workings of the British funding-system.

In attempting to deal with and explain these novel developments, three broad lines of objection can be gleaned and will be employed in the subsequent analysis. Firstly, that the funding-system was 'unnatural.' In this regard the suspension of payments at the Bank had created an artificial situation whereby unprecedented amounts of un-backed paper-money were distorting the workings of the market, causing price inflation and dangerous speculative bubbles. Secondly, that the funding-system was creating an immense source of 'influence' and government patronage. Thirdly, there were moral objections. These objections were themselves twofold; firstly, they focused on notions of social injustice and the hardships and privation that were a consequence of the ever-increasing levels of taxation that the finding-system necessitated. Secondly, they focused on the novel circumstance that enabled financiers to create money *ex nihilo* and then use this money to purchase government debt, speculate on the London money market or to purchase tangible goods and services. This development was particularly troubling to contemporaries as money was regarded as being representative of something, either a quantity of precious metal (typically gold or silver), or tangible goods such as wheat or tea. In addition to these concerns (and more troublingly to many contemporaries) the suspension appeared to allow the Bank unprecedented control over Britain's money supply, a move that enabled the Bank's Directors to exert immense influence over the British economy.

Whilst many of these critiques, especially those regarding government 'influence,' had a long pedigree and reached back to the origins of the financial revolution in the 1690s, the novelty, scale and scope of the financial operations carried out between 1793 and 1821 gave renewed vigour to such fears. Indeed, underpinning all the various objections raised by contemporaries was their awareness that the suspension had created an entirely unprecedented situation.

In this regard contemporaries were conscious of the fact that they were discussing not only economic issues but also relationships of power. Despite the vast literature that exists on Britain's funding-system throughout this period and the suspension of payments at the Bank there remain two interrelated issues that have not thus far received the critical attention they deserve. The first of these is the fact that the Bank in 1797 was technically bankrupt. Without legal protection from the British government the Bank would have been unable to meet its financial obligations in February 1797. The implications of this are rarely explored in a critical manner. Whilst some historians explicitly deny that the bank was bankrupt in 1797, a more typical response is simply to tacitly assume that the suspension, by allowing the Bank to assist with Britain's war effort, was simply a policy adopted and implemented in the broader national interest.[4] Whilst in many regards this appraisal has a great deal of merit, one problem with this approach is that it has led to a rather uncritical treatment of this topic. The second issue regards the nature of money and who (if anyone) should control its issue. The ability to control a nation's money supply, especially when this money has no tangible backing, is undeniably a power. Despite this fact, economic historians taking their cue from economic theory, never acknowledge (in a critical fashion) the *power relations* inherent in these developments. Crucially, the most lasting influence of the suspension, namely that of allowing private, secretive, unaccountable financiers, whose primary aim is profit, control over the money supply (via their ability to grant or withhold credit at their discretion) is never questioned in a critical fashion. From an historical perspective this is surprising as many contemporaries viewed these developments with horror.

When raising these questions in 2021, context is all-important. Economic developments post-2008 have witnessed central banks around the world, enjoying protection from governments and under the influence and direction of private financiers, adopt policies that have led to unprecedented (and increasing) levels of inequality and concentrations of wealth and financial power.[5] The actions of these central banks, and most importantly the power they enjoy over monetary issues, can be traced back to the suspension of 1797 and the numerous innovative financial developments that came in its wake. Bearing this fact in mind, it is important to consider that there were many contemporary critics of the suspension who offered valuable insights and pertinent criticisms on the workings of this system. By acknowledging the power relations inherent these economic developments the arguments raised by the critics of this system, typically overlooked, ignored or denigrated by economic historians, provide a useful way to approach these issues from a new perspective.[6]

Equally important is the fact that these critics, by attempting to articulate to their readers complex matters of high-finance in an intelligible manner, represent a forgotten and largely overlooked legacy of resistance to financial power. Indeed, as the nineteenth century progressed political reformers seldom placed matters of government loan-contracting, the national debt, the nature of money and the workings of high-finance as prominently in their discourse as was the case between 1793 and 1821.[7]

Historiography

The Financial Revolution

Understanding of the system of public credit and government borrowing that took place in Britain from the 1690s onwards has been profoundly influenced by Dickson's (1967) seminal work on this topic.[8] Dickson was initially interested in ascertaining the level of foreign investment in the London 'money market.' Intending to build upon the work of Wilson (1941) and Carter (1953), who had studied the level of foreign (primarily Dutch) investment in London, Dickson realized that a satisfactory answer to this question could not be ascertained without a detailed investigation into the system of government borrowing itself.[9] Utilizing a wealth of previously unused primary sources, Dickson described how the development of long-term government borrowing in Britain between 1688 and 1756 was facilitated via the establishment of a permanent national debt and a 'market' on which claims to this debt could be bought and sold.[10]

Dickson's detailed statistical analysis demonstrated how, from the 1690s onwards, 'liquid' or transferable financial instruments were increasingly bought and sold in a market for government debt – the nascent London Stock Market.[11] By enabling the purchasers of government debt to sell the debt they had purchased (along with their interest payment claims) to third parties the London money market allowed speculators and investors to gain access to unprecedented amounts of capital and credit. Crucially, the fact that the debt issued by the British government could (simultaneously) be permanent to the government whilst being liquid to its creditors had profound consequences and greatly facilitated the British government's ability to finance an ever-increasing national debt over the course of the eighteenth century and beyond.[12]

The breadth and scope of Dickson's work meant that his insights have been taken in many different directions.

Writing in the 1980s, when arguments were raging between liberal and Marxist historians and economists regarding, amongst other things, the correct role of the state in the economy, many liberal historians utilized Dickson's research to bolster their case. In particular these historians were keen to emphasize the links between a semi-representative system of parliamentary democracy (that conducted its financial affairs in an open and accountable manner) with economic growth and an increase in market activity.

North (1981) aimed to provide a new framework to analyze economic history. In order to do this North placed the institutional structures that underpinned economic systems at the centre of explanations of both economic performance and changes in economic systems.[13] In a sweeping study of economic history from pre-history to the twentieth century North argued that, from the eighteenth century onwards, the British state's increased recognition of property rights (including transferable property such as stocks and shares) was crucial to the encouragement and expansion of market activity.[14] A different approach was adopted by Levi (1988), who attempted to challenge deterministic conceptions of economic history (grounded on Marxist philosophy) with developments in rational choice theory. This theory argued that rational individuals are primarily motivated by the pursuit of their own self-interest. Under such circumstances history and culture are less important factors in shaping political opinions than rational motivations. Levi argued that this method provided a better explanation of policy choices and institutional change in nation states as it was individuals; by interacting with, rebelling against and thinking about institutions, who ended up creating them.[15] In common with North, Levi regarded the British state's enforcement of property rights as being crucial to providing the security, trust and cooperation that led to increased market activity and economic growth.[16]

Building from these studies North and Weingast (1989) examined the political factors that helped to underpin the development of financial markets post-1688. In this regard the British government's credible commitment to abide by the rules regarding property rights, as opposed to arbitrary action, was paramount.[17] North and Weingast further argued that the shift in responsibility for the British national debt – from a monarch's debt to one guaranteed by Parliament – as being especially crucial in this regard.[18] The institutional changes that this shift required, coupled with the British government's acknowledgement of its responsibility to meet its financial obligations, by regularly meeting the interest payments owed to those whose property was invested in the national debt, leading to increased creditor confidence, an action which in turn led to greater market activity. Carruthers (1996) also attempted to examine the links between political and economic developments during the financial revolution. In common with Levi, Carruthers based his argument on developments in sociology that were premised on the economic notion of rational choice perspectives. Carruthers argued that there was a symbiotic nexus between the British government and financial markets. In particular, Carruthers was keen to challenge the notion that financial markets were independent from political institutions. Writing as economic developments in the former Soviet bloc were unfolding, Carruthers argued that there were crucial links between political institutions (that could protect property rights and enforce contracts) and market formation.[19]

Neal (2000), writing when the liberal notion of the free market appeared to be triumphant throughout the globalized economy, placed the liquidity of the financial instruments traded in London as being crucial to the success of the financial revolution. In particular, Neal argued that financial developments adopted in the aftermath of the 'South Sea Bubble' (1720) provided the catalyst for the evolution of the 'Anglo-American' structure of finance.[20] This structure was premised upon private and merchant banks having access to an active and liquid market for financial assets, assets that well into the nineteenth century consisted primarily of British government debt.[21] The importance of liquid financial assets to market formation was also noted by Murphy (2009). By commencing her analysis in the 1670s, Murphy challenged the timeline set by North and Weingast, who regarded the events of 1688 as being the catalyst for subsequent economic developments. Utilizing theories of networks, and the importance that accurate inside information played to traders, Murphy argued that the development of a market whereby liquid assets (government debt, shares in joint-stock companies etc.) could easily be transferred was crucial to the success of the financial revolution.[22]

In addition to the economic aspects of the financial revolution the social impact of these developments have also received detailed historical attention.

Hoppit (1990), by focusing on the moral and ethical objections raised towards the use of credit in the financial revolution, attempted to shift attention away from purely economic debates. By adopting this approach Hoppit argued that objections to the financial revolution were often premised on the novelty and threat that it posed to traditional notions of the economy and its role in society.[23] Building from this, and writing at a time when arguments around governmental regulation of the market were high on the political agenda, Bowen (1993) also argued that eighteenth century objections towards 'stock jobbing' were based on moral as well as economic grounds.[24] Crucially, Bowen also noted both the novelty and continuing evolution of the system of public credit identified by Dickson. In essence, Bowen argued, the government's attempts to regulate and control the market were always one step behind the ingenious jobbers whose actions they were attempting to control.[25] Finally, Wennerlind (2011) attempted to reveal what he regarded as the 'intellectual underpinnings' of the financial revolution. Building from Hoppit's earlier work on attitudes towards credit Wennerlind traced these developments from the Renaissance to the financial revolution. Wennerlind argued that attitudes towards credit from the 1690s onwards were influenced by developments in the Baconian 'Scientific Revolution.' In this regard scientific developments that challenged the traditional notion of a finite and static natural world were willingly embraced by political economists of the seventeenth century who were keen to improve both mankind and society through economic means.[26] Crucially, Wennerlind argued, this shift from a finite to an infinite worldview shaped how contemporaries viewed credit and its role in the economy, a shift that was to have profound social and economic implications.[27]

Taxation and the Fiscal-Military-State

The most obvious legacy of the financial revolution to contemporaries was the establishment of a permanent (ever-increasing) national debt. Crucial to the maintenance of this permanent national debt was the ability of the British government to be able to pay for it. Taxation underpinned the entire British funding-system. As levels of taxation increased throughout the long eighteenth century the vast majority of these increases went towards military expenditure and meeting interest payments on the national debt; the existence of which was almost entirely a consequence of deferred military spending.

Building from Dowell's (1888) influential four-volume study of taxation, all subsequent studies of British taxation, along with general historical accounts of this period, have observed the dominance and importance of meeting interest payments on the national debt as being a key trend in government spending priorities.[28] More specifically, the identification of the evolution of the British 'fiscal-military-state' throughout the long eighteenth century has provided a highly influential approach towards understanding these developments. By focusing on the changing structure of taxation, along with the methods of its collection, these works have influenced a discourse on this topic that sees a strong centralized state, backed by an increasingly centralized bureaucracy, levy ever-greater amounts of taxation from a generally acquiescent population.[29] Written primarily in the 1980s, when ideological arguments from liberal economists were championing the virtues of the small state and market forces, much of this work was an attempt to counter the temptation to read back into history these factors as having lead to Britain's rise to world hegemon in the nineteenth century.[30]

The pioneering work of O'Brien and Mathias (1976), comparing the taxation policies of Britain and France between 1715 and 1810, challenged widely held assumptions regarding the nature and incidence of taxation in these two countries.[31] Using detailed statistical accounts O'Brien and Mathias demonstrated how the levels of taxation in Britain throughout this period were not only greater, but also more regressive, than those of France.[32] This analysis contradicting the notion that a French absolutist state had levied crushing levels of taxation on its population, leading to Revolution, whilst a minimal British state, that enjoyed limited representation, avoided such a fate. In reaching this paradoxical conclusion O'Brien and Mathias argued that it was important to avoiding treating taxation purely in terms of the amount of money raised. Instead, the study of taxation should be broadened to include the items taxed and the methods of tax collection employed, along with the administrative apparatus that underpinned its collection.[33] Building from this study Brewer (1989), in describing the evolution of the fiscal-military-state, also challenged what he regarded as the myth of light taxation in a minimal British state.[34] Brewer's approach was influential as he placed the administration of the regressive system of taxation (identified by O'Brien and Mathias above) at the centre of Britain's eventual rise to commercial and military hegemony.[35] Brewer argued that the notion that Britain avoided a strong state throughout the eighteenth century was incorrect. In making this claim Brewer challenged historical accounts that placed British commerce (aided by Adam Smith's 'Invisible Hand'), along with the adulation of Britain's military exploits throughout the eighteenth century, as being at the heart of Britain's rise to power throughout this period. Brewer argued that these accounts of Britain's rise to dominance obscured and overlooked important changes in the 'hidden sinews' of the British state. These bureaucratic changes were crucial in enabling Britain to transform the administration of its system of taxation into a far more efficient and effective one than that of its primary rival France.[36]

By focusing on the administration that underpinned the collection of taxes Brewer also stressed the importance that taxation had on the workings of the financial revolution. Challenging studies founded upon Dickson's pioneering work that emphasized the centrality of government borrowing, liquidity and credit in these developments, Brewer argued that such studies tended to downplay the role of taxation. This was an important omission as it was taxation that underpinned the British government's ability to borrow such vast sums on the London money market.[37] O'Brien (1988) also stressed this point when he too argued that the importance of raising taxation in order to meet interest payments on the national debt had not been stressed enough in the historical literature on this topic.[38] In common with Brewer, O'Brien criticized the tendency of historians to focus too much on the excitement of the political wrangling and clashes that lay behind the imposition (or repeal) of specific taxes. By approaching taxation in this piecemeal manner O'Brien claimed that these studies failed to take into account a more holistic perspective of the evolution of British taxation; an evolution that was underpinned by an increasing level of centralization and professionalism.[39] The evolutionary nature of these developments is crucial to their understanding. Indeed, O'Brien (2001) criticized the truncated chronology of the fiscal-military-state that often commenced with the Glorious Revolution of 1688. O'Brien, critical of what he termed 'New Whig' interpretations of these developments that stressed the links between Parliament, a 'Bill of Rights' and the economy, argued that a focus on the events of 1688 obscured the evolutionary nature of Britain's system of taxation.[40] O'Brien claimed that developments since the English Civil Wars (1641-1652), along with changes in administration during the reign of Charles II (1660-1685), had witnessed the gradual replacement of a system of private tax farming with the adoption of state collection of customs and excise duties. Following these developments, and under the supervision of Commissioners of Customs and Excise, the British government was able to undertake a more effective (less corrupt) collection of the taxation that was owed. O'Brien argued that this move laid the foundations for a system that was able to support the huge debts that the state required in order to pursue its military conflicts throughout the eighteenth century.[41]

Although these increases in taxation were clearly linked to Britain's economic growth throughout the eighteenth century, research into the fiscal-military-state has revealed that there were also other factors at play. O'Brien, for instance, notes how Britain's national income increased by a factor of three between 1670 and 1810, whilst taxation increased by sixteen times.[42] O'Brien's findings here refuting earlier analysis, such as that by Andreades (1909), who placed the ability of Britain to raise her huge war loans on the stimulus that the inventions of Brindley, Watt and Arkwright had given to British industry and commerce.[43] Instead, O'Brien concluded that Britain's capacity to expropriate the earnings of its citizens via taxation rested upon improvements in the administration and management of an ever-widening base of taxation.[44]

The compliance of the British public towards paying this vastly increased tax burden has posed many interesting questions for historians. Daunton (2001), building from the work of Brewer and O'Brien on the fiscal-military-state, ascribed the British public's acquiescence of such high levels taxation on the overall fairness of the British system. A fairness that becomes increasingly apparent when compared to the methods of taxation and tax collecting found on continental Europe. Daunton marshalled research in both economics and the social sciences to support his thesis. Combining analysis from the 'Virginia school' of economic thought, that viewed negotiation over taxation as leading to a fiscal constitution, along with developments in the social sciences that saw public choice theory and game theory as leading to a process of credible commitment, Daunton argued that there were four reasons for the success of Britain's tax regime.[45] In addition to the institutional and administrative improvements noted by Brewer and O'Brien Daunton stressed the importance of flexibility in the British system of taxation. Levels of taxation, along with the items taxed, needed to be flexible enough to change and adapt as the economy changed; such flexibility was crucial as it enabled new sources of revenue to be tapped as old ones died away.[46] Daunton also emphasized how the purpose of taxation was important to people's perceptions of the tax regime. By creating the perception of a 'shared interest' in the tax regime the various interest groups who paid taxes were enabled, through constitutional and other means, to ensure that the system was equitable, or at least not detrimental, to their own interests.[47] Daunton argued that by embedding the fiscal-military-state in locally based sources of power and authority a sense of trust between taxpayers and the government based in London was greatly facilitated. The combination of a strong centralized fiscal-military-state, complimented in the provinces by trusted and traditional patterns of local government, was crucial to its success.[48] This sense of trust was crucial as, in contrast to the tax farming regime of France, Daunton argued that it allowed for the development of a system based on a high degree of consent as well as also offering avenues of appeal and mediation should they be necessary.[49]

In addition to this trust in the British system of taxation, identified by Daunton, O'Brien and Mathias (1976) also ascribed the 'invisibility' of British taxes as being crucial to their acceptance. This invisibility was achieved by blending taxes into the cost of goods and services. An increase in the Land Tax, for instance, when passed on to tenants as an element in rents, was rendered less visible (as a form of taxation) to those paying for such increases.[50] Similarly, the passing on to consumers of customs and excise duties, through higher prices, also helped to mask (to some degree) the underlying reasons for any price increases.[51] This process allowed taxes on consumption to increase from £7,980,000 in 1770 to £44,300,000 in 1815.[52] Unsurprisingly, as taxation increased to such unprecedented levels between 1793 and 1815 their invisibility became highly questionable.

Military Spending and Inflation

The inflationary effect of government borrowing and taxation on prices and the cost of living has been the subject of many detailed studies. Gilboy (1936) and Schumpeter (1938), writing as debates regarding the necessity of government intervention in 'the market' and the links between inflation and wages were raging throughout the USA and Europe, laid the foundations for modern statistical studies on this topic. Gilboy's study of the effect of warfare and taxation on the cost of living utilized previously unpublished material and noted how the cost of living (in London) nearly doubled between 1793 and its wartime peak in 1812.[53] Similarly, Schumpeter's study of consumer prices and government borrowing between 1660 and 1822, working on what she described as a 'blank canvas,' also observed a direct correlation between increases in government borrowing and consumer prices.[54]

Hueckel (1973), writing when the spectre of inflation had surfaced once again, employed a detailed statistical analysis to examine the effect of warfare on the British economy. Having noted the difficulty of attempting to 'isolate' the effect of military spending from the rest of the economy Hueckel challenged the findings of Chambers and Mingay (1966), who placed adverse weather conditions and harvest failures as the principal cause for the wartime rise in agricultural prices.[55] Whilst agreeing with earlier studies on the inflationary effect of wartime conditions on the economy Hueckel's findings challenged the assertions of Ashton (1949) who claimed that the wars between 1793 and 1815 saw a transfer of wealth from labourers to capital owners. Whilst being careful not to completely dismiss Ashton's findings Hueckel argued such redistribution was more complex, noting how wartime conditions meant that there was a more pronounced transfer of wealth from labourers to landlords, as opposed to a transfer of wealth from labourers to holders of government debt.[56]

Finally, Jacks (2011), in a detailed study of regional variations in living standards and commodity prices between 1793 and 1815, provided further statistical evidence in support of the findings of Shumpeter and Gilboy. Jacks, whilst echoing Hueckel's observation regarding the difficulty of isolating specific causes, observed that, in addition to unpredictable factors such as weather and the vagaries of trade, government military expenditure and borrowing had a profound effect on the increase of commodity prices.[57]

Understandably, given these circumstances the social consequences of the development of the fiscal-military-state have also been the subject of much historical debate. These debates being complicated by the fact that the wars against France were coeval with the nascent Industrial Revolution in Britain. Despite the fact that it is extremely problematic to separate these two developments historical research on living standards and the cost of living confirm the findings of the studies mentioned above that focused more specifically on the effect of government borrowing and wartime conditions on these issues.

Lindert and Williamson (1983), writing as ideological debates between historians of the Left and Right were raging over the effect of the Industrial Revolution on living standards, confirmed Gilboy's previous observations. Paying less specific attention to the effects of warfare on living standards, and utilizing data not available to earlier historians, Lindert and Williamson argued that claims regarding improvements in the standard of living could only be substantiated after 1820.[58] These findings were subsequently confirmed by research by Nicholas and Steckel (1991). Utilizing data on the height of convicts between 1770 and 1815 (in an attempt to infer the link between living standards and height) this study observed an overall fall in height of urban residents from 1780, a fall that subsequently picked up after 1820.[59] The findings of both of these studies were subsequently challenged by Feinstein (1998) who, in a powerful critique of these studies, noted how scrutiny of Lindert and Williamson's assertion of rising living standards post-1820 had led to their cost-of-living index being revised, a revision that made their 'super-optimistic' assertions difficult to maintain.[60] The findings of Nicholas and Steckel were also challenged with Feinstein noting how subsequent research had led to the 'general accept[ance] that no simple… association between income and height should be expected in comparisons over time.'[61]

The Bank of England: The Suspension of Payments and the Wars against France

The suspension of payments at the Bank of England between 1797 and 1821 was a highly successful fiat money system. As such it influenced a great many subsequent financial developments. Two of the most significant of these developments were the increased use of paper-money in the British financial system and, intimately tied to this development, the eventual establishment of the Bank of England as the world's first 'central bank.'[62] These developments were important as they centred around both the nature of money and, more specifically, the question of who (if anyone) should control the amount of money in the economy and the principles that should govern their actions.

The 1810 Bullion Committee was an attempt to answer these questions. Fears that an over-issue of un-backed paper-money was devaluing the pound and leading to a negative effect on the foreign exchanges prompted the establishment of this Committee. Essentially, the Committee found that the credit policy of the Bank was a major influence on both domestic prices and the exchange rate of the pound. As such the Committee recommended that the Bank needed to exercise discretion in its discounting and use of credit in order to ensure a fixed value of the pound in relation to gold.[63]

Horsefield (1941), with two world wars and two depressions between himself and the Bullion Committee, attempted to re-appraise both its findings and previous historical analysis in the light of these events. In an attempt to gain a more 'impartial' view of these developments Horsefield adopted a longer-term, more evolutionary, approach to the circumstances that led to the Committee.[64] In doing this Horsefield emphasized both the evolutionary nature of these financial developments and their novelty. Beginning his analysis from the American War of Independence (1775-1783) Horsefield identified what he termed a progressive controversy over the regulating principle that should govern the Bank's actions regarding discounting and its use of credit. Horsefield noted how, initially, the Bank had been guided by the 'Smithian Principle' of a self-adjusting currency, whereby discounts were to be confined to the needs of trade. In Horsefield's view the Bank post-1797 was increasingly overtaken by events as the principles by which it attempted to regulate its note issue (via discounting) were undermined by the needs of government to fund its wars against France. Horsefield argued that this unprecedented circumstance eventually lead to the 'Banking Principle' whereby the Bank adopted the wider remit and duties of a central bank that encompassed responsibility not only for prices but also for the overall stability of the financial system.[65] Fetter (1959), utilizing previously unavailable material, also attempted to place the Bullion Committee in a wider perspective, one that encompassed its political as well as its economic background.[66] Fetter adopted this approach as he felt that earlier liberal historians, such as Hollander (1911), had tended to place too sharp a distinction between political and economic matters. Fetter also aimed to temper the findings of Silberling (1924) whom he considered as having exaggerated the role that figures like David Ricardo had played in the shaping of the Committee's findings. Writing in the 1920s, and having had their faith in gold backed currencies shaken by economic events post-WWI, Fetter argued that Ricardo's desire for strict adherence to a gold backed currency had been viewed by historians such as Silberling as being both dangerous and unsound.[67] Both Horsefield's and Fetter's analysis were influential in establishing the view that the findings of the Bullion Committee (along with the arguments that led to these findings) would go on to form the basis of monetary orthodoxy until 1914.[68]

In 1797 the Bank of England was technically bankrupt. Despite this fact the Bank played a crucial role in Britain's war effort against France, the paradoxical nature of this circumstance posing many interesting questions for economic historians. Bordo and White (1991), writing at the high water mark of the triumphalism of liberal, free-market economic ideology, noted the paradox of the suspension and its impact on wartime finance.[69] This paradox centred around the fact that although France remained on a bimetallic standard throughout these conflicts and Britain went off gold and inflated its currency, Britain's credit remained far superior to that of France.[70] Utilizing new literature on macroeconomic policy to build on the work of Dickson and Brewer, Bordo and White argued that 'credibility' lay at the heart of the success of the suspension. This credibility hinged upon the fact that creditors believed that the British government, with its open system of parliamentary finance, long history of meeting interest payments on its national debt, along with its ability to work closely with the Bank, would be able to honour its debts no matter how great they became.[71]

The novelty of the financial practices that underpinned the success of the suspension are also highlighted by Chada and Newby (2013). In this respect they identify a loose alliance between the Bank, the British government and influential financiers as being at the heart of its success.[72] Challenging what they regarded as previous oversimplifications of the suspension and the Bank's wartime policies, that viewed these actions as either staving off bankruptcy, or, a simply an excuse to increase the Bank's profits, they instead approached the suspension from the viewpoint of recent developments in monetary and banking theory. Viewed from this perspective Chada and Newby argued that the suspension was essentially a monetary policy that allowed the Bank, by working closely with the government, to aim for price stability whilst, simultaneously, financing the war through un-backed paper-money.[73] Echoing Bordo and White, Chada and Newby acknowledge the role that credibility played in the success of these policies. Crucially, however, they noted the novelty of the financial developments that necessitated the Bank, the British government and financiers to work together in order to develop credible monetary strategies that created faith in the British funding-system.[74]

Antipa and Chamley (2017) also noted both the novelty and the lasting influence of the fiscal and monetary policies adopted by Britain between 1793 and 1821, arguing that they provide a unique case study of the interactions between these two areas of economic theory.[75] Employing new data from the Bank's archives they revealed how the Bank, by purchasing large amounts of public debt between 1812 and 1815, played a crucial role in sustaining Britain's war effort.[76] Using this new data Antipa and Chamley observed that increases in the Bank's balance sheet were matched by increased commodity prices. This data confirming the observations made by Schumpeter in the 1930s and challenging subsequent analysis, by Wallace (1981), that denied or downplayed these connections.[77]

O'Brien and Palma (2016) when discussing the success of the suspension, in common with Bordo and White, claim that credibility was crucial. However, instead of addressing the issue of credibility and public finance as a whole, the credibility of one element of this system, the Bank of England, is explored. In order to do this O'Brien and Palma adopted a longer-term view of the Bank's actions from its establishment in 1694 in order to explain why people trusted the un-backed paper-money issued by the Bank post-suspension. O'Brien and Palma argued that the Bank's reputation, built on more than a century of prudent financial management of its public and private duties, led to its being trusted to issue unprecedented quantities of un-backed paper-money between 1797 and 1821.[78] In making these observations O'Brien and Palma differ from Chada and Newby in one crucial respect. Whilst Chada and Newby had stressed the importance of the Bank and government working together, O'Brien and Palma, were keen to play down such connections between the Bank and the government. Instead, O'Brien and Palma were keen to emphasize the separate nature of these establishments; a point also stressed in general histories of the Bank.[79]

In looking to explain the success and acceptance of the suspension Shin (2015) examined what he regarded as the overlooked social aspects of this development. In contrast to the above studies that focused on the technical aspects of monetary policy and the workings of high finance, Shin focused instead on what he identified as the 'Declaration Movement.'[80] Shin argued that the success of the suspension had deep societal roots and marked the culmination of developments regarding the nature and culture of paper-money throughout the eighteenth century.[81] From its inception as a declaration of London merchants to agree to accept Bank of England notes for all financial transaction in February 1797, Shin noted how similar declarations of trust in the British financial system soon surfaced throughout Britain.[82] Such trust, however, went beyond the immediate workings of the suspension. Building upon work by Helleiner (2003) and Rowlinson (2010), who discussed the notion of nationalism and trust in high-finance, Shin argued that the suspension, by leading to an increased use of (and familiarity with) paper-money by all members of society, the workings of high-finance throughout the period of the suspension became increasingly linked to notions of patriotism.[83] O'Brien and Palma also emphasized the importance of this point when they observed how the successful workings of the suspension resulted in what they regard as a permanent shift to a paper-money regime. A shift that led to the eventual acceptance of the use of paper-money by the lower orders of society and not just the wealthy elite.[84]

Developments in Eighteenth century Political Thought: Civic Humanism vs. Civic Jurisprudence

The development of political ideas throughout the eighteenth century has been informed and shaped by notions of 'civic humanism' and 'civic jurisprudence.' In this dichotomy two threads, one based upon the republican ideals of virtue and public duty and one based upon liberal notions of individualism and rights (in particular property rights), are utilized in order to explain developments in eighteenth century political thought.[85]

Since the 1970s the pioneering work of Pocock (1975) has been highly influential in shaping this debate. Building from the work of Baylin (1967) and Wood (1969) Pocock subjected eighteenth century political debate to the technique of discourse analysis.[86] This technique employed a close reading of the origins and usage of the vocabulary through which political ideas were articulated, in the hope of gaining a clearer understanding of how contemporaries viewed such concepts.[87]

Pocock acknowledged the difficulties faced by historians of this topic when he highlighted how contemporaries who were engaged in political and economic debate throughout the eighteenth century were not separated by any simple antitheses on a republican-liberal or left-right axis. Instead, Pocock argued, the different parties and individuals involved in these debates employed a great many shared assumptions in order to make their (different) points.[88] Crucially, Pocock argued that Locke's influence upon eighteenth century political thought (long regarded as being the single most important influence) had been exaggerated.[89] Instead, via the use of discourse analysis, Pocock highlighted the role that neo-Machiavellian and neo-Harringtonian notions of republican civic virtue had played in shaping resistance to the financial revolution and in generating support for the American War of Independence.[90]

Appleby (1976), keen to defend the role that liberal ideas had played in eighteenth century political thought, argued that the socially constructed reality of those who highlighted republican values, nevertheless rested upon liberal assumptions about human nature.[91] By failing to address the question of *why* certain conceptions of personal liberty and government legitimacy had led to violent protest Appleby believed that historians, such as Wood and Baylin, hadn't given enough emphasis to the liberal concepts underpinning these developments. Crucial to Appleby's argument was the liberal conception that unwarranted intrusion by authority towards individual freedom was a prime motivation for the American Revolution. Indeed, Appleby claimed that this conception of the relationship between a citizen and the state was also the only form of social tension that liberalism recognized.[92] Kramnick (1982), whilst acknowledging the importance that Pocock's 'republican revisionism' had played in highlighting the importance of elements other than individualism and property rights in eighteenth century political thought, cautioned against taking these assumptions too far. In particular, Kramnick argued that whilst revisionists were correct to deemphasize Locke's influence on the early eighteenth century, their extrapolation of this notion to the rest of the century was more dubious.[93] Crucially, Kramnick noted that as the differing elements of the financial revolution (the Bank of England, national debt and money market) began to exert a greater influence over economic and political events, fear of these novel developments transcended the republican-liberal paradigm.[94] Kramnick was keen to stress how the meaning of what constituted corruption (along with the remedies for it) changed throughout the eighteenth century. The middle class artisans of the late eighteenth century who were desirous of political reform were not interested in restoring an aristocratic system of civic virtue, as envisioned earlier in the century by the likes of Bolingbroke. Rather, Kramnick argued, they were keen to establish a system of political authority more akin to a meritocracy of talent. In this regard, useful economic activity was viewed as being of far more importance in defining a moral or virtuous man than Bolingbroke's notion of virtue in civic activity.[95] Crucially, Kramnick argued that these reformers, although reacting to novel forms of corruption brought about by the patronage made available via the workings of the financial revolution, nevertheless used the language and concepts of Locke (formulated a century earlier) in order to articulate their views.[96]

Radical Politics

The study of radical political opinions and actions has been profoundly influenced by the work of Thompson (1963).[97] Writing at a time when historical discourse around political and economic events was often viewed through a Marxist or anti-Marxist perspective, Thompson argued that the shared social consciousness of the English working class was already underway prior to the Industrial Revolution.[98] Utilizing a vast array of previously overlooked primary sources Thompson argued that class consciousness was formed, not by a Marxist 'law' of historical inevitability but, rather, by the lived experiences, traditions, value-systems and institutional forms of one set of men (what Thompson termed their interests) coming into conflict with the interests of another group of men. Crucially, Thompson noted how such relationships were not fixed but were instead fluid and could, therefore, only be properly understood through their embodiment in people acting in specific historical contexts.[99] Thompson's focus on 'history from below,' along with his attempts to rescue lost patterns of social, cultural and economic practice from the 'enormous condescension of posterity,' proved highly fruitful and opened up many new avenues of research.[100]

Dickinson (1977), rather than attempting to trace the origins of class consciousness on political motivation instead concentrated on the importance of political ideology in the shaping of political behaviour. In this endeavour he attempted to challenge the work of Namier (1929), who had famously argued that political behaviour was best understood by an analysis of the structure of how politics worked. In Namier's opinion political rhetoric and lofty principles were utilized primarily as a cover for the desire for power and emoluments.[101] Dickinson, instead, argued that ideas did matter and aimed to demonstrate how ideological debates reflected and confronted political and social reality throughout the eighteenth century.[102] In tracing the development of the radical political ideas that came to fruition throughout the 1790s Dickinson argued that they comprised both novel and traditional elements. In common with Pockock *et al*. Dickinson also noted the difficulties involved in attempting to use modern terminology to categorize earlier political developments. Despite such difficulties Dickinson argued that, in addition to the more traditional elements of British radicalism; Locke's social contract and the right to resistance; the ancient (Saxon) constitution of Britain and the protestant right to dissent; novel elements, such as the 'inalienable Rights of Man' and the desire for Utilitarian political reform increasingly came to the fore of radical discourse throughout the 1790s and beyond.[103] Hone (1982), building from Dickinson's analysis of the various threads that contributed towards radical political thought, stressed the difficulty (or impossibility) of historians ever truly getting to grips with the circumstances that led radicals to hold such opinions.[104] Bearing this in mind, Hone argued that the aims and intentions of radical thinkers could best be explored by an examination of where and when change was sought, along with the different methods of reform proposed.[105] Nicholls (1985), also recognizing these difficulties, argued that the eclectic nature of radical thought, along with the difficulties posed by the changing meaning of the terminology used, had led some historians to question the utility of the term 'radical' as a means of historical analysis.[106] Building from the work of Thompson, Nicholls challenged what he regarded as a 'liberal humanitarian' conception of English radicalism that downplayed the influence of class and ideology in eighteenth century political developments. In an attempt to rescue the concept of class in this debate Nicholls moved away from debates around personalities and the specifics of their beliefs and instead focused on the role that middle class thought had on the development of both radical political ideology and evolving class relations.[107] Nicholls argued that as a commercial and agricultural middle class began to emerge (and become aware of their 'interests' as described by Thompson) they increasingly turned to radical political ideologies in order to press for a reform of Parliament.[108]

Belcham (1996), writing when the totalizing idea of using class to describe 'grand historical narratives' had fallen out of fashion, attempted instead to fuse a linguistic approach to radical discourse (as pioneered by Pockcock *et al.*) with an acknowledgement of the material conditions that influenced these debates. This approach was necessary as Belcham (in common with Nicholls) argued that some historians, by attempting to downplay the influence of class (as defined by Marx and his followers), had ended up claiming that class had had no influence at all on political developments.[109] Epstein (1994) adopted a similar approach to Belcham when he stressed the importance of 'situatedness' in the study of modes of political expression. This methodology stressed how the speech, writings and actions of people always occur in specific circumstances, circumstances that have an important impact on how these ideas are expressed and understood.[110] Epstein argued that the trials of radical reformers, such as T. J. Wooler (the editor of *The Black Dwarf*), were particularly fruitful in this regard, as the language used to express both legal and political concepts were closely intertwined.[111] Wooler's use of traditional notions of English rights and liberties, essentially portraying his case as another chapter in the saga of English constitutional liberty, was a far more effective method of securing his acquittal, Epstein argued, than that of relying on Paine's notion of inalienable 'Rights' or Locke's concept of 'Natural Law.'[112]

The critique of the funding-system made by critics such as William Cobbett and Thomas Paine seldom forms the basis of a detailed study. Indeed, their critique of the workings of the funding-system (when mentioned) is typically incorporated into a broader investigation whose primary focus lies in a different area. In addition, the often overtly polemical intentions of writers such as Cobbett and Paine, the inherent complexity of the subject matter, along with the latent (or explicit) ideological connotations that their views either confirm or deny have meant that their ideas on the funding-system have received a varied reception from historians.

Osborne (1966), in what he described as a 're-examination of Cobbett based upon the latest knowledge of this period,' attempted to concentrate upon Cobbett's work as a political journalist. Osborne noting how, despite his apparent changes of mind, Cobbett was often 'more consistent' in his political thinking than had previously been realized.[113] Despite this positive appraisal of Cobbett's political thinking Osborne was scathing in his treatment of Cobbett's views on the funding-system. Having noted how Cobbett had 'set his face against change' Osborne observed how Cobbett 'looked upon the entire body of financial institutions with incomprehension and mistrust.' After pointing out that no other topic received as many articles in Cobbett's *Political Register* as did public finance (a fact belied by the lack of specific interest that historians have directed towards this aspect of Cobbett's thinking) Osborne opined that Cobbett's 'obtrusive prejudices,' along with his incomprehension of complex financial matters, led to him oppose the 'entire arrangement of public finance.'[114] In particular, Cobbett's suspicion of the use of credit led Osborne to note how 'the part that credit played in the new economic system, which was Britain's major source of strength, was a closed book to Cobbett... His copious writings [on the finding-system] are a medley of shallow analyses, dubious advice… and attacks upon the whole foundation of government finance.'[115] If not treated with such open contempt Cobbett's writings on finance are, more commonly, simply overlooked or downplayed. Derry (ed.) (1968), in a work that focuses on Cobbett's numerous writings on Parliamentary reform and social issues, makes little mention of Cobbett's detailed work on finance. Indeed, Derry opines that Cobbett was 'no political thinker, for his mind was too warped by prejudice and too easily moved by emotion for him to attain any depth or consistency.' When Cobbett's works on finance are briefly alluded to it is to highlight his anti-semitism, Derry noting how Cobbett regarded 'the war as [being] engineered by capitalists and Jews.'[116]

The significance and validity of Cobbett's writings on finance are often blunted by a concentration on Cobbett's 'backward looking' or 'nostalgic' ideas, an approach that is bolstered by focusing on Cobbett's penchant for making (incorrect) economic predictions. Dyck (1989), for instance, in a work primarily aimed at charting Cobbett's changing political allegiances appears to downplay the importance of Cobbett's ideas on finance, noting how Cobbett's investigations into the funding-system were not 'inherently radical.' Indeed, the principle danger Cobbett faced when discussing economics was the fact that, by basing his conclusions on the work of Paine, he made himself 'ideologically vulnerable.'[117] Subsequently, Dyck (1993), in a work focused on Cobbett's connection with rural radicalism, also challenged the originality of Cobbett's work on finance when, having again noted Cobbett's debt to Paine, further claimed that John Thelwall had already said in the 1790s 'almost everything that Cobbett would ever say about… the national debt…[and]… the funding system.'[118] Gilmartin (1995), in a study focused primarily on Cobbett's rhetorical style, highlight's Cobbett's 'backward looking' errors in economic thinking (along with his incorrect predictions), observing how 'Cobbett and his fellow radicals firmly believed that a corrupt system would destroy itself… [as it]… transgress[ed] the inviolable limits of agricultural production.'[119]

Those historians who do treat Cobbett's views on the economy more sympathetically rarely (as a consequence of their interests lying in other matters) examine the specifics of the funding-system so detested by Cobbett. Williams (1983), for instance, in a short biography of Cobbett, treats Cobbett's objections to the finding-system seriously, noting how 'it was not merely a monetary and financial system; it was a monetary and financial system which had produced a particular kind of political State.' Having made this observation, however, and owing to the limited nature of this work, Williams stops short of a more detailed analysis of the specifics of this system, especially with regards to its use of credit.[120] Basney (1993), in a work that (once again) examines Cobbett's literary style, also treats Cobbett's views sympathetically noting how Cobbett believed that a 'revolution' in British political life had occurred between 1793 and 1815. A revolution that had witnessed 'fundamental innovations' between the British government and 'money.' However, having made this observation little attention is devoted to exploring the specifics of this connection in more detail.[121] Calhoun (2015) also gives a sympathetic account of Cobbett's views on finance and (in common with the current author) notes how many of Cobbett's observations of the workings of high finance are highly apposite to conditions in the early twenty-first century. This work, however, eschews a detailed enquiry into the specifics of the workings of the funding-system, an understandable circumstance given that this was not Calhoun's intention.[122]

Thomas Paine's most important and detailed work on the British funding-system, *The Decline and Fall of the English System of Finance* (1796), is often given short shrift by historians, especially with regards to the 'predictions' that pepper this work. Aldridge (1959), in a biography of Paine, notes how Paine imagined that whilst writing his *Decline and Fall…* he had discovered an 'economic ratio' that was as 'infallible as Newton's ration of gravitation.' Treating this work as, essentially, a 'propaganda weapon' Aldridge makes little attempt to explore the substance of Paine's claims. A fact made easier as the bankruptcy of the Bank of England, in the form of the suspension of payments (an event 'predicted' by Paine in this work), is not mentioned.[123] Spater (1988), in an essay examining Paine's revolutionary activities, appears to follow Aldridge's lead. After noting how Paine (incorrectly) felt that he had 'stumbled on a new economic law' the *Decline and Fall…* is dismissed as being 'highly deficient' in terms of economic analysis. A claim made easier as (in common with Aldridge) no mention is made of the Bank of England stopping payments in cash less than a year after Paine's writing.[124] Fruchtman (2009), in a work examining Paine's political philosophy, is even more dismissive of the 'pithy' conclusions Paine reached in this work. Having observed how Paine's prediction of economic collapse remained 'unfulfilled' Fruchtman notes how the Bank of England 'momentarily' stopped payment in cash in 1797. No further mention of the actions of the Bank throughout the twenty-four years of the suspension is made.[125]

Paine's predictions and observations on finance are given a more ambivalent treatment by Williamson (1973) who, initially, notes how the *Decline and Fall…* 'is not so highly regarded as a piece of economic analysis.' After observing that Paine's 'immediate impression was highly prophetic' (when the Bank suspended payments in 1797) Williamson goes on to note how Paine's forecasts of bankruptcy did not prove accurate, no attempt is made to ascertain why this was the case.[126] Woodward (1946), in his biography of Paine, is more sympathetic towards the *Decline and Fall…* noting how Paine correctly predicted that the Bank would have to suspend cash payments. However, owing to the broad scope of this work, after noting the influence this tract had on Cobbett no further attention is devoted to the suspension of payments.[127] Claeys (1989), in a book devoted to Paine's social and political ideas, mentions the *Decline and Fall…* numerous times. However, aside from noting Paine's occasional debt to Adam Smith, little attempt is made to unpack Paine's critique. Indeed, Paine's prediction of the bankruptcy of the Bank of England is mentioned only in a footnote.[128]

Wilson (1988), in a work examining the links between Paine and Cobbett, treats the *Decline and Fall…* more sympathetically. Although primarily focused on exploring Paine's influence on Cobbett's economic thinking Wilson correctly notes the accuracy of Paine's prediction of the Bank's impending bankruptcy. Crucially, Wilson also notes how it was the vastly altered material conditions, brought about via Britain's nascent industrialization, as opposed to the 'soundness' of the Bank's finances, that effectively nullified many of Paine's (and Cobbett's) predictions regarding imminent financial collapse.[129] Finally, McCalman (1988), in a work examining London's radical 'underworld,' views the *Decline and Fall…* positively, observing how Paine's 'savage dissection' of the funding-system remains a 'still underrated tract.' Despite this appraisal little specific attention is devoted to the workings of the funding-system and the suspension of payments at the Bank also goes unmentioned.[130]

Although the detailed and perceptive writings of Cobbett and Paine on the funding-system have not received the historical attention they warrant, one aspect of Cobbett's writing on the funding-system that has received attention from historians is his identification of the British political system throughout this period as one of 'Old Corruption.'[131] Although the precise definition of this term has been hotly debated, most historians would agree that it refers to the system of pensions, sinecures and bribery by which the British government operated before the reforms of the nineteenth century.[132] Despite this agreement, the political, social and economic dimensions latent in this concept have given rise to contested interpretations of its scale, influence and legacy. Thompson (1965) argued that, paradoxically, the French Revolution and the Revolutionary and Napoleonic Wars it spawned not only saved this system but actually increased its influence.[133] In making this observation Thompson also argued that Old Corruption, as a consequence of the multifarious meanings given it by contemporaries, was a concept in need of further study.[134] Rubinstein (1983), taking up this challenge, adopted a broader approach to Old Corruption, arguing that too little attention had been paid to how the passing of Old Corruption had influenced the subsequent evolution and development of British politics.[135] Rubinstein argued that a narrow focus on Old Corruption, as pertaining to the Crown's influence over politics, had obscured the fact that this term comprised broader meanings to many contemporaries. In making this point Rubinstein highlighted how the waning of the Crown's influence over British politics in the nineteenth century did not necessarily entail an end to many of the radical's grievances.[136] Crucially to Rubinstein, it was the irrationality of the system of Old Corruption, along with its incompatibility with the reforming spirit of efficiency and professionalism in government that held sway from the 1830s onwards, that spelled the end of Old Corruption.[137] Jupp (1990), along with Harling and Mandler (1993), also stressed the notion that the end of Old Corruption heralded an era of professionalization and modernization in British politics.[138] Building from the work of Brewer and O'Brien on the fiscal-military-state Harling and Mandler argued that, following the immensely expensive Wars Britain fought between 1793 and 1815, the desire for small government and professionalism in public affairs led to a series of reforms that essentially spelled an end to government by sinecures and bribery. Crucial to these developments was the fact that, following the government's retrenchment of its finances post-1815, efficiency was increasingly regarded as being of paramount importance to the functioning of the state. If the British government wanted to maintain its creditworthy status, following the addition of over £600,000,000 to the national debt, it needed to demonstrate its commitment to an efficient and professional mode of governance.[139] Under these circumstances Harling and Mandler argued that, in essence, the aim of these governmental reforms and the retrenchment of public finances was to preserve and maintain the funding-system at the lowest cost possible to the public.[140] Harling (1995) subsequently adopted an evolutionary approach to these governmental reforms, claiming that they stretched back to Pitt himself. Harling argued that the radical critique of Old Corruption (especially that of John Wade who featured heavily in his analysis) was replete with inaccuracies, exaggerations and distortions – many of which had been taken 'at face value' by subsequent observers.[141] Harling argued that the radical notion of Old Corruption lost traction as the nineteenth century progressed because the accuracy and veracity of the radicals' description of the workings of Old Corruption had been increasingly undermined by successive government reforms.[142]

Crucially for the present study, one aspect of Old Corruption that both Rubinstein and Harling acknowledged needed more historical attention was the 'nexus' between the government, the Bank of England and the money market in the late eighteenth and early nineteenth centuries.[143] It is precisely this lacuna, as viewed through the eyes of its critics, that will be addressed in detail in the chapters below.

Further Context

The Bank of England and the Financial Revolution

The Bank of England was a crucial element in the *modus operandi* of the financial revolution. The Bank was established in 1694 in order to raise a £1,200,000 loan, to be lent to the government at 8% interest. As a consequence of this loan a corporation was allowed to be formed entitled 'The Governor and Company of the Bank of England,' vested with the right to issue bank-notes up to the value of its total capital.[144] The Bank of England was modelled on The Bank of Amsterdam, established in 1609. The Bank of Amsterdam encouraged merchants to use the receipts (bank-notes) it issued upon the deposit of funds as a means of exchange, a situation that led to all the most prestigious merchants in Amsterdam holding an account with this institution. A similar arrangement was subsequently adopted by the Bank of England, where its 'running cash notes' were encouraged to circulate on the London stock exchange.[145]

When discussing the Bank of England and its role in the financial revolution it is important to bear in mind the threefold novelty of the way it functioned.

The first novelty concerned the backing of the Bank's credit and its note issue. Government tax revenues, along with the Bank of England's holdings of government debt, as opposed its holdings of bullion or land, formed the basis of the Bank's financial operations.[146] William Paterson (1694), a Scottish merchant and banker, and co-founder of the Bank of England, explained this when he noted how the Bank's note issue would be grounded upon taxation, 'a Revenue that cannot fail,' as it had been agreed and 'settled' with Parliament.[147] By being linked to the state in this manner the Bank's customers could be assured of its security as 'nothing less than a

Conquest, wherein all Property, Justice, and Right must fail, c[ould] any way affect this Foundation.[148] The importance that the Bank's holdings of government debt continued to play throughout the Wars against France is demonstrated in Table. 1 below.[149]

Table. 1: Bank of England Assets and Holdings of Government Debt

Year	Bank of England Total Assets	Holdings of Government Debt and Other Government Securities by the Bank of England
1793	£30,605,179	£19,363,463
1815	£64,779,075	£34,757,314

The second innovation was that the Bank was to be a source of credit both to the public (in the form of loans to the government) and private (in the form of the Bank's loans to individual merchants and corporations). This was the most innovative part of Patterson's scheme, especially as the Bank's holding of government debt and expectation of tax revenues (not land or bullion) was to act as security for the Bank's loans and note-issue.[150] This innovation was a crucial difference between the Bank of England and the Bank of Amsterdam. The Bank of Amsterdam was a bank of deposit not a bank of credit. The Bank of Amsterdam claimed that every note they issued was backed 100% by gold (or other tangible assets) in its reserves.[151] Such a guarantee provided security and confidence for their customers, who used the notes issued in order to meet their own financial obligations and settle their own debts. In contrast to this system, the Bank of England was from its inception intended primarily as a bank of credit and although it was technically bound to the same strictures as the Bank of Amsterdam, with regard to note-issue, in practice often fell short of this ideal.[152]

The third innovation connected to the establishment of the Bank of England was the fact that there was nothing in the Bank's original charter that specified a timetable for paying off the principal of the original £1,200,000 governmental loan it had made upon its establishment.[153] If the Bank's charter was annulled the principal would have to be repaid if, however, the charter was renewed there was no provision made to pay back the principal. All previous government loans had specified a time when the principle of the loan would be paid back (the loan from the Bank contained no such clause). This absence was crucial in paving the way for the establishment of the Bank as the centrepiece of the British financial system.

Another crucial development of the financial revolution, and one that furthered the ties between the Bank, merchants and the British government, was the Bank's agreement to cash on sight Exchequer Bills when presented for payment.[154] Exchequer Bills were essentially 'unfunded' short-term government debt, issued by the British government to military-contractors and manufacturers and backed by the expectation of tax revenues.[155] Holders of these Bills could either cash them for gold from the Bank's vaults or exchange them for the Bank's own notes, notes that were regarded as being 'as good as gold,' and therefore served a similar function to those issued by the Bank of Amsterdam.

The Background to the Suspension of Payments

The suspension of cash payments by the Bank of England, in addition to being crucial to Britain's war effort, was also a highly influential development in its own right. Given this circumstance the events that led to the suspension have been the subject of much debate.

Historians from the early twentieth century, such as Andreades, placed pressure on the Bank by a cash-strapped government, eager to fund its short-term commitments, as having a significant impact in the build up to the suspension.[156] Whilst the Bank's importance as a direct lender to the government had diminished by the mid-eighteenth century, it continued to work closely with the government by agreeing to cash on sight Exchequer Bills. Following the outbreak of war with France in 1793 the Bank became increasingly concerned with the pressure being put on its specie reserves by the government as it issued ever more Exchequer Bills in order to meet its wartime needs. The Bank, having proposed that Parliament pass a law to regulate such transactions, were outmanoeuvred by Pitt who hurried the Bill through Parliament without any limiting clause. This omission, in direct contradiction of the Bill's ostensible purpose, allowed Pitt to charge money from the Bank (via Exchequer Bills) effectively without limit. In total the Bank was forced to advance the government £9,964,413 between 1793 and 1797.[157]

Hawtrey (1918), writing in the aftermath of WWI and the disruption to foreign exchanges that this conflict wrought, noted how the British financial situation in the build up to the suspension could not be studied in isolation from events on the continent. Following the Revolution of 1789 *assignats* (paper money with little tangible backing) had been forced on the French public by the Committee of Public Safety, who had declared that the hoarding of gold and silver was a criminal offence. This action, along with the subsequent 'Terror' (1793-1794), sent specie flowing out of France to neighbouring countries in large quantities.[158] The abandonment of the *assignats* by France in late 1794, along with the gradual adoption of a metallic based currency, subsequently made it highly profitable to re-export gold guineas from London back to Paris. Although this export was illegal the profits were too great for many to resist and gold flooded back to France causing the Bank, from September 1795, to make increasingly desperate warnings to Pitt regarding the depletion of their bullion reserves.[159]

In addition to this illegal drain of specie to the continent Helleiner (1965) emphasized the strain put on the British financial system by a series of loans to Britain's ally Austria, in particular the £6,000,000 loan of 1794.[160] This loan, intended to help Austria meet her military commitments by bankrolling her mercenary armies, would only be effective if it was made in gold.[161] As the centrepiece of the British financial system, and the primary custodian of the nation's gold reserves, the export of such a large quantity of gold to Austria caused a great deal of concern to the Bank's Directors. Such fears were well founded as the 'Imperial Loan' considerably diminished the Bank's bullion holdings, a circumstance that caused a great deal of consternation between the Bank and the government.[162]

Compounding all the difficulties, strains and drains on the gold reserves of the Bank outlined above was the fact that by 1797 it was apparent that Britain was involved in an increasingly prolonged and expensive war with France, a war with no apparent end in sight.

Feaveryear (1931), noted how it was the physical danger to Britain, in the form of a perceived invasion threat in late 1796 and early 1797, that precipitated the financial panic that resulted in the suspension. Citizens across the country, concerned about their savings held in country banks, began to demand cash (in the form of specie) from the banks whose notes they held. These banks, in order to meet this demand, drew bills from the London banks they held accounts with, who in turn drew on the Bank where the nation's gold deposits were stored. As these withdrawals increased, they began to assume the dimensions of a panic.[163] Adding to the sense of panic that these circumstances fostered, the Bank restricted its discounting operations in order to preserve what little specie it had left.[164] As the Bank was the centre of 'liquidity' in the British financial system it was expected to discount freely in a panic to allay nervousness in the system.[165] The Bank no longer felt it had the resources to do this and its restriction of discounts only compounded the panic. On 27 February 1797, having received an order in council from the government, the Bank announced that it was temporarily 'suspending' cash payments; its notes could no longer be redeemed for gold upon request.[166]

The Sinking-Fund

The financial revolution spawned many innovative financial developments, one of the most controversial being the establishment of a 'sinking-fund,' whose ostensible aim was to reduce (and eventually pay off) the national debt. The sinking-fund was originally established in 1716, in response to concerns over the size the national debt had reached following the War of the Spanish succession (1702-1713). The sinking-fund essentially involved using surplus government revenue to purchase government debt on the market, any profits (via interest payments) to be used for further purchases.[167] The primary problem with this arrangement was the fact that surpluses could easily be diverted away from the long-term objective of paying off the national debt and towards more short-term goals. Examples of this occurred in 1727, when Walpole diverted £100,000 from the sinking-fund to George II to help pay the civil list, and 1733, when Walpole again diverted £500,000 from the sinking-fund to enable him to maintain a lower rate of Land Tax, avoiding any hostility that might occur if this tax were raised. As a consequence of such abuses, by the 1750s the sinking-fund had essentially been abandoned.[168]

Pitt, with the retrenchment of government finances squarely in his sights throughout the 1780s, was keen to re-adopt the sinking-fund. The most influential proponent of the sinking-fund at this time being Dr. Richard Price, who outlined his ideas in *An Appeal to the Public on the Subject of the National Debt* (1772). Price, in addition to his interest in economic matters, also took a keen interest in political issues. He was a supporter of the American Revolution and wrote several pamphlets in support of the American patriots.[169] An advocate of parliamentary reform, Price also helped to found the Society of Constitutional Reform in 1780. Price similarly viewed the French Revolution positively, his writings on these events being challenged by Edmund Burke in his *Reflections on the Revolution in France* (1790).[170]

Concern over the size of the National Debt, along with the burden that it was imposing on the nation via ever-increasing interest payments, was the motivating factor behind Price's scheme for a sinking-fund. A scheme adopted by Pitt with the passing of the Sinking Fund Act of 1786.[171] Price's proposal for a sinking-fund contained of an optimistic plan for using this scheme to pay off the entire national debt. In order to achieve this aim, Price proposed a strict adherence to the principles of the original sinking-fund of 1716. This practice coupled to the 'magic' of compound interest would witness the redemption of the entire national debt. Price calculated (hypothetically) that if a fund of £1,000,000 per annum had been applied in 1716 (using his proposal) £200,000,000 of debt would have been paid off by 1772. As such diligence had never been adopted by any administration Price stated 'can we then wonder, that it has done us so little service?[172] The key to Price's scheme was a strict adherence to using the sinking-fund solely to pay off the capital of the national debt, and to use the money saved by the government in interest payments to pay off more of the capital of the debt. Through this process, and the principle of compound interest, the entire national debt could be paid off. Paradoxically, Price even argued that the national debt could also be reduced if the government borrowed more money so long as this borrowed money was used to pay off the capital of the national debt and not used to service old debts.

Although the sinking-fund scheme has received much criticism, due primarily to the fact that towards the end of the Napoleonic Wars money was being borrowed in order to meet sinking fund payments, such criticism misses the fact that the sinking-fund played an important (symbolic) role in giving the appearance that the British government had a plan to deal with the national debt as it more than trebled in size between 1793 and 1815.[173] The fact that many of the later loans floated by the House of Rothschild throughout the nineteenth century also had sinking-funds attached further demonstrates both the practical (and symbolic) function that sinking-funds had, reassuring investors that their money was safe and that interest payments would be met.[174]

Raising Government Loans: The Role of Credit in British Government Borrowing

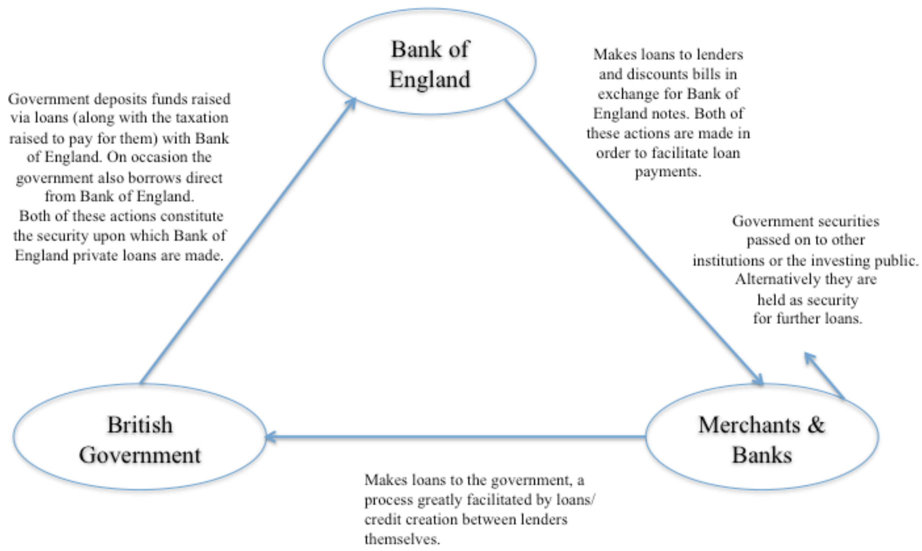
When discussing the raising of government loans between 1793 and 1821 it is crucial to keep in mind how contemporaries viewed money, especially as it related to credit. As has been noted above, the workings of both the financial revolution and the suspension of payments at the Bank gave rise to a dramatic increase in the amount of 'paper' in circulation throughout the British financial system. Paper that took the form of bank-notes, bills of exchange, shares in companies and British government debt (often referred to as Consols).

This paper functioned as money in a variety of ways, primarily by facilitating the payment or transfer of debts. Such paper could only function as money in this fashion, however, if those who were using it believed that it could be trusted. Typically, such trust was predicated upon the notion that, upon demand, such paper could be redeemed for specie or other tangible goods. For centuries the use of (and access to) credit had been crucial to the smooth running of trade and commerce, therefore, trust in the ability of those relying on credit to honour their commitments was imperative. Without such trust there was the latent danger that people could get something for nothing by commanding the use of real goods or services with mere paper. This was a fundamental point. Indeed, economic writers often emphasized the fact that the entire system of commerce was predicated on an assumption that credit equalled specie.[175]

Bearing this thought in mind, it is surprising to note how, in order for Britain to fund her Wars against France between 1793 and 1815, such assumptions were necessarily bypassed in order for the system of government financing to work. Prior to these conflicts, and with the dangers posed by monopolies to trade primarily on his mind, the ability of merchants and financiers to create money via reciprocal credit arrangements was noted by Adam Smith in his *The Wealth of Nations* (1776). Smith called this process 'raising money by circulation.'[176] As Smith explained, when two merchant or bankers are 'continually drawing and re-drawing upon one another' they are trading 'not with any capital of their own' but with capital that they are each advancing to the other. Crucially, Smith noted how discovery of this process is extremely difficult when it is expanded to include 'a great circle of projectors' who, via these reciprocal credit arrangements, 'find it [in] their interest to assist one another in this method of raising money.'[177]

Whilst there were many legitimate reasons for the use of mercantile credit in this fashion, the use of these methods for the funding government loans is more problematic. Indeed, the notion that the process of government loan-contracting between 1793 and 1821 was governed by the 'Invisible Hand' of a nascent *laissez-faire* free-market system is not only inadequate but also factually incorrect. Ignoring, as it does, the crucial fact that without support and protection from the British government (whose role in a *laissez-faire* economy was ostensibly to be kept to a minimum or avoided altogether) the entire funding-system would have rapidly collapsed. The specific role played by credit in the system of government debt financing between 1793 and 1821 is rarely analyzed or discussed from a critical perspective. This fact is important as it has meant that the paradoxical circumstance whereby the British government was essentially guaranteeing the credit of its ostensible creditors has gone largely unremarked upon, this circumstance will be addressed in detail in the chapters below. The paradoxical circumstances at play in the raising of a typical government loan during the Wars against France are demonstrated in Figure. 1. Viewed in this manner, the processes involved in the contracting of government loans takes the form of essentially 'circular' loans.

Figure. 1: The System of Circular Credit



Government loans were paid in eight or nine monthly instalments. As a consequence of this arrangement loan-contractors need only pay 10% (their first instalment) up front. Following payment of this initial instalment further instalments were met by speculation on the market, the calling in of additional capital from their subscribers and, crucially, ‘assistance’ from the Bank of England.[178] The Bank of England’s role in this process was vital, as the prestige enjoyed by the Bank gave these transactions a veneer of respectability. The fact that the value of the Bank’s notes throughout the period of the suspension were entirely dependent upon protection from bankruptcy by the British government (the ostensible borrower in this process) neatly highlighting the paradoxical workings inherent in these arrangements. The loan-contractors’ use of loans from the Bank of England in order to meet their obligations was, in itself, not a new development. Indeed, such assistance had been forthcoming to the government's creditors in order to enable them to complete their loan subscriptions since at least the 1720s.[179] What was new was the scale of such dealings between 1797 and 1821.

The merchants, bankers and financiers (who made up the core of the loan-contractors) needn't, however, rely solely upon largesse from the Bank to fund their loans. As Smith (1776) explained (when discussing 'raising money by circulation') government debt (in the form of Consols and Exchequer Bills etc.) along with mercantile bills of credit, circulating between themselves in great abundance since the onset of the suspension could also serve as capital or security for further loans to each other and then to the British government. The link between the methods of money creation (via credit) and the funding of government loans has yet to be fully explored and raises many important questions. Not only with regards to the huge increases in taxation that were necessary in order to pay for these loans, but (just as crucially) the political influence that the most prestigious loan-contractors subsequently enjoyed as a consequence of their lending.

It needs to be remembered that a crucial aspect of the (hugely influential) liberal conception of how markets function is the notion that government involvement and interference should be kept to a minimum. If, for instance, the government attempted to protect certain sectors of the economy, via protective tariffs etc, then the ability of the market to set prices would be distorted. Indeed, liberal orthodoxy was premised on the fact that, once laws regarding the enforcement of contracts and the amount of money to be extracted from the economy via taxation had been settled the workings of the economy and the market should be a space free from government interference.[180] The suspension, however, by protecting the Bank from bankruptcy was unquestionably an example of government 'interference' in the workings of the market. As a consequence of this fact it led (as observers such as Smith had predicted) to distortions in the workings of the economy. One of these distortions was intimately tied to the fact that whilst cash payments at the Bank were suspended the limitations that would ordinarily be imposed upon lenders to back their loans with specie could be bypassed.

It was this system, and the power that it gave to those able to benefit from it, that caused grave concerns to those who spoke out against it.

This thesis will now unpack these issues in detail. Whilst a broadly chronological approach is adopted throughout, the multifarious nature of the workings of the funding-system are best explored via a thematic analysis. In this regard each chapter will focus on a different aspect of the funding-system, an approach that allows a clearer picture of the overall workings of the funding-system to be formed.

Chapter 2 will examine objections raised towards the actions and policies of the Bank of England throughout the period of the suspension. These objections focusing primarily on what many contemporaries regarded as a dangerous and unprecedented concentration of financial power in the hands of the Bank's Directors.

Chapter 3 will examine objections raised towards the processes involved in the raising of Britain's war loans. In order to defeat Revolutionary and Napoleonic France the British government required money on an unprecedented scale. One consequence of this circumstance was the government's increased reliance on specialist loan-contractors in order to float their loans on the London money market. The methods used by these contractors were both innovative and novel and caused a great deal of concern to many contemporaries.

Chapter 4 will examine the objections raised towards the unprecedented levels of taxation that the British funding-system necessitated between 1793 and 1821.

Chapter 5 will examine the circumstances surrounding the resumption of cash payments in 1821. In particular, the notion of the government honouring debts raised in a debased paper currency with a considerably more valuable gold-backed currency will be examined. In addition, the decision to drop the Income Tax in 1816 and to meet this shortfall by further borrowing will be explored, as will arguments around the notion of taxation and representation.

Chapter 6 will examine how, following victory over France, the British funding-system was exported to Europe. In addition, the legacy of the national debt will be explored.

Chapter 7 will conclude this study, examining the lasting legacy of the funding-system along with the continued relevance of the objections raised towards it.

[1] For conveniences sake (and anachronistically) when discussing events prior to the Acts of Union of 1800 the term British, as opposed to the contemporary designation of England, will be used throughout the following work. Figures for the national debt are taken from B.R. Mitchell, *British Historical Statistics* (Cambridge, 1988), p. 580, p. 587 & p. 601.

[2] Ibid. p. 580, p. 587 & p. 601.

[3] For increases in inequality see for instance, T.S. Ashton, 'The Standard of Life of the Workers in England 1790-1830', *The Journal of Economic History* Vol. 9 Supplement: The Tasks of Economic History (1949), 19-38 (pp. 22-23). This phenomena is also noted by Hueckel (1973) whose analysis (in contradiction to Ashton's) pointed to a shift of income from labourers and capital owners to landowners. Hueckel is, however, careful not to discount Ashton's findings claiming that income transfers from labourers to 'bond holders' would not have been picked up in his mathematical models. Glenn Hueckel, 'War and the British Economy, 1793-1815 a General Equilibrium Analysis', *Explorations in Economic History* 10:4 (1973), 365-396 (pp. 394-395). Ferguson (2001) also notes this transfer of wealth up the social scale, however, it is framed in a way that also highlight's Cobbett's anti-semitism; 'Cobbett's invective against Jews – so offensive to the modern reader who knows where such talk ultimately led – should not distract us from the underlying validity of his argument about the socially redistributive effects of the national debt.' Niall Ferguson, *The Cash Nexus: Money and Politics in Modern History,* 1700-2000 (London, 2001), pp. 201-202. For increases in taxation Mitchell (1988) notes how total levels of taxation in 1793 stood at £16,929,000. By 1815 total levels of taxation had increased to £75,500,000. Mitchell, *British Historical Statistics,* p. 577 & p. 581.

[4] For a denial of the bankruptcy of the Bank of England see Arthur Redford, *The Economic History of England 1760-1860* (London, 1931), p. 90. Shin (2015) concludes with a rather optimistic appraisal of the situation that (it could be argued) owes little to financial reality, stating how in June 1797 (when the suspension was set to expire) Pitt 'informed the Bank of England of his intention to continue the suspension, even though he knew very well that the Bank's reserves were sufficient for resuming cash payments.' Hiroki Shin, 'Paper Money, The Nation, and the Suspension of Payments in 1797', *The Historical Journal* 58:2 (2015), 415-442 (p. 441). For the Bank's utility towards the British war effort see David Kynaston, *Till Times Last Stand, A History of the Bank of England 1694-2013* (London, 2017), pp. 87-104 & Sir John Clapham, *The Bank of England: A History, Volume II* (Cambridge, 1944), p. 36. Where Clapham notes how the Bank advanced over £46,000,000 to the British government between 1793 and 1815. A different approach is adopted by Hilton (2006) who, after noting how the suspension was (in effect) a declaration of 'national bankruptcy,' observes how the financial storm was 'weathered' and the economy 'invigorated' as the 'British currency was ejected from a fixed parity system by market forces.' Boyd Hilton, *A Mad, Bad, and Dangerous People? England 1783-1846* (Oxford, 2006), pp. 91-92. Curiously, Hilton also notes how the suspension also made it 'harder to raise fresh loans.' A circumstance belied somewhat by the hundreds of millions of pounds added to the national debt as a consequence of loans between 1797 and 1821. Ibid. p. 92. For treatment of the actions of the Bank of England in more general histories of this topic see Roger Knight, *Britain Against Napoleon the Organization of Victory 1793-1815* (London, 2013), p. 87 & pp. 390-392.

[5] The exact amount of money involved in the 2008 'bailout' of the global financial system (due to secrecy and obfuscation) is not known precisely. However, the Federal Reserve increased its asset holdings from $900,000,000 in 2008 to $4,000,000,000,000 in 2018. Source, Federal Reserve Website https://www.federalreserve.gov/monetarypolicy/bst_recenttrends.htm For levels of inequality see a 2019 Oxfam report that noted how the world's riches 26 people owned as much wealth as the bottom 50%. Oxfam International (21 January 2019) Billionaire Fortunes Grew by $2.4 Billion a Day Last Year as Poorest Saw Their Wealth Fall https://www.oxfam.org/en/press-releases/billionaire-fortunes-grew-25-billion-day-last-year-poorest-saw-their-wealth-fall. For increasing levels of inequality a 2018 report commissioned by the House of Commons noted how by 2030 the richest 1% of humanity are on course to increase their share of global wealth from 50% to almost 66%. Reported in The Guardian (7 April 2018) Richest 1% on target to own two-thirds of all wealth by 2030. https://www.theguardian.com/business/2018/apr/07/global-inequality-tipping-point-2030

[6] Silberling (1924) when discussing Paine's *Decline and Fall of the English System of Finance* (1796)

notes how this 'bitter and cynical' tract was 'designed as encouragement… to all disaffected elements.' Silberling also noted how these 'irritating sentiments' did not go unchallenged by 'sober' and 'loyal' businessmen. Silberling opined how such observers having discerned Paine's real intention (revolution), proceeded to point out Paine's 'erroneous inferences.' Norman J. Silberling, 'Financial and Monetary Policy of Great Britain During the Napoleonic Wars', *Quarterly Journal of Economics* 38:3 (1924), 397-439 (pp. 400-401). O'Brien (2006), referring to Paine and Cobbett as 'Prophets of woe' notes 'Before, during and since the French wars, the management of the national debt aroused controversy and criticism. Much consists of ill-informed assertions which often degenerate into political vituperation. Th[ese] can be ignored.' Patrick K. O'Brien, 'Mercantilist Institutions for the Pursuit Of Power with Profit. The Management Of Britain's National Debt, 1756-1815', *London School of Economics* Working Paper No. 95/06 (2006), 1-62 (p. 22 & p.27). More typically, however, the objections raised towards the workings of the funding-system by radical critics are simply ignored by economic historians.

[7] Roberts (2015) notes how Cobbett's influence on the Chartists has often been overlooked or downplayed. Indeed, Roberts notes how, although issues of finance did not receive the prominence they did between 1793 and 1821, the issue of paper-money nevertheless played a not inconsiderable part in the Chartists demands for reform prior to the 1840s. Matthew Roberts *'The Feast of the Gridiron is at Hand': Chartism, Cobbett and Currency* in James Grande & John Stevenson (eds.) *William Cobbett, Romanticism and the Enlightenment: Contexts and Legacy* (London, 2015), pp. 107-112 & pp.118-119.

[8] P.G.M. Dickson, *The Financial Revolution in England: A Study in the Development of Public Credit, 1688-1756* (New York, 1967).

[9] Charles Wilson, *Anglo-Dutch Commerce & Finance in the Eighteenth Century* (Cambridge, 1941). Alice Carter, 'Dutch Foreign Investment, 1738-1800', *Economica New Series* 20:80 (1953), 322-340. For Dickson's comments on the development of his work see Dickson, *The Financial Revolution,* p. xvii.

[10] Dickson, *The Financial Revolution,* chapters 7 & 8.

[11] Dickson, *The Financial Revolution,* chapter 20. The London Stock Exchange as an organized 'formal' entity was not established until 1773. Prior to this stocks were traded in the Royal Exchange and what was dubbed 'Change Alley. C. F. Smith 'The Early History of the London Stock Exchange', *The American Economic Review* 19:2 (1929), 206-216 (p. 206 & pp 208-209). Terms such as stock exchange, stock market and money market were used interchangeably by contemporaries throughout this period.

[12] Dickson, *The Financial Revolution*, p. 457. Liquidity refers to the ease by which claims to ownership of stock, shares, bills of exchange etc. can be transferred between the buyers and sellers of this form of property, or, alternatively, turned into cash if required.

[13] Douglass C. North, *Structure and Change in Economic History* (New York, 1981), p. ix, pp. 17-19 & pp. 20-32.

[14] Ibid. pp. 166-170

[15] Margaret Levi, *Of Rule and Revenue* (London, 1988), pp. 7-8.

[16] Ibid. pp. 198-199.

[17] Douglass C. North & Barry R. Weingast, 'Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England', *The Journal of Economic History* 49:4 (1989), 803-832 (pp. 803-804).

[18] Ibid. pp 815-819.

[19] Bruce G. Carruthers, *City of Capital, Politics and Markets in the English Financial Revolution* (New Jersey, 1999), pp. 7-8.

[20] Neal (2000) notes how following the bursting of the South Sea Bubble a large amount of 99 year irredeemable annuities were converted to liquid, easily transferrable South Sea annuities, a move that greatly increased the amount of tradable assets on the London stock market. Larry Neal, 'How it all began: The monetary and financial architecture of Europe during the first global capital markets, 1648-1815', *Financial History Review* 7 (2000), 117-140 (p. 128).

[21] Ibid. pp. 127-128. Private banks were institutions typically formed by the pooling of financial resources by a consortium of wealthy individuals in order to lend their money for profit typically in the form of private loans and mortgages. Examples include; C. Hoare & Co. (est. 1672), Coutts (est. 1692) and Smith & Payne (est. 1758). Merchant banks, although often originating from similar circumstances, specialized in dealing with matters of government finance and international loans. This line of business was greatly expanded from the 1820 onwards. Examples include; N. M. Rothschild & Sons (est. 1810) and Barings Bank (est. 1762). The dominance of British government debt in the London Stock Exchange can be gleaned from the fact that in 1840 (almost thirty years after Waterloo) almost 90% of the securities traded on the London stock exchange had been issued by the British government. In addition to this, much of the remaining 10% of securities consisted of the stock of organizations that were closely linked to the British government, namely, the East India Company, the Bank of England and the South Sea Company. R.C. Michie, 'The London Stock Exchange and the British Securities Market, 1850-1914', *The Economic History Review New Series* 38:1 (1985), 61-82 (p. 62).

[22] Anne L. Murphy, *The Origins of English Financial Markets Investment and Speculation before the South Sea Bubble* (Cambridge, 2009), p. 58 & p. 136.

[23] Julian Hoppit, 'Attitudes to Credit in Britain, 1680-1790', *The Historical Journal* 33:2 (1990), 305-322 (p. 306).

[24] H. V. Bowen, 'The Pests of Human Society: Stockbrokers, Jobbers and Speculators in mid-eighteenth-century Britain', *History* 78:252 (1993), 38-53 (p. 38 & p. 46). Stock jobbers were involved in the buying and selling of shares in companies such as the Bank of England and the East India Company as well as raising capital for projects on the market. Their practices were viewed with deep suspicion by contemporaries such as Defoe (1697) who noted; 'The forming of public joint-stock… [companies]… begot a new trade, which we call by a new name stock-jobbing which was at first only the simple occasional transferring of interest and shares from one to another… but by the interest of the Exchange brokers… it became a trade… managed with the greatest intrigue, artifice and trick.' Daniel Defoe, *An Essay Upon Projects* (London, 1697), p.29.

[25] Bowen, 'The Pests of Human Society: Stockbrokers, Jobbers and Speculators in mid-eighteenth-century Britain', p. 53.

[26] Carl Wennerlind, *Casualties of Credit, The English Financial Revolution, 1620-1720* (London, 2011), p 3.

[27] Ibid. pp 3-4 & pp. 44-54.

[28] Book II Volume II of Dowell's (1888) four volume study that deals with the period 1688-1815 is subtitled 'Taxation on the Increase.' Dowell notes how taxation increased from £3,244,000 in 1702 to £67,730,668 in 1815. Stephen Dowell, *A History of Taxation and Taxes in England From the Earliest Times to the Year 1885 Volume II, Taxation from the Civil War to the present day* (London, 1888), p. 62 & pp. 257-258. This trend is also noted by Roy Douglas, *Taxation in Britain since 1660* (London, 1999), pp. 18-19 & pp. 42-43 & B. E. V. Sabine, *A Short History of Taxation* (London, 1980), pp. 99-119. For the importance of taxation in general histories of this period see Kenneth O. Morgan, *The Oxford History of Britain* (New York, 1984), p. 404 & David Scott, *Leviathan The Rise of Britain as a World Power* (London, 2013), pp. 248-249. The general direction of Dowell's figures is supported by subsequent scholarship although it appears that he underestimated the levels taxation reached. Mitchell (1988) for instances places taxation at £4,869,000 in 1702 and £77,900,000 in 1815. Mitchell, *British Historical Statistics,* p. 575 & p. 581.

[29] Patrick K O'Brien, 'The Political Economy of British Taxation, 1660-1815', *The Economic History Review New Series* 41:1 (1988), 1-32 (p. 1).

[30] John Brewer, *The Sinews of Power: War, Money and the English State 1688-1783* (London, 1989), p. xvii & p. 137. Anderson (1974) writing from a left-wing perspective also drew attention to this phenomenon. Perry Anderson, *Lineages of the Absolutist State* (London, 1974), pp. 113-116.

[31] Patrick K O'Brien & Peter Mathias, 'Taxation in Britain and France 1715-1810: a comparison of the social and economic incidence of taxes collected for the central governments', *Journal of European Economic History* 5:3 (1976), 601-650 (pp. 633-634).

[32] Ibid. p. 619 & pp. 633-634.

[33] Ibid. pp. 635-636.

[34] Brewer, *The Sinews of Power,* p. 91.

[35] Ibid. p. xi & p. xiv.

[36] Ibid. pp. xiv-xvii & p. 88.

[37] Ibid. p. 88.

[38] O'Brien, 'The Political Economy of British Taxation, 1660-1815', p. 4.

[39] Ibid. pp.17-18.

[40] Patrick K O'Brien, 'Fiscal Exceptionalism: Great Britain and its European Rivals (From Civil War to Triumph at Trafalgar and Waterloo)', *London School of Economics* Working Paper No.65/01 (2001), 1-29 (p. 3).

[41] Ibid. pp. 7-8.

[42] O'Brien, 'The Political Economy of British Taxation, 1660-1815', p. 6.

[43] A. Andreades, *History of the Bank of England 1640-1903,* (London, 1909), p. 204.

[44] O'Brien, 'The Political Economy of British Taxation, 1660-1815', p. 7.

[45] In Britain, unlike France where the wealthy enjoyed many exemptions from taxes, all citizens were subject to taxation, a circumstance that understandably led to an increased perception of fairness. Martin Daunton, *Trusting Leviathan: The Politics of Taxation in Britain, 1799-1914* (Cambridge, 2001), pp. 6-10.

[46] Ibid. pp. 13-16.

[47] Ibid. pp. 18-19.

[48] Ibid. p. 41.

[49] Ibid. p. 5.

[50] O'Brien & Mathias, 'Taxation in Britain and France, 1715-1810 : a comparison of the social and economic incidence of taxes collected for the central governments', p. 636.

[51] Ibid. p. 638.

[52] Mitchell, *British Historical Statistics,* pp. 576-577 & p 581.

[53] Elizabeth W. Gilboy, 'The Cost of Living and Real Wages in Eighteenth Century England', *The Review of Economics and Statistics* 18:3 (1936), 134-143 (p. 137).

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[54] Elizabeth Boody Schumpeter, 'English Prices and Public Finance, 1660-1822', *The Review of Economics and Statistics* 20:1 (1938), 21-37 (p. 21 & pp. 31-32)

[55] Hueckel, 'War and the British Economy, 1793-1815 a General Equilibrium Analysis', p 367. Chambers and Mingay (1966) also note how, 'The effects on prices of the peculiar weather circumstances were abetted by the inflationary consequences of government war finance and the over issue of notes by country banks.' J. D. Chambers & G. E. Mingay *The Agricultural Revolution 1750-1880* (London, 1966), pp. 113-114. Chambers and Mingay are not alone in absolving (or overlooking) the Bank of England's role in facilitating and encouraging this over-issue of notes by country banks.

[56] Hueckel, 'War and the British Economy, 1793-1815 a General Equilibrium Analysis', pp. 394-395.

[57] Ibid. pp. 367-368 & David S. Jacks, 'Foreign wars, domestic markets: England 1793-1815', *European Review of Economic History* 15:2 (2011), 277-311 (p. 278).

[58] In summarizing their discussion of the living standards of workers during the industrial revolution Lindert and Williamson (1983) note that, 'The great majority of… gains [in wages and the overall standard of living] came after I820… The hardships faced by workers at the end of the Industrial Revolution cannot have been nearly as great as those [faced by] their grandparents.' Peter H. Lindert & Jeffrey G. Williamson, 'English Workers' Living Standards during the Industrial Revolution: A New Look', *The Economic History Review New Series* 36:1 (1983), 1-25 (p. 24 & passim).

[59] Stephen Nicholas & Richard H. Steckel, 'Heights and Living Standards of English Workers During the Early Years of Industrialization, 1770-1815', *The Journal of Economic History* 51:4 (1991), 937-957 (p. 937 & pp. 948-949).

[60] Charles H. Feinstein, 'Pessimism Perpetuated: Real Wages and the Standard of Living in Britain during and after the Industrial Revolution', *The Journal of Economic History* 58:3 (1998), 625-658 (pp. 628-629).

[61] Ibid. pp. 629-630.

[62] Although there were earlier precedents for 'state banks,' such as the Bank of Amsterdam (est. 1609) and the Sweedish Riksens Ständers Bank (est. 1668), the actions and responsibilities of the Bank of England were far more influential on subsequent developments. The aims of modern central banking were outlined by Bordo (2007) thus, 'There are three goals of modern [central bank] monetary policy. The first and most important is price stability or stability in the value of money… [achieved via]… a sustained low rate of inflation. The second goal is a stable real economy… [achieved through high employment and sustainable economic growth]… The third goal is financial stability… and the prevention of financial crises. Michael D. Bordo, 'A Brief History of Central Banks', *Federal Reserve Bank of Cleveland* (2007), 1-4 (p. 1).

[63] Frank Whitson Fetter, 'The Politics of the Bullion Report', *Economica New Series* 26:102 (1959), 99-120 (pp. 99-100) & Frank Whitson Fetter, 'The Bullion Report Reexamined', *The Quarterly Journal of Economics* 56:4 (1942), 655-665 (p.656 & passim).

[64] J. K. Horsefield, 'The Duties of a Banker: The Eighteenth Century View', *Economica New Series* 8:29 (1941), 37-51 (p. 37).

[65] Ibid. p. 41 & pp. 50-51.

[66] Fetter, 'The Politics of the Bullion Report', p. 102.

[67] Ibid. pp. 100-101. Jacob H. Hollander, 'The Development of the Theory of Money from Adam Smith to David Ricardo', *The Quarterly Journal of Economics* 25:3 (1911), 429-470.

[68] See for instance Jagjit S Chada & Elisa Newby, 'Midas, transmuting all, into paper: The Bank of England and the Banque de France during the Revolutionary and Napoleonic Wars', *Bank of Finland Research Discussion Paper* No. 20 (2013), 1-58 (p. 3).

[69] The collapse of the Soviet system of government, symbolized by the fall of the Berlin Wall (9 November 1989), gave rise to a mood of liberal-democratic triumphalism epitomized by Fukuyama (1989). Fukuyama noted that, 'In watching the flow of events over the past decade or so, it is hard to avoid the feeling that something very fundamental has happened in world history… An unabashed victory of economic and political liberalism… is evident first of all in a total exhaustion of viable systematic alternatives… What we may be witnessing is…the end point of mankind's ideological evolution.' Francis Fukuyama, 'The End of History?', *The National Interest* 16 (1989), 3-18 (p. 3).

[70] Michael D. Bordo & Eugene N. White, 'A Tale of Two Currencies: British and French Finance During the Napoleonic Wars', *The Journal of Economic History* 51:2 (1991), 303-316 (p. 303).

[71] Ibid. pp. 303-305, p. 312 & p. 316.

[72] Chada & Newby, 'Midas, transmuting all, into paper: The Bank of England and the Banque de France during the Revolutionary and Napoleonic Wars', p. 1 & passim.

[73] Ibid. pp. 2-3.

[74] Ibid. p. 4, pp. 13-14 & pp. 32-33.

[75] Pamfili Antipa & Christophe Chamley, 'Monetary and Fiscal Policy in England during the French Wars (1793-1821)', *Banque De France Working Paper* 627 (2017), 1-40 (p. ii & p. 1). Fiscal policy is typically overseen by the government and deals with issues such as taxation and levels of government expenditure. Monetary policy is typically overseen by a central bank and deals with issues such as the amount of money in the economy and the level of interest rates.

[76] Antipa & Chamley, 'Monetary and Fiscal Policy in England during the French Wars (1793-1821)', pp. 18-21.

[77] Ibid p. 2. Wallace's (1981) thesis was highly technical and involved the 'Modigliani-Miller' theorem in an attempt to demonstrate the 'irrelevance proposition.' This proposition claimed (to simplify somewhat) that the allocation of consumption and the 'path' of the price level are independent of the 'path' of the government's portfolio. Neal Wallace, 'A Modigliani-Miller Theorem of Open-Market Operations', *The American Economic Review* 71:3 (1981), 267-274 (p. 267 & passim).

[78] Patrick K. O'Brien & Nuno Palma, 'Danger to the Old Lady of Threadneedle Street? The Bank Restriction Act and the Regime Shift to Paper Money, 1797-1821', *CGR Working Paper* 67 (2016), 1-47 (pp. 4-14 & pp. 16-18).

[79] Chada & Newby, 'Midas, transmuting all, into paper: The Bank of England and the Banque de France during the Revolutionary and Napoleonic Wars', p. 4, pp. 13-14 & p. 33. In contrast to the closer relationship described above other are keen to stress the independence of the Bank form the government, see for instance, O'Brien & Palma, 'Danger to the Old Lady of Threadneedle Street? The Bank Restriction Act and the Regime Shift to Paper Money, 1797-1821', pp. 21-22 & p. 33.

[80] Shin, 'Paper Money, The Nation, and the Suspension of Payments in 1797', pp. 415-416.

[81] Ibid. p. 417.

[82] Ibid. pp. 423-424 & pp. 427-428.

[83] Ibid. pp. 419-420, p. 424, p. 440 & p. 442. Eric Helleiner, *The Making of National Money: Territorial Currencies in Historical Perspective* (New York, 2003). Mathew Rowlinson, *Real Money and Romanticism* (Cambridge, 2010).

[84] O'Brien & Palma, 'Danger to the Old Lady of Threadneedle Street? The Bank Restriction Act and the Regime Shift to Paper Money, 1797-1821' pp. 2-3.

[85] See for instance, Hiroko Goto, 'Political Economy in Late Eighteenth-Century British Radicalism: A Re-Examination of the Analytical Categories', *The Kyoto Economic Review* 80:1 (2011), 41-69 (pp. 42-43 & passim).

[86] Bernard Baylin, *The Ideological Origins of the American Revolution* (Cambridge, Mass. 1967). Gordon Wood, *The Creation of the American Republic, 1776-1787* (North Carolina, 1969).

[87] As Pocock (1981) explained, 'The history of political thought can better be written if we focus our attention on the acts of articulation and conceptualization performed by thinkers as agents in the world of speech… the study of a specific thinker may focus upon establishing the particular language or languages in which he wrote, as a prelude to discovering what he actually said, intended, or conveyed.' J. G. A. Pocock, 'The Machiavellian Moment Revisited: A Study in History and Ideology', *The Journal of Modern History* 53:1 (1981), 49-72 (pp. 50-51). See also J. G. A. Pocock *The Machiavellian Moment, Florentine Political Thought and the Atlantic Republican Tradition* (New Jersey, 1975), pp. 3-4.

[88] Pocock, *The Machiavellian Moment,* p. 446 & p. 449. This point was also stressed by Joyce Appleby, 'Republicanism and Ideology', *American Quarterly* 37:4 (1985), 461-473 (p. 466).

[89] Pocock, *The Machiavellian Moment,* p. 424.

[90] For the financial revolution see Ibid. pp. 426-427 & p. 439. For American Revolution see Ibid. p. 527 & pp. 548-549. Niccolò Machiavelli (1469- 1527) was a Florentine diplomat, philosopher and writer whose *Discourses on Livy* (1517) had a great influence on subsequent republican ideas. James Harrington (1611-1677) was an English republican who described an utopian republican state in his *The Commonwealth of Oceana* (1656).

[91] Joyce Appleby, 'Liberalism and the American Revolution', *The New England Quarterly* 49:1 (1976), 3-26 (p. 4).

[92] Ibid. pp. 5-6.

[93] Isaac Kramnick, 'Republican Revisionism Revisited', *The American Historical Review* 87:3 (1982), 629-664 (pp. 629-630).

[94] Ibid. p. 643.

[95] Ibid. p. 662.

[96] Ibid. p. 638 & p. 660.

[97] Although there had been earlier attempts to document the lives of the 'lower orders,' such as A. L. Morton, *People's History of England* (London, 1938), Thompson's influence is generally regarded as having had a profound influence on subsequent developments.

[98] 'Too much emphasis upon the newness of cotton-mills can lead to an underestimation of the continuity of political and cultural traditions in the making of working class communities… In many towns the actual nucleus from which the labour movement derived ideas… [was not]… heavy industr[y]… but… the host of smaller trades and occupations.' E. P. Thompson, *The Making of the English Working Class* (London, 1963), pp. 211-212.

[99] Ibid. pp. 8-9.

[100] Ibid. p. 12. Although Thompson did not invent the phrase 'history from below' his 1966 essay for the Times Literary Supplement *History From Below* is regarded as being the first modern us of the term. As well as inspiring (and being inspired by) historians such as Christopher Hill, *The World Turned Upside Down: Radical Ideas During the English Revolution* (London, 1987) and Eric Hobsbawm, *Industry and Empire: From 1750 to the Present Day* (Bungay, 1968), Thompson's focus on 'history from below' was also influential on the formation of the 'History Workshops' held at

Ruskin College between 1967 and 1994. For details of the 'History Workshops' see https://www.historyworkshop.org.uk/the-history-workshop-archives-an-introduction/

101 As Namier (1929) explained, 'Men went… [to Parliament]… to 'make a figure,' and no more dreamt of a seat in the House in order to benefit humanity than a child dreams of a birthday cake that others may eat… The seat in the House was not their ultimate goal but a means to ulterior aims.' Sir Lewis Namier, *The Structure of Politics at the Accession of George III* (London, 1929), p. 2. See also chapter 1 'Why Men Went into Parliament.'

102 H. T. Dickinson, *Liberty and Property Political Ideology in Eighteenth Century Britain* (London, 1977), pp. 1-2.

103 Ibid. pp. 240-241.

104 J. Ann Hone, *For the Cause of Truth, Radicalism in London 1796-1821* (Oxford, 1982), pp. 2-3.

105 Ibid. pp. 3-5.

106 David Nicholls, 'The English Middle Class and the Ideological Significance of Radicalism, 1760-1886', *Journal of British Studies* 24:4 (1985), 415-433 (pp. 415-416).

107 Ibid. p. 417, p. 430 & pp. 432-433.

108 Ibid. pp. 416-417.

109 John Belcham, *Popular Radicalism in Nineteenth-Century Britain* (London, 1996), pp. 3-5.

110 James A. Epstein, *Radical Expression, Political Language, Ritual and Symbol in England, 1790-1850* (Oxford, 1994), Preface and pp. 29-34.

111 Ibid. pp. 31-32 & chapter 2 passim. Wooler stood trial in 1817 on two counts of libel. He conducted his own defense in an impressive manner and despite being found guilty of one charge was eventually acquitted. Ibid. pp. 40-54.

112 Ibid. pp. 31-32 & chapter 2 passim.

113 John W. Osborne, *William Cobbett: his thought and his times* (New York, 1966), pp. ix-x.

114 Ibid. pp. 131-132.

115 Ibid. p. 142.

116 John Derry, (ed.) *Cobbett's England A selection from the writings of William Cobbett* (London, 1968), pp. 9-10.

117 Ian Dyck, 'From "Rabble" to "Chopsticks": The Radicalism of William Cobbett', *Albion: A Quarterly Journal Concerned with British Studies* 21:1 (1989), 56-87 (p. 71).

118 Ian Dyck, 'William Cobbett and the Rural Radical Platform', *Social History* 18:2 (1993), 185-204 (p. 204).

119 Kevin Gilmartin, '"This Is Very Material": William Cobbett and the Rhetoric of Radical Opposition', *Studies in Romanticism* 34:1 (1995), 81-101 (p. 98).

120 Raymond Williams, *Cobbett* (London, 1983), p. 64.

121 Lionel Basney, 'How the Matter stood: Cobbett's Moral and Political Ecology', *The Sewanee Review* 101:3 (1993), 354-374 (p. 370).

122 Craig Calhoun, *Beyond left and Right: A Cobbett for Our Times* in Grande & Stevenson (eds.) *William Cobbett, Romanticism and the Enlightenment,* pp. 157-158 & passim.

[123] Alfred Owen Aldridge, *Man of Reason The Life of Thomas Paine* (New York, 1959), pp. 241-242.

[124] George Spater, *European Revolutionary,1789-1809* in Ian Dyck, (ed.) *Citizen of the World Essays on Thomas Paine* (New York, 1988), p. 62.

[125] Jack Fruchtman, *The Political philosophy of Thomas Paine* (Baltimore, 2009), pp. 118-119.

[126] Audrey Williamson, *Thomas Paine His Life, Work and Times* (London, 1973), pp. 241-242.

[127] W. E. Woodward, *Tom Paine: America's Godfather 1737-1809* (London, 1946), pp. 327-328.

[128] Gregory Claeys, *Thomas Paine Social and Political Thought* (London, 1989), p. 86 & p. 108 (fn. 27)

[129] David A. Wilson, *Paine and Cobbett The Transatlantic Connection* (Canada, 1988), pp. 154-156 & p. 188.

[130] Iain McCalman, *Radical Underworld Prophets, Revolutionaries and Pornographers in London 1795-1840* (Cambridge, 1988), p. 101.

[131] In addition to the epithet Old Corruption Cobbett also referred to the British government and funding-system as 'The Pitt System' and 'The Thing.'

[132] W. D. Rubinstein, 'The End of "Old Corruption" in Britain 1780-1860', *Past & Present* 101 (1983), 55-86 (p. 55).

[133] E. P. Thompson, 'The Peculiarities of the English', *The Socialist Register* (1965), 311-362 (p. 321).

[134] Ibid. p. 318.

[135] Rubinstein, 'The End of "Old Corruption" in Britain 1780-1860', p. 55.

[136] Ibid. p. 60.

[137] Ibid. pp. 78-79. & pp. 80-83.

[138] Philip Harling & Peter Mandler 'From "Fiscal-Military" State to Laissez-Faire state, 1760-1850', *Journal of British Studies* 31:1 (1993), 44-70. Peter J. Jupp, 'The Landed Elite and Political Authority in Britain, ca. 1760-1850', *Journal of British Studies* 29:1 (1990), 53-79 (pp. 58-61 & pp. 63-65).

[139] Harling & Mandler, 'From "Fiscal-Military" State to Laissez-Faire state, 1760-1850', p. 53 & p. 60.

[140] Ibid. p. 69.

[141] Philip Harling, 'Rethinking "Old Corruption"', *Past & Present* 147 (1995), 127-158 (pp. 134-135, p. 142 & p. 144). John Wade (1788-1875) was the author of *The Black Book, or Corruption Unmasked! Being an Account of Persons, Places, and Sinecures, the Revenues of the Clergy and Landed Aristocracy; The Salaries and Emoluments in Courts of Justice and the Police Department; the Expenditure of the Civil List; the amount and applocation of the Droits of the Crown and Admiralty; The Robbery of Charitable Foundations; The Profits of the Bank of England, arising from the Issue of its Notes, Balances of Public Money, Management of the Borough Debt, and other Sources of Emolument; The debt, revenue and Influence of the East-india Company; The State of the Finances, Debt and Sinking-Fund. To which is added, Correct Lists of both Houses of Parliament; showing their Family Connections, Parliamentary Influence, the Places and Pensions held by themselves or Relations; distinguishing also those who voted against Catholic Emancipation, and for the Seditious Meeting and Press-Restriction Bills: the whole forming a complete Exposition of the Cost, Influence, Patronage and Corruption of the Borough Government* (London, 1820). This work aimed to highlight, in a statistical manner, the scope (and expense) of government sinecures and pensions to the British public.

[142] Harling, 'Rethinking "Old Corruption"', p. 132.

[143] Ibid. pp. 142-143 & Rubinstein, 'The End of "Old Corruption" in Britain 1780-1860', pp. 62-63.

[144] A. Andreades, *History of the Bank of England 1640-1903* (London, 1909), p. 65.

[145] Ibid*,* p. 80.

[146] The novelty of this situation was noted by the economist H. D. Macleod who questioned the wisdom of basing the security of Bank of England notes and loans not on bullion, specie or land but on the amount of government debt that the Bank held. As Macleod (1866) explained, 'If for every debt the government incurs an equal amount of money is to be created, why, here we have the philosopher's stone at once… The principle involved in this plan of issuing notes upon the security of the public debts… is this… *That the way to CREATE money is for the government to BORROW money. That is to say, A lends to B money on mortgage, and on the security of the mortgage, A is allowed to create an equal amount of money to what he has already lent!!* [emphasis in original] H. D. Macleod, *The Theory and Practice of Banking Volume II* (London, 1866), p. 544. It is interesting to contrast MacLeod's appraisal of this situation with later observers who appear far more phlegmatic regarding these circumstances. See for instance, Kynaston, *Till Time's Last Stand,* chapter 1.

[147] William Patterson, *Brief Account of the Intended Bank of England* (London, 1694), p. 12.

[148] Ibid. p. 12.

[149] Data accessed from the Bank of England's website. https://www.bankofengland.co.uk/statistics/research-datasets

[150] Patterson, *Brief Account of the Intended Bank of England,* p. 12 & passim, Sir John Clapham, *The Bank of England: A History, Volume I* (Cambridge, 1944), p. 18, p. 20 & p. 24. & Richard Roberts & David Kynaston (eds.), *The Bank of England: Money, Power and Influence 1694-1994* (Oxford, 1995), pp. 12-13.

[151] Andreades, *History of the Bank of England 1640-1903,* p. 81.

[152] In 1696, only two years after its establishment, the Bank of England found itself unable to fully 'cash' the notes it had issued. This over-issue meant that the Bank of England faced a 'run' on its notes, as depositors demanded hard cash (gold) for the notes they held. In response to this run the Bank was obliged to limit its cash payments to 3% of the amounts it was liable for. Even more surprisingly, when faced with this run and the necessity of having to call in more funds in order to support its operations, 40% (or £480,000) of the original £1,200,000 loan from the Bank of England to the government had yet to be paid up in specie. Clapham, *The Bank of England: A History, Volume I,* pp. 36-37 & p. 43 & Andreades, *History of the Bank of England 1640-1903,* p. 108.

[153] Bank of England Act 1694 (5 & 6 Will. & Mar. c. 20) & The Charter of the Corporation of the Governor and Company of the Bank of England (27 July 1694).

[154] Clapham, *The Bank of England: A History, Volume I,* p. 65. & Kynaston, *Till Time's Last Stand*, pp. 17-18 & p. 41.

[155] Un-funded or 'floating' debt was typically short-term government borrowing that did not have specific duties earmarked towards their redemption. In times of conflict such expenditure naturally increased precipitously.

[156] Andreades, *History of the Bank of England 1640-1903,* pp. 190-191.

[157] Ibid. p. 191.

[158] R.G. Hawtrey, 'The Bank Restriction of 1797', *The Economic Journal* 28:109 (1918), 52-65 (p. 57).

[159] Ibid. pp. 58-59.

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[160] Karl F. Helleiner, *The Imperial Loans: A Study in Financial and Diplomatic History* (Oxford, 1965), pp. 35-36.

[161] Mercenary armies would not fight for paper-money they needed payment in 'hard' money, typically gold or silver coin.

[162] Helleiner, *The Imperial Loans,* p. 24 & p. 36.

[163] Albert Edgar Feaveryear, *The Pound Sterling: A History of English Money* (Oxford, 1931), pp. 181-182.

[164] Discounting involved the Bank giving cash (or more typically their own notes) for commercial bills. These bills typically had a redemption date when they would 'mature.' If the holder of these bills wanted ready money before this date they could cash it at the Bank. The 'discount rate' was the percentage charged by the Bank for this vital service; if the discount rate was 5% and a bill for £100 was cashed the merchant cashing this bill would receive £95.

[165] Feaveryear, *The Pound Sterling,* pp. 179-180.

[166] Andreades, *History of the Bank of England 1640-1903,* p. 197.

[167] E. L. Hargreaves, *The National Debt* (London, 1930), pp. 22-23.

[168] Ibid. p. 40, p. 44 & p. 46.

[169] Dr. Price's support for the American Revolution was laid out in his *Observations on the Nature of Civil Liberty, the Principles of Government, and the Justice and Policy of the War with America. To which is added, an Appendix and Postcript, containing, a State of the National Debt, an Estimate of the Money drawn from the Public by the Taxes, and an Account of the National Income and Expenditure since the last War* (1776). Dr. Price's sermon *A Discourse on the Love of Our Country, delivered on Nov. 4, 1789, at the meeting-house in the Old Jewry, to the Society for Commemorating the Revolution in Great Britain. With an Appendix, containing the report of the committee of the society, an account of the population of France; and the Declaration of Rights by the National Assembly of France* (1789) intended to mark the 101st Anniversary of the Glorious Revolution, voiced support for both the American and French Revolutions. Burke's *Reflections on the Revolution in France* (1790) were intended (in part) as a rebuttal of Dr. Price's writings.

[170] Richard Price (1723-1791), Oxford Dictionary of National Biography (ODNB). D. O. Thomas.

[171] For a discussion of Pitt's reforms and use of the sinking-fund see Richard Cooper, 'William Pitt, Taxation, and the Needs of War', *Journal of British Studies* 22:1 (1982), 94-103 (passim).

[172] Dr. Richard Price, *An Appeal to the Public on the Subject of the National Debt* (London, 1772), p. 15.

[173] Hargreaves, *The National Debt*, pp. 103-104 & pp. 106-107.

[174] For the Rothschild loans see Niall Ferguson, The First "Eurobonds" The Rothschilds and the Financing of the Holy Alliance, 1818-1822 in William N. Goetzmann & K. Geert Rouwenhorst (eds.) *The Origins of Value the Financial Innovations that Created Modern Capital Markets* (Oxford, 2005), pp. 318-319. For the assurance the sinking fund offered to investors see Hargreaves, *The National Debt*, pp. 103-104.

[175] For instance, Bullion Committee chairman Henry Thornton (1802) stated, 'The great maxim to be laid down on the subject of paper credit… [is]… that gold coin is to be viewed chiefly as a standard by which all bills and paper money should have their value regulated as exactly as possible.' Henry Thornton, *An Enquiry into the Nature and Effects of the Paper Credit of Great Britain* (London, 1802), p. 70. Half a century later economic historian H. D. Macleod (1866) echoed this attitude stating, 'The fundamental Principle of this work is that Specie is the sole true basis of Credit, and that all Credit

must be created redeemable in Specie.' H.D. Macleod, *The Theory and Practice of Banking Volume II* (London, 1866), p. xv

176 The method of raising money in this fashion was also discussed by Bullion Committee chairman Henry Thornton (1802) thus, 'A, being in want of [£]100, requests B to accept a note or bill drawn at two months, which B, therefore, on the face of it, is bound to pay; it is understood, however, that A will take care either to discharge the bill himself, or to furnish B with the means of paying it. A obtains ready money for the bill on the joint credit of the two parties. A fulfils his promise of paying it when due, and thus concludes the transaction. This service rendered by B to A is, however… [reciprocated]…by a similar acceptance of a bill on A, drawn and discounted for B's convenience.' Thornton then proceeds to explain how this system of reciprocal credit can multiply as these bills (fictitious and real) are traded and swapped between merchants. 'Suppose that A sells one hundred pounds worth of goods to B at six months credit, and takes a bill at six months for it; and that B, within a month after, sells the same goods, at a like credit, to C, taking a like bill; and again, that C, after another month, sells them to D, taking a like bill, and so on. There may then, at the end of six months, be six bills of [£]100 each existing at the same time; and everyone of these may possibly have been discounted. Of all these bills, then, one only represents any actual property.' Crucially, Thornton notes how, 'To determine what bills are fictitious, or bills of accommodation, and what are real, is often a point of difficulty. Even the drawers and remitters themselves frequently either do not know, or do not take the trouble to reflect.' Thornton, *An Enquiry,* p. 29, pp. 30-31 & pp. 35-36.

177 Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* [1776] (São Paulo, 2007), p. 243.

178 Victor E. Morgan & W.A. Thomas, *The Stock Exchange its History and Functions* (London, 1962), pp. 45-46.

179 Dickson, *The Financial Revolution in England,* p. 77.

180 Michel Foucault, *The Birth of Biopolitics, Lectures at the Collège de France 1978-1979* (New York, 2010), pp. 27-47, p. 61, p. 67 & p. 121.

Chapter 2

The Bank of England and the Suspension of Payments

The Bank of England, following its establishment in 1694, had been at the heart of the financial revolution. Despite the undoubted success of this arrangement there were many contemporaries who viewed the power, prestige and influence that the Bank had accrued throughout the eighteenth century with suspicion. These suspicions increased considerably when the Bank switched to a fiat money system following the ‘suspension’ of payments in February 1797.

One of the most vocal critics of the Bank in the late eighteenth century was Thomas Paine. Paine, although primarily remembered as the author of the highly influential revolutionary tracts *Common Sense* (1776) and *The Rights of Man, Part II* (1792) also took a keen interest in economic matters. Written in a clear and concise fashion, Paine’s works on economics (in common with his political works) aimed to educate and inform his readers on issues that were often shrouded in perplexing and obscure terminology.[1] Paine’s interest in economics received their fullest exposition in *Agrarian Justice...* (1797) and *The Decline and Fall of the English System of Finance* (1796). The latter work in particular attempted to outline the intimate connection that existed between the Bank and the British government and contained prescient warnings regarding the potential dangers that this relationship posed.

Paine (1796) was keen to point out to his readers the ‘curious’ workings that he perceived in the ‘modern complicated machine’ that formed the British funding-system; a system that would later be dubbed the financial revolution. Crucially, in Paine’s opinion, it was only towards the end of the eighteenth century that the fundamental contradictions that lay at the heart of the funding-system were at last coming to the fore. Paine began his critique by noting how the funding-system had been established in the 1690s with the intention of raising revenues for the British government via the use of loans.[2] The undeniable success that this system enjoyed had seen its workings increase in both size and scope; a situation that Paine regarded as having led to a great many distortions of both an economic and political nature. These distortions were primarily due to the symbiotic relationship that the funding-system had fostered between the British government and the Bank. By 1796 the most obvious distortion that this relationship had led to was a dangerous over-issue of paper-money.[3] This circumstance was dangerous because Paine (in common with almost all of his contemporaries), whilst recognizing the convenience that paper-money brought to trade and commerce, thought that paper could only function as money in this fashion if it was fully backed by tangible assets.[4] Paine was keen to emphasize the inherent risk that such an over-issue of notes posed to the funding-system. The primary danger, latent in this situation, lay in the fact that should people begin to become wary of accepting Bank of England notes in lieu of gold and silver they would present these notes at the Bank to be cashed. Should this circumstance occur, it would soon become apparent that there were insufficient funds in the Bank's vaults to meet such demands. Once this had occurred, Paine surmised, 'the truth or delusion of the funding system will… be proved.'[5]

Despite the undoubted success that the financial revolution had given to Britain, Paine regarded the much-vaunted strength of the funding-system as being largely illusory, based on 'delusion and fraud' and destined for imminent collapse. In order to highlight this argument Paine cut straight to the heart of the matter, noting how the entire funding-system of four hundred million pounds rested upon little more than one million pounds of gold held in the Bank's vaults. The reason for the Bank's 'imminent collapse' was, therefore, simple 'there is not enough money in the Bank to pay the[ir] notes… were the[ir] creditors to demand payment in cash.[6]

Interestingly, despite his suspicions regarding the workings of the Bank of England and the British government, Paine was not against the idea of 'national banks' *per se.* His concerns, instead, focused on the distortions to both commerce and politics that occurred when financial and political forces *combined* in a symbiotic relationship. A relationship that could potentially monopolize trade and corrupt the otherwise 'free' workings of government.[7] To Paine, the means of such distortions were simple; the ability of a state-supported bank to issue paper-money that was not backed by tangible assets. Paine had earlier outlined his ideas on the usefulness (and dangers) of banks to wider society in his *Dissertations on Government*… (1786). In this pamphlet Paine voiced his support for the Bank of North America (BNA), an institution founded in Pennsylvania in 1781, whose aim had been to lend support to America's beleaguered finances during the War of Independence (1775-1783). By 1785 a bitter dispute had broken out regarding the renewal of the BNA's charter and the convertibility of its note issue into specie. Paine had deposited some of his own money in the BNA and was keen to highlight to his readers what he considered to be the benefits offered by the BNA, whilst also elucidating the dangers of an excessive issue of paper-money.[8]

Foremost in Paine's mind were two fundamental issues; that the BNA should be independent of the government and that its note issue should be fully backed by specie or tangible goods. In emphasizing these issues Paine was keen to contrast the freedom and liberty that observing these dictums would bring to America with the corruption and slavery that the neglect of these issues had led to in Britain.[9] Paine regarded it as tantamount to treason to suggest that the BNA should be in any way dependent on the government, an idea that some of his opponents appeared to be suggesting. Paine admonished these people for having forgotten the principles of both the Constitution and republican government, stating that 'freedom is destroyed by dependence and the safety of the state endangered thereby.' Paine's concerns were premised on the notion that such dependence would allow whoever happened to hold governmental power to exercise command over financial institutions, a circumstance that increased the potential for undue 'influence.'[10] Objections of this nature had a long pedigree and reached back to the origins of the financial revolution itself in the 1690s. Indeed, the objections of Tory (Country) critics of the newly established Whig government were premised on fears that the ever-increasing amounts of money that the financial revolution had made available to the government were corrupting the delicate workings of the British constitution.[11] In order to highlight his point Paine pointed to the situation in Britain, where, he claimed, the British government held 'authority and influence' over various corporations and institutions. Echoing the fears raised by Tory critics over a century earlier, Paine claimed that such dependence on the government was the means by which the 'equality of freedom, which is the bulwark of the republic and the Constitution,' could be destroyed.[12]

The issue of paper-money was also addressed by Paine and, whilst acknowledging the obvious benefits to trade and commerce that paper-money offered, he was keen to emphasize one thing above all else; '*money is money and paper is paper.*' [emphasis in original] This point was crucial to Paine's conception of money and, in his opinion, 'all the invention of man could not make this fact otherwise.'[13] Once again with an eye towards Britain Paine outlined what he considered to be the numerous evils that un-backed paper-money had unleashed. As paper-money had no real value in its own right any value it did possess depended almost entirely upon 'accident, caprice and party.'[14] The uncertainty inherent in this circumstance led to the need for 'continual invention' by those who were interested in either raising or lowering the value of paper-money for their own benefit; actions that 'turn[ed] the whole country into stock jobbers… [whilst]… destroy[ing] the[ir] morals.' More troubling to Paine was the fact that, as a consequence of this instability and inherent lack of value, the evils of paper-money could have 'no end.' As a result, new and ever more deceitful schemes were constantly needed, schemes that Paine warned placed 'justice on the rack' and would eventually 'dissolve… the bonds of society.'[15] In support of this conjecture Paine pointed towards the British funding-system. To Paine, the symbiotic relationship between the Bank and the British government epitomized the corruption, distortions and deceit that lay at the heart of a system based upon interdependence and an over reliance on paper-money.[16]

By 1796 Paine believed that this system was on the verge of collapse. Of particular interest is Paine's observation that the paradoxical workings of this credit-based finding-system meant that its collapse would not necessarily be apparent to observers unfamiliar with its workings until it was too late. Its 'decline' would not follow the course of nature, where 'age cannot counterfeit youth, nor conceal the departure of juvenile abilities.' Due to the subterfuge and deception that lay at its heart Paine warned that, despite that fact that 'all the approaches to bankruptcy' were present, such circumstances could be artfully 'concealed by appearances.'[17] The 'death of credit' (and with it the British funding-system) in bankruptcy, Paine argued, would take a different path.[18]

Less than a year after Paine penned this warning the British government had passed The Bank Restriction Act (37 Geo. III. c. 45), a law that relinquished the Bank from the necessity of giving cash (gold) for its notes. The Bank of England, technically bankrupt and unable to meet its outstanding financial obligations, had been obliged to 'suspend' cash payments. Paine's observations had proved correct, the Bank's decimated resources could no longer honour its note issue in gold.

The Suspension of Payments

The background to the suspension of payments at the Bank on 27 February 1797 has been outlined above. The shock felt by contemporaries when it was announced that the Bank of England, the most powerful bank in Britain and the undisputed core of London's financial system, would no longer give gold for its notes was profound.

Unsurprisingly, given this circumstance, objections to and warnings regarding the suspension of payments were voiced immediately upon its announcement. Charles James Fox, a Whig MP and inveterate rival of Pitt's, speaking in Parliament (28 February 1797) made several interesting observations regarding the dangers of the British public offering to guarantee the solvency of the, privately owned, Bank. Fox, having recovered from the initial shock of the suspension, viewed with trepidation both the causes of the 'extraordinary situation' and, just as importantly, 'the effects likely to result from it.' The reason for Fox's concern was simple and focused on the notion that public backing of the credit of private individuals, while having some advantages, namely the staving off of a dangerous financial crisis, would in the long run contain potentially ruinous consequences. Fox, bearing such fears in mind, warned that the suspension was 'most pernicious in its principle and… most dangerous in its consequences.'[19] Fox's fears were premised upon the notion (also voiced by Paine above) that by granting a public guarantee to private credit arrangements the suspension would lead to a dangerous intermingling of political and financial power. The convergence of opinion between Paine and Fox on this matter revealing just how widespread such views were across the political spectrum throughout this period. Fox feared that the suspension would jeopardize the basis of the British Constitution, as it would concentrate immense financial power into the hands of Pitt. In an attempt to forestall such a development Fox called for a comprehensive inquiry into the causes of the suspension; an inquiry that he felt would highlight Pitt's mishandling of financial matters, in particular the controversial 'Austrian Loan' of 1794.[20] If such an inquiry was not forthcoming Fox stated that Parliament should candidly declare to the country that financial matters were now beyond their cognizance and that control over government finances had been placed into the hands of Pitt and his favourites.[21] Fox's warnings went unheeded, and despite the fact that he exaggerated Pitt's personal role in the post-suspension financial world, his warnings that the suspension would lead to unaccountable (and unprecedented) concentrations of fiscal power were well founded.

The scale with which the Bank would subsequently issue paper-money, under *de jure* government protection, was a circumstance that few who were discussing the suspension in 1797 could even imagine, let alone approve of. Indeed, all of the participants in the parliamentary debates held to discuss the implementation of the suspension were unanimous in their agreement (in common with Paine and Fox above) that the entire concept of paper-money (and the financial operations that were built upon it) were predicated upon the fact that paper-money could only function as a means of exchange if it was backed by tangible assets.[22] Fox, aware of the many dangers that the suspension portended, proposed that control over the money supply by Parliament, as opposed to a closed group, namely Pitt and the Directors of the

Bank, would be preferable stating, ‘it has been found that wherever a power of this nature has been confided to… a large body of men, it has presented fewer instances of abuse, than in those situations where the reverse has been the case.’[23]

Temporary Suspension

As has already been noted, to observers from the late eighteenth century the concentration of fiscal power latent in the suspension could only be deemed acceptable if it was of a temporary nature. Indeed, Pitt, when defending the suspension in Parliament was explicit that the suspension was a temporary measure and was similarly unequivocal on the point that the suspension would be in place only for a fixed and limited amount of time.[24] Pitt’s assurances did not appease everyone. The satirist, playwright and Whig MP Richard Brinsley Sheridan feared that if the circumstance of issuing un-backed paper-money was accepted in this instance such measures, far from being of a temporary nature would, of necessity, become a far more common occurrence. Whilst articulating such concerns Sheridan questioned the logic that viewed the solution to a crisis brought about by an over-issue of paper-money was to *increase* the amount of paper-money in circulation. Sheridan’s point was simple; if the Bank could not meet its current obligations in cash in February 1797 how could it hope to meet its future obligations following further issuances of paper-money?[25] Sheridan was not alone in raising such concerns. Sir William Pulteney, one of the richest men in Britain and an independent MP, also remained unconvinced and feared for the consequences if the suspension were to become a ‘permanent system.’ Having stated that it was ‘impossible’ to think of the suspension as a ‘measure to be continued’ Pulteney noted how ‘there was a great difference between the measure itself and the continuance of it.’ Having agreed with Fox that there needed to be a full enquiry into the circumstances that had led to the suspension

Pulteney warned that the 'measure of refusing payments in cash must be for a short time, or the consequences would be fatal.'[26] The 'fatal' consequences Pulteney was referring to was a destruction of the currency (and with it 'public credit') brought about by an over-issue of paper-money. The fears expressed by Sheridan and Pulteney regarding the dangers of an over-issue of paper-money were not held in vain, as the collapse of John Law's Banque Générale in 1720, along with the more recent *Assignat* débâcle in France had clearly demonstrated.[27]

Moments of national crisis, such as that faced by Britain in 1797 when it was feared that Napoleon was ready to launch a full scale invasion of Britain, often lead to confusion and a tendency for contemporaries to misread situations. In this regard the suspension was no exception and there were two misconceptions present at its inception that were to prove highly influential as it continued. The first of these was that the suspension was being 'forced' on the Bank and that the Bank was not only willing but was keen to get back to cash payments at the earliest possible opportunity.[28] This argument was made regularly throughout the suspension and whilst, initially, it appeared plausible, after over twenty years of issuing unprecedented amounts of paper-money it could never conceivably back with specie, the specious nature of this line of argument became increasingly tenuous.[29]

The second misconception (intimately linked to the first) regarded who it was that was actually bankrupt – was it the Bank or the government? Confusion among contemporaries regarding this circumstance was understandable. As Paine had noted previously, even prior to the suspension there existed an intimate and symbiotic connection between the Bank and the British government. Whilst many MPs were fearful of the concentrations of fiscal power that the suspension would create such fears were typically directed towards the belief that the government would take over the Bank, bleeding it dry for their own bellicose needs.[30] As the suspension was discussed in Parliament many observers placed blame for the suspension squarely at the feet of the government. Sheridan feared that the suspension had been 'inflicted' upon the Bank and called for the Bank's Directors to come forward and show the country that they had only 'adopted the measure from compulsion.'[31] Mr. W. Smith was similarly emphatic in his condemnation of the compulsory and unjust nature of a partnership that had witnessed 'an insolvent government… requir[ing] a solvent company to bolster up its ruined finances.'[32] Such a reading of the situation was entirely understandable as statements in Parliament on behalf of the Bank, by MPs such as Henry Thornton (an independent MP who was also a Director of the Bank), were keen to emphasize the cheerful spirit with which the Bank would welcome any inquiry into its financial position.[33] Pitt too was unequivocal in his statements regarding the Bank's fiscal position, stating in Parliament, '[I have] no difficulty in declaring it to be [my] firm opinion, that not the smallest suspicion could justly be entertained of the solidity of the Bank; on the contrary, [I] believed that its resources never were more abundant.'[34]

The reality of the situation could not have been further from the truth. The Bank's resources, far from being in a 'flourishing' position, were almost at their nadir.[35]

Unsurprisingly, having been systematically misled by Pitt and the Directors of the Bank as to the nature and cause of the crisis, many MPs fundamentally misunderstood and failed to comprehend the nature of the power that the suspension would bring and who would wield it. This circumstance was precisely what Fox feared when he warned over the dangers of allowing a small group of financiers (along with elements of the government) to exercise control of the money supply at their discretion.

Four years into the suspension this paradoxical situation, namely that government protection from bankruptcy had led a vast extension of credit, the funding of immense government loans and ever-greater concentrations of (unaccountable) wealth and power, was noted by William Morgan. Morgan was the nephew of Dr. Richard Price, whose ideas regarding the benefits of a sinking-fund to British finances had a significant impact on British financial policy post-1786.[36] A holder of radical political views, Morgan associated with such notable radical thinkers as Thomas Paine, John Horne Tooke and Sir Francis Burdett at his home at Stamford Hill in London. In addition, Morgan was also influential in the development of life insurance, working as an actuary for the Equitable Assurance Society.[37] Morgan wrote numerous treatises on financial matters, a recurrent theme in these works being the observation that having been freed from the legitimate demands that convertibility of notes had previously placed upon the Bank, the suspension had led to distortions in the economy due to a vast increase in un-backed paper-money. Morgan (1801) was keen to highlight the paradoxical nature of the suspension. In particular, he noted how bankruptcy and a 'breech of faith' with the public had, ironically, served to increase confidence in the Bank. Morgan observed how 'a measure which boded nothing but immediate ruin to all operations of finance… [has subsequently]… furnished new means for extending the progress of extravagance!' The vigour that the suspension had lent to the British funding-system led Morgan to lament how 'a new mine has been laid open, where millions may be coined in a few hours, and the loans which lately were deemed impracticable, may be raised with as little difficulty as they have been voted.'[38]

Declaration Movement

Agreement in Parliament regarding the suspension was one thing, acceptance of this situation in the country at large was, potentially, more problematic. Crucial to the avoidance of a total collapse of the British financial system in 1797 was the British public's acceptance to use Bank of England notes (instead of coin) for payments.[39] In this regard, a meeting on 27 February 1797 of hundreds of London's leading merchants, financiers and bankers, who passed a resolution agreeing to accept the Bank's notes in payment of sums due to them, was crucial.[40] This resolution was highly influential and its importance can be gleaned from the fact that it was followed by similar meetings across the country, in what has been described as the 'Declaration Movement.'[41] The spirit of patriotism displayed by these declarations was celebrated in newspapers throughout the country that likened the situation to that of 1745 when Bonnie Prince Charlie's invasion scare caused a similar run on the Bank's resources.[42]

Was there, however, more at work in these declarations (in particular the London declaration) than patriotism and the 'Spirit of '45?' William Cobbett (1817), when commenting (over a decade later) on the London meeting mentioned above, saw little to be surprised at in the willingness of London merchants and financiers to accept Bank notes as payment for debts being, as they were, far from disinterested observers in the fortune of this establishment.[43]

Cobbett was a complex and contradictory character. Critical of the French Revolution when it broke out in 1789, and writing from America under the pseudonym Peter Porcupine, Cobbett denounced writers such as Paine who spoke out in favour of the Revolution. Returning to England in 1800, Cobbett continued to support the anti-Jacobin cause, initially with *The Porcupine* (1800-1801), a paper issued daily, and subsequently with his *Political Register* (1802-1835) issued weekly. A prodigious writer and commentator on political matters Cobbett was also involved in publishing parliamentary debates between 1804 and 1812, eventually selling his interest in this business to T. C. Hansard.[44] Cobbett's criticism of the British government and the funding-system began around 1804, and was intimately tied to his concerns regarding the vast expansion of the national debt that had occurred since 1793. Deeply influenced by Paine's *Decline and Fall…* (1796), a book he read in 1803, Cobbett viewed the system of paper-money, in place since the suspension of payments at the Bank of England, as fostering greed, corruption and deception on an unprecedented and institutional scale.[45] Cobbett laid out his thoughts and fears on this issue clearly and systematically in works such as *Paper Against Gold*, a work penned whilst imprisoned in Newgate Prison between 1810-1812 for treasonous libel. Cobbett's numerous writings on these topics (in particular the novelty of paper-money) were intended to elucidate issues and educate the public on topics that were (and continue to be) shrouded in a great deal of obfuscation, mystique and mystery.

The reason for Cobbett's suspicion of the Declaration Movement was simple. As the head of note-issue (and the centre of the British financial system) the credit of these merchants and financiers were intimately tied to the Bank. Unsurprisingly, therefore, their agreement to accept Bank of England notes for all payments due to them was viewed by Cobbett as being 'neither more nor less than resolving, that they would do their utmost to keep up their own credit and consequence, and in fact to preserve themselves from instant ruin.'[46] Cobbett was not alone in this assumption. Given the central position that the Bank enjoyed in the British financial system Pulteney (1797) questioned what choice merchants and bankers, reliant on the Bank's discounting for their business, had but to acquiesce to the suspension? Pulteney noted how, even prior to the suspension the Bank, via its commercial discounting business, was involved in the cashing of bills of exchange (in their own notes), notes that could then be used to meet the outstanding financial obligations of the merchants and financiers who used this service. The prestige, power and influence that this arrangement gave to the Bank was also noted by Pulteney when he observed how Bank of England notes have 'hitherto been held as the same thing as cash… If the Bank, from any motive, should refuse to discount the bills presented by any trader, the[ir] refusal… brings his credit into question.'[47]

The Bank of England and Discounting

The most obvious consequence of the declaration that Bank of England notes would still be accepted as a medium of exchange, despite their lack of convertibility, was a large increase in the amount of paper-money in the British financial system. In order to appreciate both the novelty of this situation and the dangers that contemporaries felt it imbued it is necessary to treat with caution one of the 'axioms' of the historic account of these events, namely the independence of the Bank from the British government.[48] Such independence whilst true from a strictly legal perspective is highly questionable when a critical view of the British funding-system, along with the methods that underpinned it, is adopted.

Writing when the suspension was less than a year away Paine's (1796) fears regarding this system were premised on the distortions to note issue that were latent in it. The Bank, by acting as banker to the government, found its credit being forced 'far beyond' the typical limits that a commercial bank would ordinarily be subjected to. This circumstance was dangerous as these dealings between the Bank and the government had led to an immense amount of paper-money circulating in the British financial system. Paper-money that Paine warned was not representative of any actual property. Paine noted that a cornerstone of this symbiotic relationship, and one that had led to vast increases in un-backed paper-money even prior to 1797, was the obligation of the Bank to cash un-funded government debt, typically issued in the form of Exchequer Bills. As the government's exigency, once war had been declared in 1793, led them to issue ever-more Exchequer Bills the Bank had little option but to issue ever more paper-money 'sported upon the public without there being property in the Bank to pay them' in order to meet such demands.[49] Paine was correct to notice this link and this circumstance, along with the Austrian Loan of 1794, constituted the primary reasons for Pitt's reluctance to hold a detailed inquiry into the causes of the suspension.[50] Paine also outlined how the Bank's actions, by agreeing to cash the government's Exchequer Bills in the manner described above, generated an even greater quantity of paper-money. The reason for this was the fact that these Exchequer Bills were typically cashed (and had their interest paid) not in gold but in the Bank's own notes, actions that further increased the amount of paper-money in circulation.[51]

Paine was not alone in viewing with concern the influence of this relationship on the British financial system. Following the declaration of war against France, and fearful of the potential cost of this conflict (along with how such costs would be funded), the anonymous author of *An Inquiry into the Causes of the present Derangement of Credit* (1793) noted how the increase in paper-money transactions, discussed above by Paine, had already 'familiarize[d] the nation with the promise to pay, in place of actual payment [in specie].'[52] According to this author the catalyst for this extension of paper-money fuelled credit in the British financial system was not difficult to intuit; it was the funding-system, later dubbed the financial revolution, that had been evolving in Britain since 1688. The role of the Bank of England, as a bank of credit at the heart of this system, was the most obvious source of this expansion of credit and the anonymous author observed that in spite of voices that clamoured to deride 'stock jobbers' and 'speculators' such financial operations were only made possible as 'consequence… [of]… the political and legal establishment of the funding and the banking systems, which are their true and proper source.[53]

With the pretence of having to back their note issue with specie relaxed, and with the needs of war placing ever greater pressure on the British financial system, the years following the suspension witnessed the Bank's commercial discounting increase dramatically, as Table. 2 reveals. [54]

Table. 2: Discounting at the Bank of England

Year	Amount of discounting at the Bank of England
1794	£2,520,000 (average)
1800	£6,300,000
1805	£11,100,000
1807	£13,250,000
1810	£138,000,000

The record profits garnered by the Bank as a consequence of this increased discounting, along with its much enhanced prestige on the British, and later global, financial stage should not, however, blind us to the fact that such power and wealth was only possible as a consequence of the Bank being protected from bankruptcy by the British government.[55] This fact was noted ruefully by Cobbett (1817) when he stated that 'we [should] not… be so easily persuaded, that *bankruptcy* is a sign of prosperity… There is a law to protect the Bank of England against the demand of any holder of its notes.[56] [emphasis in original] For those not able to reap such financial rewards the fundamental concern remained that (via the use of paper-based credit) merchants and financiers could command the use of real goods and services with mere paper. Paper that, as the suspension wore on, had an increasingly tenuous connection to tangible financial transactions.

Such concerns were far from abstract conjecture. William Anderson (1797), a merchant and writer on economics, was troubled by the power over the money supply that appeared to have been placed in the hands of the Bank. Anderson in particular noting the potential ease with which the government could now raise new loans via un-backed Bank of England notes. This circumstance clearly favoured powerful financiers and bankers and led Anderson to fear that the continuation of the war would be rendered 'absolutely necessary' in order to promote their interests.[57] Anderson saw the Bank of England in particular as being in a unique position to benefit financially from war. The reason for this was the fact that the increased taxation levied by the government to fund their loans was held at the Bank and could therefore be used by the Bank for their own private business. Anderson having correctly noted how the Bank's profits were directly linked to the 'quantity of their paper in circulation,' observed how the more the national debt and taxes increase the greater will be the Bank's profits.[58] In order to try to prevent this situation Anderson advocated, prior to observers such as Howison, Ricardo and King (discussed below), that control of the money supply should be taken out of the private hands of the Bank and placed into the hands of the government. Under this circumstance, Anderson argued, control over note issue could be regulated and used in the broader 'national interest.'[59]

In order to highlight his point Anderson noted at the commencement of the suspension the 'obvious' asymmetry of interests latent in a measure that permitted 'one part of society to increase the quantity of its money at pleasure, by substituting paper for gold and silver, when it is not in the power of the other part to do the same.' Anderson also observing how in order for the public (via reflection) to reach such an obvious conclusion it would be necessary for their attention to be directed towards this issue.[60] Unfortunately for the public, the technical nature of financial matters, along with imposition of the Two Acts of 1795, made it increasingly difficult for critics of the government to direct the public's attention towards important subjects of this nature.[61]

Despite these difficulties there were some who attempted this task. Morgan (1801), building upon Paine's arguments, was keen to emphasize how both discounting and the national debt had increased enormously following the suspension. Morgan regarding these increases as being intimately tied to the huge expansion of paper-money and the 'moneyless adventurers' that such circumstances encouraged. Morgan also noted how, in order for people to borrow, someone must be willing to lend, and, it was here that the suspension had its most pernicious effect. Freed from the obligation to cash its notes for gold the Bank was in a position to be more liberal with its loans. Morgan feared that only a resumption of payments at the Bank could restore order, noting how 'the pernicious system of funding will cease only with the fictitious credit by which it has been revived.'[62]

Robert Waithman, a politician and moderate radical, wrote his *War proved to be the cause of the present scarcity…* (1800) as the detrimental effects of seven years of warfare, the suspension at the Bank and increased levels of taxation were beginning to be felt (but had yet to reach their full extent). Waithman was elected to Parliament in the elections of 1818, 1826, 1830, 1831 and 1832. In addition, he also served as lord mayor of London between 1823 and 1824. Although acquainted with radicals such as Thomas Hardy and Cobbett, Waithman was regarded as somewhat of a conservative and opposed the methods and ideas of the more 'extreme' radicals, such as Hunt, who (in turn) regarded Waithman as being too moderate.[63] Irrespective of such differences, Waithman ruefully noted the practical effect of the suspension on the majority of British citizens, namely the lowering of their standard of living as wages struggled to keep pace with inflationary price increases. To Waithman the reason for this inflation was simple; the more paper-money there was in the financial system, paper-money that was required primarily to meet military expenditure and paid for via war loans, the higher prices would rise. As Waithman observed, 'nothing can be more true than the assertion, that, … if money be cheap everything else must be dear.' The symbiotic link between the suspension and the extension of credit that it provided to the government's creditors was also noted by Waithman when he observed how, following the suspension, 'funded property [government debt] is transferred with so much facility, that the holders find no difficulty in circulating their paper… to ten times the amount of their real property. This enables… dealers of almost every description, to obtain large prices for their commodities.' This situation was problematic to Waithman as, for the vast majority of the population unable to benefit from using paper-based credit in this way, the most direct consequence of the suspension was price inflation and a decrease in the purchasing power of their wages.[64]

Such observations were not limited to radical critics of the government. Henry Thornton, a banker and MP who sat on numerous government committees on finance, including the 1810 Bullion Committee, was intimately connected to the workings of both the Bank and government finance. His observations support the concerns raised at the outset of the suspension that cheap money, made available via increased discounting at the Bank, would have an 'addictive' effect.[65] Thornton (1802) noted initially (and rather pragmatically) how it would be unreasonable to assume that the Bank's customers (merchants and financiers) would, necessarily, be bound by a strict sense of propriety with regards to their requests for discounting at the Bank. Of crucial importance is Thornton's observation that the suspension had led to an 'artificial state' whereby a great deal of temptation was placed before both the merchants and the Bank to extend their credit in order to increase their profits. Thornton also observed how this circumstance had a self-perpetuating element when he noted how 'the temptation to borrow… too largely at the bank, arises, as has been observed, from the high rate of mercantile profit… [merchants and financiers]… *obtain their loans too cheap. That which they obtain too cheap they demand in too great [a]quantity.*'[66] [emphasis in original]

Writing after the suspension had been in place for over a decade William Huskisson, a co-author along with Thornton of the 1810 Bullion Committee report, similarly noted the appeal to merchants and financiers of easy credit (in the form of loose discounting at the Bank). Huskisson (1810), after having stated the obvious fact that the merchant's desire to buy cheap and sell dear is intimately connected to the workings of mercantile credit, then proceeded to observe how merchants and financiers are likely to be supportive of 'any system which is likely to give facility to the discount of commercial securities.' The suspension was just such a system and Huskisson's observation that the profits of merchants and financiers increase 'with the extension of such discounts' lends credence to the observations of Cobbett and Pulteney that there was more than patriotism at work in the Declaration Movement.[67]

Further Objections to Excessive Discounting

The resumption of warfare following the respite of the Peace of Amiens (1802-1803) was the occasion of renewed objections towards the Bank's discount policy. The increase in expenditure that the resumption of hostilities would inevitably entail meant that the increasing volume of discounting at the Bank began to cause concern to those outside of this system who were not in a position to benefit financially from it. Peter Lord King, a politician and landowner, worried that the increase in paper-money being issued by the Bank following the suspension was de-valuing the currency he was receiving as rent payments for the use of his land. King, addressing this issue in his *Thoughts on the Restriction of Payment…* (1803), began by noting the novelty of the financial circumstances post-1797, circumstances that had seen a paper currency substitute for one based upon precious metals.[68]

King, whilst recognising the benefits and convenience of a paper-currency to trade and commerce over a purely metallic currency, also echoed what has already been noted was a commonplace of contemporary economic thinking, namely, that in order for paper-money to function as a trusted means of exchange it was essential for such paper to be backed fully by the specie it ostensibly represented.[69] Under no circumstances should such paper represent fictitious trade. The suspension, and the loose discounting policy adopted by the Bank in its wake, caused King much concern as the check on fictitious trade that the convertibility of paper-money for gold placed upon such issues had vanished under the cloak of legal protection.[70] King, echoing arguments raised in Parliament in 1797, noted that the dangers latent in the suspension were such that if a suspension of payments was unavoidable then it should have been granted only 'under the most solemn parliamentary engagement' that it would exist for a strictly limited period of time, never again to be renewed.[71] King reminded his readers how the 'revolutionary' measures latent in the suspension had only been entertained in Parliament following the confident assurances, made by Pitt and other MPs connected with the Bank, that the suspension was a temporary measure. Indeed, King noted how assurances had been given that cash payments would be resumed towards the end of the parliamentary session of 1797.[72]

Writing after this temporary measure had been in place for over six years, King lamented how such laudable sentiments had evaporated once the Bank (and the merchants and financiers who were their customers) realised the profits they could make from the suspension. Crucially, King noted the evolutionary nature of this radical new system. Following the success of the Declaration Movement, and other efforts intended to stymie the spread of a general alarm, King noted how the Bank's Directors had, initially, acted with caution. Aware of the 'unlimited power' they had been granted by Parliament, King noted how (initially) it had been necessary for the Bank's Directors to act with responsibility. They had been careful not to abuse a power with which the public was not yet familiar. Nevertheless, despite this initial caution, and following the evaporation of the initial alarm, the Bank's discounting and note issue had been gradually increasing year on year. Although King was keen to emphasise that he did not think this circumstance was brought about by any 'deliberate design,' he noted, nevertheless, that if it had been 'the systematic purpose of the Minister [Pitt] and the Bank directors to perpetuate the abuse of an unlimited paper currency, they could not… have adopted any more effectual means for attaining that object.'[73]

It was the arbitrary nature of the suspension, by granting an unprecedented amount of discretionary power into the hands of the Bank's Directors over the money supply, that caused King particular concern. This was especially the case as King feared that the temptation of profit played a not inconsiderable part in the decisions made by the Bank's Directors. Indeed, without the check on their discounting that convertibility entailed King, with a considerable deal of justification, feared that the lure of profit, as opposed to the needs and desires of the wider community, would dictate the decisions of the Bank's Directors.[74] King, in making this observation, noted what he considered to be an 'unfortunate and unquestionable fact' that 'the standards of public and private morality are in many minds extremely different.' King noting how men, when acting in a 'public' capacity, often 'acquiesce in measures and even avow principles which they would acknowledge to be dishonourable in common life.'[75]

The problem for King lay in the fact that such excessive discounting at the Bank was not a victimless crime. Whilst the Bank's Directors and their favoured financiers and merchants had been granted opportunities for greatly increased profits, the effect of such 'violations' on the public in general were regressive, leading to price inflation and increased taxation in order to fund such profits.[76] After six years of this 'extraordinary measure' King regarded Parliament as being in dereliction of its duties by not questioning more seriously the damaging consequences that these actions had ultimately led to. King, in closing his discussion, attempted to draw his readers' attention once more to the unheard of power over the quantity of money in circulation that was currently being enjoyed by the Bank. If Parliament had attempted to 'direct frauds upon the currency' in this fashion by raising or lowering the value of money, then people would have acted with 'indignation.' The Bank, however, through a mixture of obfuscation and deception had been doing precisely this, leading King to lament how 'an abuse of the same nature has been established by law in this country.'[77]

King's concern regarding the devaluation of the currency through excessive note issue was also shared by David Ricardo who, writing in 1810 seven years after King, noted the continuing detrimental effect that unprecedented levels of discounting were having on the value of the pound. Ricardo was writing at a time when controversy and debate surrounding paper-money in general (and the Bank's note issue in particular) had led to the establishment of the Bullion Committee to ascertain the effect (or not) that the Bank's note issue was having upon the value of the pound.[78] Although Ricardo is most famous for his *On the Principles of Political Economy and Taxation* (1817), a work that was highly influential in promoting a 'scientific' approach to economics, concern over the loose-money policy of the Bank of England between 1797 and 1821, prompted him to write numerous tracts on this topic such as *The High Price of Bullion: A Proof of the Depreciation of Bank Notes* (1810).

Ricardo (1810) viewed with trepidation the devaluation of the purchasing power of money. A devaluation noted by earlier observers (such as King and Waithman). Ricardo was concerned not only by the practical effect of this devaluation but also with the fact that this devaluation (along with the Bank's role in it) was consistently denied by both the government and the Bank itself.[79] Ricardo, in spite of such denials, was unequivocal in viewing the Bank's policies since the suspension as being the primary cause of the present 'evil' plaguing the British fiscal system. In order to support his contentions Ricardo noted with trepidation how the 'extraordinary powers' that the suspension granted to the Bank had led to a progressive de-valuation of the pound, in 1810 '£4. 10s… pass[es] as £3. 17s. 10.5d. tomorrow they may degrade £4. 15s to the same value, and in another year £10 may not be worth more.'[80]

While the increase in discounts facilitated by the suspension doubtless reflected, to some extent, the nascent development of Britain's industrial economy it is unquestionably the case that such discounting also hid less productive actions. Indeed, the basis of the concerns voiced by King and Ricardo was that, along with opportunities for genuine trade, the loosening of discounts by the Bank provided an effectively unlimited source of credit for speculators and 'stock-jobbers.'

The Suspension and Stock Jobbers

The process of trading on margin (using borrowed, or fictitious money created via credit) although often overtly condemned and decried by the Bank was, nevertheless, greatly facilitated by the availability of cheap money made possible by the Bank post-suspension.[81] The practice of dealing with fictitious capital (alluded to by King and Ricardo above) was also noted by the financier John Hill (1810) who, while adopting a more sympathetic approach to the Bank's policies, was, nevertheless, concerned by the excesses of paper-money in the British financial system. In Hill's opinion the reason for the distress and mischief plaguing the British financial system was clear, 'extensive trading and speculation, by men who were not possessed of property or substantial capital adequate to their undertakings.' Such overtrading, Hill correctly observed, was directly linked to an 'excess' of paper-money.[82]

Hill, like King, placed the blame for this excess of paper on 'accommodation bills.' Accommodation bills were bills that were representative of no actual goods or services and were intended to enable merchants and financiers to raise and obtain credit via the use of fictitious capital.[83] Hill, while noting such excesses, absolved the Bank from any responsibility for this circumstance. In support of this conjecture Hill noted how the Bank had regulations in place to prevent the discounting of bills that were not representative of actual trade and were therefore of a fictitious nature. Such regulations, Hill confidently asserted, meant that the Bank's discounting operations would not allow them to provide capital to 'mere speculators, who, by trading without a property adequate to… their business, produce so much injustice and mischief in the pecuniary transactions of the nation.[84] Hill's confidence in the propriety of the Bank's discount policy was not, however, shared by King. King questioned how, having been inundated with 'real and fictitious bills' post-suspension, and with the ever-present lure of increased profits that the discounting of such bills held forth for the Bank's Directors, they could distinguish between such bills noting, 'it is certain that the Directors of the Bank have no such power of distinguishing between bills of different kinds; and that… they must be liable to be imposed upon by what are called bills of accommodation.'[85] It was precisely in this respect that King viewed the suspension as causing so much damage to the nation, as it was the arbitrary whim of the Banks Directors, whose focus was profit, as opposed to concerns regarding convertibility and the genuine requirements of mercantile trade, that was the decisive influence on their note issue.[86]

Hill's claims regarding the propriety of the Bank's discounting policy do not bear scrutiny and evince a degree of financial 'snobbery.' Particularly with regards to his claim that the Bank did not furnish capital to 'mere speculators.'[87] The Goldsmid Bank for instance, favoured government loan-contractors from 1800 to 1810, regularly received loans from the Bank to make their loan payments to the government.[88] The Goldsmid Bank, taking advantage of their privileged position with the Bank, also loaned money to other loan contractors, purchasing their stock (shares of a government loan) if the price of this stock fell when the loan was floated in an attempt to shore up its price on the market (a process that will be discussed in detail below chapter 3).[89] It was necessary for the Goldsmid Bank to make these loans

(loans the Goldsmid Bank could never have made without the Bank's assistance) as the loan-contractors themselves had bought on margin. Such a process essentially involved borrowing money from other merchants and bankers, who themselves borrowed the money they lent (or created it *ex nihilo* via accommodation bills), with all parties involved banking on the fact that the price of the stock they had bought would increase, thereby enabling them to sell at a profit. The interconnectedness of these webs of mutual credit between merchants and bankers expanded further under the suspension and made it notoriously difficult for contemporaries to know with any degree of certainty the security of the bills they were trading with. Indeed, by 1803 (seven years before Hill made his observations) paper-money in the form of 'town notes,' regarded by many contemporaries as representing 'fictitious' trade, made up 37% of discounts, a figure that had increased to 43% by 1809.[90] None of the loans discussed above, those of the Bank to the Goldsmid Bank nor those of the Goldsmid Bank to their fellow loan-contractors, could ever have been made under a system of genuine convertibility as the Bank, the Goldsmid Bank and the loan-contractors were all, in Hill's words, 'trading without a property adequate to… their business.'

The connections noted above between fictitious capital, bills of accommodation and government loan-contractors were also noted by Paine. Paine (1796), although writing before the suspension had been implemented, correctly intuited the symbiotic nature of these factors. Of particular interest in Paine's analysis of the funding-system is his questioning of the ability of those involved in the making of such loans to realistically pay for them. Paine began by raising the simple question of how merchants, who were so pressed for cash that they needed to discount bills at the Bank, could possibly have any spare capital available in order to lend to the government? In this regard the 1795 government loan, made by Boyd, Benfield &

Co., led Paine to note the 'visibly farcical' spectacle that such loans had assumed. The farce lay in the fact that in 1793 (only two years previously) a 'rot of bankruptcy' had engulfed London in a financial crisis that had witnessed the British government having to issue over £2,000,000 (not £6,000,000 as Paine incorrectly claimed) of commercial Exchequer Bills in an attempt to stem a financial panic.[91] Paine noted how two years later these same merchants now stood ready to return the favour by lending the government over eighteen millions in their own paper.[92] This situation led Paine to note how government loans appeared to be reduced to a matter of 'accommodation paper,' where 'the competitors contend, not who shall lend, but who shall sign, because there is something to be got for signing.'[93]

The observations and questions enunciated by Paine above deserve a great deal more attention than they have so far received from scholars of this topic, particularly with regards to the use of accommodation bills by loan-contractors to raise their loans. Paine's claims regarding the 'farcical' nature of the funding-system appear particularly prescient when, in an ironic twist, Boyd Benfield & Co., three years after making this £18,000,000 loan to the government faced bankruptcy and were themselves forced to borrow from the government they were lending to in order to complete their loan payments (a process described in detail below chapter 3).[94]

Control over the Money Supply

Unprecedented profits, along with the inflationary and destabilizing effect of the Bank's discounting policy on the British financial system, were not the only circumstance that caused concern to contemporaries. Arguably, of even greater concern was the centralizing of fiscal power into the hands of the Bank's Directors, a process that would eventually lead to the Bank becoming the world's first central bank. It was the unprecedented power to control note issue (especially as these notes were inconvertible into gold) that was particularly troubling to many contemporaries. King, in common with Fox, correctly noted how this power over the money supply, a power that had been temporarily committed to the Bank in 1797, was a power that had been denied even to the executive government due to fears over the potential abuse of such a privilege. It was this fact that was most troubling to King as the suspension had set a precedence that handed immense power 'to the discretion of a commercial body not responsible to the Legislature, and not known to the constitution.[95] By 1803 a combination of the government's exigency and the Bank's desire for profit had led, in King's opinion, to 'an improper increase of their accommodations to the Executive Government,' an increase that had led to an excess of bank notes that would have been simply unimaginable prior to the suspension. In support of this conjecture King pointed to the increased (and increasing) profits enjoyed by the Bank, noting how such 'indisputable facts [reveal]… that the directors of the Bank of England… have made an undue and improper use of the powers intrusted to them by Parliament.'[96]

King was not alone in such conjectures. William Howison, a Scottish writer on finance, who penned his *An Investigation into the Principles and Credit of the Circulation of Paper Money...* (1803) at the same time King was writing, reached similar conclusions.[97] Howison began his study by making the commonplace observation that all administrations always appear to stand in want of money. Fortunately for the British government, as a consequence of the financial revolution, they had the Bank at hand to assist them in this regard. Howison observed how one of the chief difficulties facing profligate British governments had been the ability of Parliament, by acting as the 'the eye and opinion of the public,' to monitor (and limit) their excessive expenditure. Bearing the above situation in mind, Howison noted how throughout most of the eighteenth century, despite the temptations for profit that such business with the government offered, the Bank's Directors had acknowledged that they had 'double duty' to attend to. Firstly, there was the obligation to obey the laws that former legislators had passed in order to 'prevent any collusion between the necessities of government and the avarice of the Bank.' Secondly, there was the duty of the Bank to honour its credit and note issue by converting its 'paper into money, at the will, or according to the opinion or want… of the public.' Unfortunately, however, Howison noted (in common with Paine) that, in spite of such duties this relationship had, as the eighteenth century progressed, been strained to breaking point and had culminated with the Bank 'mak[ing] advances… beyond the prudence or inclination of [its] Directors.'[98] Howison noted how a crucial consequence of the gradual departure from the Bank's 'double duty' had been Pitt's ability to 'obtain… the removal of both [of] these embarrassments' via the suspension. The most troubling aspect of this situation to Howison was the fact that any remaining obstacles to a concert between elements of the government and the Bank had been 'completely done away with.' Howison, in common with King, regarded this as a highly dangerous situation, as, under the cloak of legal protection, 'the Bank is left to make and issue as many notes as the government and directors may choose.'[99]

Almost two decades later these questions were the subject of a detailed exposition by Cobbett (1819). Cobbett, having witnessed the circumstances lamented by King and Howison increase dramatically, succinctly outlined what he considered to be the latent dangers of allowing unaccountable financiers (with government protection) the power to create un-backed paper-money. Cobbett commenced his discussion by making the pragmatic observation that if the power over making, issuing and regulating money were granted to an individual (or group of individuals) then ‘the holders of such [power] would naturally use it for their own advantage,’ irrespective of the consequences to the public at large.[100] Cobbett then proceeded to observe how, via the suspension, Britain found itself, in effect, precisely in this situation, pointing out how financiers, elements of the government and the Bank by acting ‘in concert’ and using fiat money for their own interests had ‘become the real sovereigns of England.’ The basis of their power was the suspension, a law that prevented the Bank from honouring their monetary dealings in specie. Cobbett viewed this law as forming the crux of the entire system as ‘from the moment, that they had a protection against the ordinary laws… [the Bank’s Directors]… became the arbiters of the property of all men. These money-makers… [being currently]… protected and upheld by… [a corrupt Parliament].[101]

In a passage remarkable for its perception and lucidity Cobbett correctly intuited both the novelty of these financial arrangements and, just as importantly, the power that it granted to those able to wield it when he noted how, in effect, the Bank of England had been permitted to ‘make’ the money they were currently lending.[102] In stark contrast to the modernizing, liberalizing and democratizing effect that later observers often celebrate in these developments, Cobbett viewed them with horror.[103] Cobbett claimed (not unreasonably) that if a king requested, or attempted to obtain, this ‘monstrous power’ he would be ‘destroyed as a monster’ by the people. In contrast, however, Cobbett observed how a clique of politicians and financiers had not only been granted this power but were using it, manipulating the quantity of money available to the economy for their own financial benefit. The most troubling aspect of these developments to Cobbett was their novelty. Banks, paper-money and speculative bubbles had all existed before but this combination of financiers backed by a powerful governmental was a 'diabolical power… [that constituted]… something wholly new in the affairs of nations.'[104]

Many of Cobbett's fears were supported at the highest level of economic thinking. Ricardo (1824), for instance, also highlighted the dangers of allowing a private institution (able to print its own, state backed, money) control over the money supply. Ricardo instead proposing that power over the money supply be granted to an independent Board of Commissioners whose actions would be subject to public oversight.[105] Central to the thinking of King, Howison, Cobbett and Ricardo on this issue is their observation that the ability to create money without tangible backing is a *power*. As such there needed to be both oversight and limits placed upon it.

Proposals for 'Rival' Banks

Such distrust of the Bank, and in particular the centralizing of fiscal power entrusted to it, led many contemporaries to posit the notion of a rival bank in order to divest the Bank of the effective monopoly position that it enjoyed in the British financial system. The dangers to trade and commerce that monopolies posed had long been recognized, indeed, Smith (1776) discussed at length the dangers to trade that monopolies potentially posed.[106] Banking was no exception to this rule and it was the *de facto* monopoly position in the British financial system (as a consequence of its symbiotic connection to the British government) that troubled many contemporaries.

Pulteney (1797) voiced precisely such fears at the commencement of the suspension, arguing that competition (as opposed to a government protected monopoly) was more likely to ensure honesty in monetary dealings. Pulteney feared that the power of a monopoly was, by its nature, 'despotic' and as such 'of the nature of all other despotic power, which corrupts the despot.' If the Bank was divested of this monopoly power Pulteney, who had no objections to the Bank functioning as any other financial institution, reasoned that its 'use' and benefit to the public would be greatly enhanced.[107]

Government loan-contractor Walter Boyd (of Boyd, Benfield & Co.) also objected to the monopoly position over credit that he perceived the Bank to enjoy. Writing to Pitt in 1796, Boyd attempted to persuade Pitt to challenge this monopoly position via the establishment a national Board of Credit. Boyd's plan essentially involved circumventing the Bank and using the guarantee of government tax revenues to (again paradoxically) support the lending operations of government creditors such as himself. Boyd viewed the Bank's power over the government as being both oppressive and a source of danger to 'public credit.' It was Boyd's contention that a rival source of credit and 'the knowledge of the existence of such a Board… would operate as a powerful stimulus to the Bank to do their Duty.' Boyd hoped that his proposed Board of Credit would act against the pernicious influence of 'disaffected men' in the Bank. Men whom Boyd feared were exerting an 'unwelcome influence' over the credit of government loan-contractors, such as himself and government financial policy in general.[108] Boyd's interest in this situation was, however, far from a disinterested one. By 1796 Boyd was desperate for new lines of credit, lines that had been closed by the Bank in a desperate attempt to protect their dwindling specie reserves. Boyd's challenge to the Bank's hegemony proved a costly mistake. Pitt ignored his plans and Boyd's proposal to establish a national Board of Credit alienated him from the only institution that could have potentially offered him support when his credit-fuelled lending operations began to collapse in 1798.[109]

In a similar fashion to Boyd's plan, the establishment of the Original Security Bank in 1796 was intended to remedy the shortage of the circulating medium brought about by the Bank's restriction of discounting in 1796.[110] The Original Security Bank was proposed by partners in the banking firm Hartsnick & Co. and headed by William Playfair. Playfair, who had enjoyed considerable early success following his invention of (amongst other things) pie charts and bar charts, failed to emulate these achievements in financial matters, especially as his initial foray into economic writing had criticized the ideas of Adam Smith.[111] Playfair intended his Original Security Bank to be a state backed rival to the Bank and was to provide credit to merchants and the public via a circulating medium backed by Exchequer Bills, with the profits going to charity.[112] The Original Security Bank lasted less than a year and folded in 1797, faced by indifference in the City and hostility from a suspicious Bank.[113]

Ricardo, writing almost twenty years after Boyd and Playfair, and having witnessed the full effects of the twenty-four year suspension on the British financial system, was in a better position to posit many pertinent questions regarding the necessity of the Bank of England to the British government. In his *Plan for the Establishment of a National Bank* (1824) Ricardo began by outlining the primary functions of the Bank. Essentially these functions involved the issuance of paper-money, to serve as a substitute for a gold-backed currency, along with loans to both the British government and the merchants and financiers of London. Having observed these functions Ricardo then posited the question, 'in what way would the national wealth be in the least impaired' if the power of note issue were divested from the Bank and adopted instead, with the same rules and regulations in place regarding specie payments, by the British government?[114] Ricardo, having noted how the Bank's loans to the government in 1797 were three times the amount it lent to merchants, questioned the inconvenience that commerce would sustain if the Bank were dissolved?[115] Following his contention that the national wealth would continue to flourish under government issued paper-money, Ricardo proceeded to observe how the government was currently paying interest on £15,000,000 lent by the Bank, as well as interest on numerous other government issued securities. If, therefore, the government issued its own money (instead of borrowing it from the Bank and other financiers) the only difference to the British financial system would be with regards to these interest payments 'all other classes in the community would be exactly in the same position in which they now stand.' In Ricardo's opinion it would 'make no difference… whether the… paper money… circulating in London, were issued by Government, or by a banking corporation.[116]

When the cost to the public for the services provided by the Bank is borne in mind, along with the fact that the Bank's credit (between 1797-1821) was entirely dependent on the government it was lending to, Ricardo's proposition appears particularly cogent.[117] Ricardo was not the first person to make the observation that government paper could serve as the circulating medium. John Broughton, a Tory critic of the Bank of England, writing in 1707 when the Bank's charter was up for renewal, noted (over a century before Ricardo) how the government had always enabled itself to create its own credit in the form of Exchequer Bills. Broughton noted how 'the establishment and circulation of Exchequer Bills is expressly made and provided for,' a circumstance that clearly demonstrated the importance that the government had always placed in the ability to issues short term credit notes in lieu of payment in cash.[118] The contention made by both Broughton and Ricardo that government, as opposed to Bank, paper could have formed the basis of 'national credit' also finds support from later observers. Clapham (1944), for instance, also noted that it was indeed possible that Exchequer Bills, if their use had been made less 'formal,' could have become the basis of the British monetary system in the eighteenth century.[119]

Arguably the most powerful argument marshalled against plans that advocated for the government issuing its own money was that it could not be trusted to do so. In this instance the Bank's role was (ostensibly) to provide a check on governmental profligacy. By the time of Ricardo's writing the paucity of this argument had become increasingly apparent, a fact that led Ricardo to propose placing responsibility for note issue into the hands of independent Commissioners. In a thinly disguised critique of the corruption that he viewed at the heart of the present system Ricardo highlighted how monetary transactions between these Commissioners and the government should be strictly forbidden, experience having demonstrated how little the Directors of the Bank of England could resist the financial demands of government ministers.[120] Interestingly, Ricardo's fears stand in contradistinction to Boyd who, when calling for the establishment of a Board of Credit in 1796, feared that it was the Bank that was exerting undue influence over the government. Ricardo, instead, was fearful over the influence that government ministers had been exerting over the Bank. Despite their differences, what Boyd and Ricardo both noted was precisely the intermingling of political and financial power that observers such as Paine, Fox, King and Howison had been warning about for over two decades. In order to prevent such power and undue governmental influence over his Commissioners, Ricardo proposed that if the government needed money it should 'raise it in the legitimate way… taxing the people… [the] issue and sale of exchequer bills… [and]… by funded loans… but in no case should it be allowed to borrow from those, who have the power of creating money.[121]

Ricardo's proposition, in particular the seriousness of the last point, deserves far more critical attention than it has thus far received. The ability of the Bank to create money (bearing interest) to then lend to others, as Ricardo observed, gave them a *power* that it was believed was too dangerous for the government to hold. It is indeed interesting to contrast the fears of contemporaries such as Ricardo *et al.* towards the devolution of this power to an unelected, unrepresentative, secretive and unaccountable private corporation with that of later observers, many of whom instead focus on the modernizing effect these developments had on government finance.

Legal and Illegal Forgery

It was the 'fictitious' nature of the money being issued by the Bank post-1797 that caused concern to many contemporaries who feared for the consequences of allowing private individuals (with legally sanctioned government support) the ability to arbitrarily use capital created in this manner for personal gain. Anderson (1797), writing at the outset of the suspension, warned (along with observers such as Pulteney) how the ability to coin, via credit, vast sums of money would greatly facilitate the ability of powerful merchants to monopolize trade. Anderson, having noted how such monopolies were difficult to prevent under normal circumstances, stated that, following the suspension and the legal protection granted to the Bank, 'this difficulty becomes an impossibility… Under such an order of things… laws [are] made rather to regulate than to repress robbery.' Anderson in the above passage also makes an interesting observation regarding the notion of legally sanctioned robbery. It has been noted above how the widespread use of paper-money (on an unprecedented scale post-1797) was for many contemporaries a wartime novelty. The latent power contained in the ability to use paper-money to command the use of tangible goods and services was noted by Anderson when he observed how, for many centuries gold and silver were viewed to 'have cost a certain quantity of labour' to acquire, therefore, they had been 'made representatives in exchange for an equal quantity of other labour.' As a consequence of this situation 'the counterfeiting or debasing of these metals [coins] was made [punishable by] death.' The reason for such a draconian penalty was simple, it was intended 'to prevent any man from enjoying the fruits of others labour without labouring himself.'[122]

Despite being a crime that carried a potential death sentence, the forgery of Bank of England notes increased markedly throughout the period of the suspension as paper-money entered into the British financial system (and public use and consciousness) on an ever-increasing scale. The catalyst for this increase of forgery was the issuing of £1 and £2 notes by the Bank post-1797, a move intended to maintain the circulation of the currency following the severe curtailment of metallic coins.[123] Prior to the suspension the lowest denomination of note issued by the Bank had been for £5, a relatively large amount of money that excluded the use of such notes by the lower orders of society.[124] The explicit link between the increased issue of official Bank of England notes, along with the temptations that this increased note-issue presented to forgers to expand their own note issue, is demonstrated below in Table. 3.[125]

Table. 3: The Suspension and Forgery

	Total value of notes under £5 value in circulation	Total number of forged notes (estimate)	Prosecutions for forgery
1797	£867,585	901	2
1820	£6,698,610	30,217	404

Anderson's conjecture regarding the latent power available to forgers was far from idle. Indeed, an examination of how jealously the right to print legally sanctioned paper-money was guarded by those with official authority to do so highlights precisely this point. Such jealousy is revealed not only by the vast increase in prosecutions for forgery but also by the efforts and expense that the Bank went to in order to detect those responsible for this crime. Operating in an era before the existence of a national police force the detection and prosecution of forgery was left entirely to the discretion of the Bank, who developed innovative techniques in order to apprehend forgers and achieve successful prosecutions.[126] The Bank offered generous rewards to both the public and local constables for information on forgers, in addition they also employed specialist solicitors to liaise with local magistrates, solicitors who also used their expertise in court in order to achieve successful prosecutions.[127] Such extensive operations did not come cheap. Costs borne by the Bank to fund what was in essence a national organization, often working around the clock, increased dramatically; costing £1,538 in 1797 by 1802 the Bank was spending £15,518 annually, a tenfold increase in five years.[128]

To observers concerned by the excessive issuance of paper-money by the Bank, the issue of forgery raised questions not only of a legal nature but also crucial questions regarding both the nature of money and the power and temptations that had been placed before those who could issue legally sanctioned paper-money.

Even prior to the suspension Paine regarded the British financial system as one of legally sanctioned forgery on a grand scale. In his *The American Crisis V* (1778), an open letter to the British commander General Sir William Howe, Paine warned Howe against encouraging his officers to forge American 'Continental Bills,' an action that Howe hoped would lead to a collapse of the nascent independent American economy. The reason for Paine's warning was twofold. Firstly, Paine observed that with almost two hundred million pounds worth of public paper-money currently outstanding, British trade had become dangerously reliant upon this form of money. This was especially the case as this public money formed the basis upon which a great many other 'bank notes, bank post bills… promissory notes and drafts of private bankers, merchants and traders' had all been issued and upon which they were all necessarily reliant. The reason Paine equated this situation with forgery was the paradoxical fact that Britain, despite having the largest amount of paper-money in circulation of any nation of Europe, had the least quantity of gold and silver to back up this issue. To Paine this situation was dangerous not only from an economic perspective; as it lead to excessive trading, speculation and 'bubbles' but also from a moral perspective as it was based upon fraud, namely the claiming of property rights where none should exist. The excessive reliance of British trade on paper-money with questionable value meant that it remained extremely vulnerable to the crime of forgery. Indeed, Paine warned Howe that if British officers were trained in forgery and encouraged to forge American notes it was highly probable that on their return home they would most likely 'carry into practice the[se] vices… [meaning]… that England will hereafter abound in forgeries.'[129]

Cobbett (1810), writing several decades after Paine, concurred with his contention that the Bank's note issue constituted little more than a legally sanctioned form of robbery and fraud. Cobbett began by noting how anyone who committed forgery, highway robbery or theft was regarded as a common thief, with the cry of 'hang him!' resounding whenever they are apprehended. The issuers of legal paper-money, however, despite the fact that the harm they caused was a 'thousand times' greater than any forger or robber, not only evaded jail but remain safe 'as if they had never caused any injury to any human being.'[130] The double standard implicit in these circumstances was particularly galling to Cobbett (1818) who reminded his readers how an ostensibly temporary act to protect the Bank from its creditors had been in place (and been continually renewed) for over twenty years. Cobbett was also keen to draw his reader's attention to the injustice of this situation by explicitly juxtaposing the legal printing of paper-money with that of robbery and theft. Cobbett, in making these arguments, also raised the crucial question of what *specifically* was being forged? Was it 'real valuable papers, issued in sincerity and good faith and for good purposes?' In Cobbett's opinion this was not the case as the Bank's paper had been issued 'fraudulently' in order to carry out an unjust and unnecessary war and therefore bore 'a fraudulent intention upon the very face of it.' This circumstances led Cobbett to ask rhetorically, 'if this [is] not.. *robbery*, what is… robbery?'[131] [emphasis in original] Particularly galling to Cobbett was the grim irony that the Bank's Directors 'living in the constant commission of these multitudinous acts of fraud' had been placed in charge of policing and enforcing the laws against forgery. Under this system Cobbett observed how the Bank had been enabled by the government to hang thirty two men in 1818, simply for '*imitating* that which they themselves are doing every day in the year.'[132] [emphasis in original] Cobbett (1819) was keen to challenge the mystique that surrounded the workings of the Bank, observing bluntly how the Bank had stopped payment in 1797 precisely because, in common with other 'insolvents,' they lacked the resources to honour their financial commitments.[133] Cobbett's logic was simple and echoed that of Paine; the Bank of England had millions of pounds of 'false promises' outstanding, promises he claimed they had 'neither the intention nor the capacity to pay.'[134] In support of this conjecture Cobbett noted the (highly paradoxical) fact that in 1797, when they had stopped cash payments due to a lack of resources, the Bank had eight million notes outstanding; as a direct consequence of the suspension, the Bank's note issue had (by 1819) subsequently increased to over twenty-eight million. To Cobbett, this increased note issue represented little more than a 'clandestine confederacy' between the government and the Bank, a confederacy that Cobbett, in common with Paine, regarded as representing little more than fraud on an institutional scale.[135] Cobbett also noted the lengths to which the Bank had gone to protect their legal note issue when he observed how more than five hundred Acts of Parliament had been passed on this matter, Acts that made citizens 'stare death in the face' for committing the crime of forgery. This circumstance led Cobbett to note how the paper-money system was not only one of robbery but of murder as well.[136]

Cobbett was supported in this conjecture by an editorial in *The Black Dwarf* (September 9 1818) that viewed with repugnance the spectacle of the Bank's Directors presiding over trials for forgery.[137] *The Black Dwarf* noted how order to support the paper-money system 'homicide has been legalized; and the name of law has been prostituted, and perverted.' The moral dubiousness of this circumstance meant that a change in the law was urgently required, *The Black Dwarf* noting that when 'LAW is *opposed* to JUSTICE, that LAW OUGHT TO BE SACRIFICED.' [emphasis in original] Cognizant of the benefits that the suspension had bestowed on the Bank and their favourites, this editorial stated (in common with Anderson's observations made over twenty years earlier) that laws should be instituted to 'protect' the whole of society, not to shield and '*patronize monopolies*.'[138] [emphasis in original]

To both Cobbett and *The Black Dwarf*, moral repugnance towards the prosecutions for forgery was every bit as important as their economic objections to the inflationary effects that the suspension was having. Noting how over four hundred people had been hanged for forgery since 1797 Cobbett questioned not only whether it was it 'right' or 'just' to uphold this system but above all whether it was 'humane, to suffer this monstrous thing to continue its fraud and its bloodshed?' It was the institutional scale of the fraud being perpetuated upon the public that most troubled Cobbett. To Cobbett (1818) the funding-system involved robbery, theft and deception on an institutional scale leading him to note, 'if it be the duty of every man to stop a thief, to denounce a murderer… what are the feelings which ought to animate… men against these wholesale robbers and murderers?'[139] As the comments by Cobbett and *The Black Dwarf* above reveal the greatest invective against the Bank (regarding the issue of forgery) was reserved for the post-war years. Assiduously portrayed as a 'war time measure' the continuation of the suspension until 1821 drew a great deal of criticism, both inside and outside Parliament, as the Bank's legal note issue (and Bank-backed prosecutions and executions) continued apace during peacetime.[140]

The anonymous doggerel *Satan's Bank Note* (1820), written during the last full year of the suspension, is interesting as, in addition to raising objections to the suspension on moral grounds, it was also keen to emphasize the class and power issues that were at stake. Dubbing the Bank the 'Bank of Hangland' the poem begins by noting how John Bull must give twenty shillings for 'rags.' Questioning the value of these ‘rags’ the poem notes how those ‘Who dare dispute their words, And those who try to imitate, Have fell a prey to chords.’[141] The power that had been granted to the Bank by the government, not only over financial issues but also issues of justice, was acknowledged as the poem referred sardonically to ‘the Bank’s Prime Minister’ who would hang up their ‘Imitators… Some seven in a row’ on Mondays and Wednesdays.’[142]

Satan’s Bank Note was also keen to draw attention to another issue that was perpetually raised throughout the suspension, the shoddy quality of the Bank’s notes and the concomitant ease with which these notes could be forged. This fact was particularly troubling as many people had been executed not for forging notes but for using or ‘uttering’ forged notes. This spectacle was particularly invidious as not only did the vast increase in paper-money in circulation mean that more and more people were compelled to use this form of money but, in addition, the notoriously low quality of the Bank’s official notes, it was argued, made it difficult for people to discern ‘real’ and ‘forged’ notes, an error that some people ‘paid for… with their throats.’ It was this circumstance that most shocked the author of *Satan’s Bank Note* as, caught between legal and illegal issuers of paper-money, many ordinary people had been executed ‘Because they happened not to be, Good judges of *bad* paper, Because they happened not to know, The vile scrawl underneath, Was wrote not by the well paid rogue, But by the unpaid thief.’ [emphasis in original] In the above passage any distinction between those working diligently to ‘uphold pubic credit’ and a criminal underclass is obliterated as both ‘vile scrawls’ are representative of little more than greed and avarice, the only distinction resting upon the power which one of these issuers had to hand in order to enforce their note issue.[143]

Conscious of such criticism the Bank had promised the issue of 'inimitable notes.' The practical need for such notes was pointed out by an editorial in *The Gorgon* (September 5 1818) that noted how there was 'hardly a shopkeeper in the metropolis' that had not 'suffered' as a consequence of being paid via forged notes.[144] The blame for this circumstance lay exclusively with the government and the Bank who were 'furnishing the people with no better representative of value, than a bit of paper, issues by a company of traders… which any body may *counterfeit*.'[145] [emphasis in original] A year later, and following the failure of these 'inimitable' notes to materialise, *The Gorgon* (30 January 1819) claimed that 'no less than one hundred and eight' different proposals, offering to use 'seventy varieties of paper' had been made to the Bank, all of which had been refused. *The Gorgon* noting ruefully how the Bank's Directors appeared to favour their 'present bungling practice' to any of these numerous propositions to make their notes harder to forge.[146] Several years later an editorial in *The Black Dwarf* (March 7 1821) opined that the promise of inimitable notes had been little more than a '*designed* fallacy.'[emphasis in original] Interestingly, *The Black Dwarf* questioned the notion that it was only a matter of expense that had prevented the Bank from improving the quality of their notes. *The Black Dwarf* instead arguing that it was negligence and indifference to the fate of those who were tempted to imitate their 'money printing' that had led to their inaction.[147]

The contention that Bank notes could be made more difficult to forge was not limited to radical critics of the Bank. Speaking in Parliament (8 April 1818) General Thornton noted the 'melancholy consideration' that in 1797 the Bank's Directors had been encouraged to employ 'able artists' to devise notes that would be 'extremely difficult' to forge. General Thornton went on to note how '[Regrettably] the plan proposed to the Bank about twenty years ago… ha[s] not been adopted… in consequence of the expense attending to it.[148] Less sympathetic observers opined that the Bank bore a 'heavy responsibility' for tempting others to forge it 'clumsy' notes, notes which a 'prentice boy could make at fifteen a shilling.'[149] Indeed, *The Black Dwarf,* in common with General Thornton, observed that 'to prevent forgery may be impossible… [but]… to lessen it [is]… in their power.'[150]

Satan's Bank Note also highlighted the element of compulsion that the suspension had ushered in. Noting, in common with observers such as Cobbett, how at the behest of the 'Bank of Hangland' ministers had compelled people 'to take for *cash* the *Bank Note*.'[151] [emphasis in original] The element of compulsion was particularly troubling to the author of *Satan's Bank Note* as the suspension, after over twenty years of functioning, appeared to have cemented into place a dangerous combination of private finance backed by a powerful government. *Satan's Bank Note,* in this regard echoing the claims made by Paine over thirty years previously, that the notes issued by the Bank enjoyed little tangible backing other than government force. A circumstance that meant that hard working and 'distressed' people were compelled to take a 'paltry token' (instead of coin) issued by a Bank that was being propped up by 'faithless ministers.'[152]

While it would be unwise to romanticize the plight of those who were punished for forgery and 'uttering' Bank notes, there is also a concomitant danger that the encomiums heaped upon the Bank for their role in supporting 'public credit' do not obfuscate the fact that the benefits (in particular the financial benefits) of the suspension were very far from being equitably shared throughout British society. Inured to the dangers that the contemporaries discussed above viewed in the post-suspension paper-money system later observers typically view such developments favourably, seeing in them the nascent flowerings of the modern system of central banking.[153] However, such a reading, while focusing attention on the strictly monetary elements of this situation leaves unanswered (and unasked) a great many moral, economic and political questions regarding not only the nature of credit and money created in this fashion but also the *power* latent in such developments.

Irrespective of such considerations, the suspension undoubtedly greatly facilitated the raising of Britain's huge war loans. It is to the methods employed in the raising of these loans, along with the objections made towards such practices, that our attention must now turn.

[1] Williamson (1973) notes, 'A comparison of Thomas Paine's prose style… with that of Edmund Burke… shows how modern and direct Paine was, a revolutionist as ahead of his time as a writer as he was as a political reformer.' Audrey Williamson, *Thomas Paine, his life, work and times* (London, 1973), p. 50. See also John Belcham, *Popular Radicalism in Nineteenth-Century Britain* (London, 1996), p. 16 & David A. Wilson, *Paine and Cobbett The Transatlantic Connection* (Canada, 1988), p. 26.

[2] Thomas Paine, *The Decline and Fall of the English System of Finance* (Paris, 1796), p. 38.

[3] Ibid. p. 28.

[4] Ibid. Passim. See also discussion of Fox, King and Ricardo below.

[5] Ibid. p. 20.

[6] Ibid. pp. 20-22, & p. 39.

[7] Thomas Paine, Dis*sertations on Government; the Affairs of the Bank; and Paper Money* (Philadelphia, 1786), in *The Complete Writings of Thomas Paine, Volume II* Philip S. Foner (ed.) (New York, 1945), passim.

[8] Ibid. pp. 367-368.

[9] Ibid. passim.

[10] Ibid. pp. 398-399.

[11] H. T. Dickinson, *Liberty and Property Political Ideology in Eighteenth Century Britain* (London, 1977), pp. 108-118.

[12] Paine, *Dissertation on Government,* p. 399.

[13] Ibid. p. 404.

[14] Ibid. p. 404.

[15] Ibid. pp. 406-407.

[16] Paine, *The Decline and Fall,* Passim.

[17] Ibid. p. 25.

[18] Ibid. p. 25.

[19] *The Parliamentary History of England, from the earliest period to the year 1803. From which last-mentioned epoch it is continued downwards in the work entitled, "Hansard's Parliamentary Debates." Volume XXXII. Comprising the period from the twenty-seventh day of May 1795, to the second day of March 1797* (London, 1818), cols. 1526-1528.

[20] The £6,000,000 'Austrian Loan' of 1794 was bitterly resisted by many in the Bank of England as they correctly feared that it would drain valuable specie out of Britain. For Fox's call for an enquiry see Ibid. col. 1531 & cols. 1537-1538.

[21] Ibid. col. 1535.

[22] As Fox stated in this debate, 'There is no gentleman so ignorant of the principles of paper-credit, as not to know, that the whole source of the validity of this species of currency is derived from the circumstance of its being convertible into gold and silver.' Ibid. col. 1572. See also comments above chapter 1 fn. 173.

[23] Ibid. cols. 1527-1528.

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[24] Pitt, attempting to assuage concerns that the suspension would be a permanent system, claimed that 'Nothing… could be farther from his intention. He had not the smallest objection that a limited time should be fixed [for the suspension].' Ibid. col. 1543.

[25] Ibid. cols. 1545-1546.

[26] Ibid. col. 1542.

[27] For John Law see Lawrence Lande & Tim Congdon, 'John Law and the invention of paper money', *RSA Journal* 139:5414 (1991), 916-928 (pp. 919-920 & passim). For a discussion on *Assignats* see Scott Trask *Inflation and the French Revolution: The Story of a Monetary Catastrophe* https://mises.org/library/inflation-and-french-revolution-story-monetary-catastrophe.

[28] Sir John Clapham, *The Bank of England: A History, Volume II* (Cambridge, 1944), p. 42 & p. 51.

[29] Francis Horner, for instance, when discussing the continuation of the 'wartime measure' of the suspension in Parliament in 1816, sardonically noted that, despite the earnest claims continuing to issue forth from the Bank that the suspension was a matter of 'compulsion' noted that if compulsion was indeed involved 'never was resistance so weak as that which was opposed to it by the bank.' *Hansard*, ser. 1, HC Deb., XXXIV, col 140 1 May 1816.

[30] *The Parliamentary History of England… Volume XXXII*, cols. 1540-1544.

[31] Ibid. col. 1545.

[32] Ibid. cols. 1540-1541.

[33] Ibid. col. 1547.

[34] Ibid. col. 1518.

[35] For instance, Andreades notes that by February 1797 Bank of England deposits stood at £1,272,000. A. Andreades, *History of the Bank of England 1640-1903* (London, 1909), p. 197.

[36] Between 1786 and 1793 Pitt's reforms of taxation, along with his adoption of Dr. Price's sinking-fund, reduced the national debt by £10,000,000. The outbreak of war in 1793 saw an end to the effectiveness of the sinking-fund and it was eventually wound down in 1829. E. L. Hargreaves, *The National Debt* (London, 1930), p. 105.

[37] William Morgan, (1750-1833), ODNB. D. L. Thomas (rev.) Robin Pearson.

[38] William Morgan, *A Comparative View of the Public Finances, From the Beginning to the Close of the Late Administration* (London, 1801), pp. 38-39.

[39] Hiroki Shin, 'Paper Money, The Nation, and the Suspension of Payments in 1797', *The Historical Journal* 58:2 (2015), 415-442 (p. 419) & Patrick K. O'Brien & Nuno Palma, 'Danger to the Old Lady of Threadneedle Street? The Bank Restriction Act and the Regime Shift to Paper Money, 1797-1821', *CGR Working Paper* 67 (2016), 1-47 (p.16).

[40] O'Brien & Palma, 'Danger to the Old Lady of Threadneedle Street? The Bank Restriction Act and the Regime Shift to Paper Money, 1797-1821', p. 16. & Andreades, *History of the Bank of England 1640-1903,* p. 198.

[41] Shin, 'Paper Money, The Nation, and the Suspension of Cash Payments in 1797', pp. 425-427.

[42] Ibid. p. 432.

[43] William Cobbett, *Paper Against Gold, or the history and mystery of the Bank of England, of the debt, of the stocks, of the sinking-fund, and of all the other tricks and contrivances, carried on by the means of paper money* (London, 1817), p. 168.

[44] For Cobbett's criticism of the French Revolution, Tom Paine and his work on *The Porcupine* see, Raymond Williams, *Cobbet*t (Oxford, 1983), pp. 7-9 & James Grande, John Stevenson & Richard Thomas (eds.) *The Opinions of William Cobbett* (Farnham, 2013), pp. 41-43. For Cobbett's connection to Hansard see, Williams, *Cobbett,* p. 11.

[45] For Paine's influence on Cobbett's financial views see David A. Wilson, *Paine and Cobbett The Transatlantic Connection* (Canada, 1988), pp. 154-155.

[46] Cobbett, *Paper Against Gold,* p. 168.

[47] Sir William Pulteney, *Substance of the Speech of Sir William Pulteney, Bart. On his motion 7th April 1797 for shortening the time during which The Bank of England should be restrained from issuing cash for its debts and demands* (London, 1797), pp. 9-10.

[48] See for instance, Shin, 'Paper Money, The Nation, and the Suspension of Cash Payments in 1797', pp. 417-418 & O'Brien & Palma, 'Danger to the Old Lady of Threadneedle Street? The Bank Restriction Act and the Regime Shift to Paper Money, 1797-1821', pp. 21-22 & p. 33.

[49] Paine, *The Decline and Fall,* pp. 33-34.

[50] See for instance, R.G. Hawtrey, 'The Bank Restriction of 1797', *The Economic Journal* 28:109 (1918), 52-65 (p. 54) & Andreades, *History of the Bank of England 1640-1903,* p. 191.

[51] Paine, *The Decline and Fall,* p. 34.

[52] Anonymous, *An Inquiry into the Causes of the present Derangement of Credit in Great Britain, occasioned by Pitt's speech in the House of Commons, on the 27th of March last. To which is added, Some Hints to the Legislature for the Formation of a Plan for the immediate Employment of the numerous destitute Poor* (London, 1793), p. 7.

[53] Ibid. p. 4.

[54] Clapham, *The Bank of England: A History Volume II,* p. 11 & p. 29.

[55] Ibid. p. 29.

[56] Cobbett, *Paper Against Gold*, pp. 79-80.

[57] William Anderson, *The Iniquity of Banking: or, bank notes proved to be injurious to the pubic, and the real cause of the present exorbitant price of provisions* (London, 1797), p. 42.

[58] Ibid. p. 43.

[59] For a sympathetic discussion of the prescience of Anderson's (often overlooked) ideas see J. M. Pullen, 'William Anderson (fl. 1797-1832) on banking, the money supply, and public expenditure: a forgotten interventionist', *History of Political Economy* 19:3 (1987), 359-385 (passim).

[60] Anderson, *The Iniquity of Banking,* p. iv.

[61] The 'Two Acts' are discussed in chapter 4.

[62] Morgan, *A Comparative View of the Public Finances,* pp. 39-40.

[63] Robert Waithman, (1764-1833), Michael T. Davis, ODNB, passim.

[64] Robert Waithman, *War Proved to be the Real Cause of the Present Scarcity and Enormous High Price of Every Article of Consumption with the Only Radical Remedies* (London, 1800), pp. 30-31.

[65] The Bullion Committee was set up to examine the effect (or not) that the suspension of payments at the Bank of England was having on the price of gold. The report, having noted the mild inflationary effect the suspension was having on the price of gold, recommended resumption of payments in 1811,

ten years before resumption was eventually carried out in 1821. Frank Whitson Fetter, 'The Bullion Report Reexamined', *The Quarterly Journal of Economics* 56:4 (1942), 655-665 (p.656 & passim).

[66] Henry Thornton, *An Enquiry into the Nature and Effects of the Paper Credit of Great Britain* (London, 1802), pp. 254-255.

[67] William Huskisson, *The Question Concerning the Depreciation of our Currency Stated and Examined* (London, 1810), pp. 141-44.

[68] Peter Lord King, *Thoughts on the Restriction of Payment in Specie at the Banks of England and Ireland* (London, 1803), p. 1.

[69] Ibid. p. 4.

[70] Ibid. p. 18.

[71] Ibid. p. 9.

[72] Ibid. pp. 10-11.

[73] Ibid. pp. 12-14.

[74] Ibid. p. 21.

[75] Ibid. p. 54.

[76] Price inflation and taxation are discussed in chapter 4.

[77] King, *Thoughts on the Restriction of Payment,* pp. 84-85.

[78] The Bullion Committee (1810) noting the 'rise in the market price of gold… coupled with so remarkable a depression of our Exchanges… [concluded that]… something in the state of our own domestic currency [w]as the cause of both appearances.' As a consequence the Committee recommended that, irrespective of the War being prolonged 'two years should be given to the Bank for resuming its payments… Cash payments should be resumed by the end of that period.' Edwin Cannan, *The Paper Pound of 1797-1821 A Reprint of the Bullion Report* (London, 1919), p. 5 & p. 70.

[79] David Ricardo, *The High Price of Bullion: A Proof of the Depreciation of Bank Notes* (London, 1810), p. 2.

[80] Ibid. p. 52.

[81] Norman J. Silberling, 'Financial and Monetary Policy of Great Britain During the Napoleonic Wars', *Quarterly Journal of Economics* 38:3 (1924), 397-439 (p. 428).

[82] John Hill, *An Inquiry Into the Causes of the Present High Price of Gold Bullion in England, and its Connection with the State of Foreign Exchanges: With Observations on the Report of the Bullion Committee: in a Series of Letters Addressed to Thomas Thompson, Esq. M.P. One of the Members of the Bullion Committee* (London, 1810), p. 61.

[83] Ibid. p. 61. The fictitious nature of 'accommodation bills' is discussed by Henry Thornton (one of the chairmen of the 1810 Bullion Committee) in his *An Enquiry into the Nature and Effects of the Paper Credit of Great Britain* (1802). Thornton begins by describing a 'real' note. '[A] real note… [is a]… note drawn in consequence of a real sale of goods… [in order via discounting][83]… to have the means of turning it into money.' In contrast to such real notes were 'fictitious' notes or 'accommodation' notes. 'A fictitious note, or note of accommodation… [while being]… drawn for the same purpose of being discounted… is not… sanctioned by the circumstance of having been drawn in consequence of an actual sale of goods.' Thornton, *An Enquiry,* pp. 28-29.

[84] Hill, *An Inquiry*, p. 61.

[85] King, *Thoughts on the Restriction of Payment,* p. 19.

[86] Ibid. pp. 18-19 & p. 21.

[87] Hill, *An Inquiry*, p. 61

[88] Clapham, *The Bank of England: A History Volume II,* p. 39.

[89] Silberling, 'Financial and Monetary Policy of Great Britain During the Napoleonic Wars', p. 428.

[90] Town notes were a form of 'accommodation bill' used on the London money market. Ian P. H. Duffy, 'The Discount Policy of the Bank of England During the Suspension of Cash Payments, 1797-1821', *The Economic History Review, New Series* 35:1 (1982), 67-82 (p. 71 & p. 76).

[91] Paine, *The Decline and Fall*, p. 28.

[92] Ibid. p. 28, Sir John Clapham, *The Bank of England: A History*, *Volume I* (Cambridge, 1944), pp. 260–265 & Francis E. Hyde, Bradbury B. Parkinson & Sheila Marriner, 'The Port of Liverpool and the Crisis of 1793', *Economica, New Series* 18:72 (1951), 363–378 (p. 364).

[93] Paine, *The Decline and Fall*, p. 28.

[94] S.R. Cope, *Walter Boyd A Merchant Banker in the Age of Napoleon* (Gloucester, 1983), pp. 148-150.

[95] King, *Thoughts on the Restriction of Payment*, p. 84.

[96] Ibid. p. 25. For the Bank's profits see Clapham, *The Bank of England: A History Volume II,* p. 50.

[97] There is little biographical information regarding William Howison aside from the fact that he was a Scottish writer on finance. He has no entry in the ODNB and is mentioned only obliquely in his son's (also William Howison) entry. William Howison, (*b*. 1796?), ODNB. Bonnie Shannon McMullen.

[98] William Howison, *An Investigation into the Principles and Credit of the Circulation of Paper Money, or Bank Notes, in Great Britain: As protected or enforced by legislative Authority, under the Suspension of paying them in Cash; in the Extent of such Paper Money, the Responsibility attached to it, and its Effects upon Prices of commodities, individual Income, Agriculture, Manufactures, Commerce; and upon the Course of Exchange with foreign Countries. Together with a Discussion of the Question, Whether the restraining Law in favour of the Bank of England from paying Notes in Money, ought or ought not to be continued as a Measure of the State?* (London, 1803), p. 22.

[99] Ibid. p. 23.

[100] William Cobbett, *Cobbett's Weekly Political Register Volume XXXIV: From August 1818, to August 1819, Written in America* (London, 1819), p. 775

[101] Ibid. pp. 775-776.

[102] Ibid. p. 774.

[103] For a positive view of these developments see the discussion in chapter 1 of the work of North *et al* on the links between the growth of markets and the 'credible commitment' to government financing evinced by the British government. A positive appraisal of these developments is also evident in more general histories of this period. Morgan (1984), discussing the financial revolution, notes how heavy government borrowing necessitated a new 'political infrastructure,' this nexus 'link(ing) the financial world and the taxpaying public.' Morgan concluding that 'with hindsight, the advantages of this system… are obvious.' Kenneth O. Morgan, *The Oxford History of Britain* (New York, 1984), p. 404. Similarly, Scott (2013) notes how 'prolonged warfare in defence of liberty and property would… [transform England]… from a satellite of the Sun King into the centre of an international coalition that fought Europe's most powerful nation to a standstill.' The national debt, financial revolution and the Bank of England were the centerpieces of this achievement, allowing as they did the British

government to 'borrow and spend out of all proportion to the size of its taxable population.' Little mention is made of dissenting voices towards the increases in taxation this system required as Scott surmises that this new tax burden was 'self-imposed' (namely voted for by Parliament). Scott notes how 'the public accepted paying higher taxes because, fundamentally, it shared the government's determination to defend the national interest against foreign rivals, above all the French.' David Scott, *Leviathan The Rise of Britain as a World Power* (London, 2013), pp 248-249. Economic historians can also share these sentiments. Chada and Newby (2013), for instance, being keen to emphasise how the 'freedom' of the processes involved in government borrowing also contributed to its success. 'Britain had the most democratic parliament in the contemporary world, the financial revolution… had created an efficient system of public finance… the country had the world's most developed private capital markets… Furthermore, society was free, with relative freedom of press and speech that enabled the public to criticise and monitor the authorities… [these factors]… forcing the government and the Bank [of England] not only to consider short-term profit opportunities, but long term benefits to the whole country.' Jagjit S Chada & Elisa Newby, 'Midas, transmuting all, into paper: The Bank of England and the Banque de France during the Revolutionary and Napoleonic Wars', *Bank of Finland Research Discussion Paper* No. 20 (2013), 1-58 (pp. 13-14).

104 Cobbett, *Cobbett's Weekly Political Register Volume XXXIV*, p. 776-778.

105 David Ricardo, *Plan for the Establishment of a National Bank* (London, 1824), pp. 11-13.

106 Smith had this to say regarding the dangers of monopolies. 'The interest of the dealers… in any particular branch of trade or manufactures, is always in some respects different from, and even opposite to, that of the public. To widen the market and to narrow the competition, is always the interest of the dealers. To widen the market may frequently be agreeable enough to the interest of the public; but to narrow the competition must always be against it, and can serve only to enable the dealers, by raising their profits above what they naturally would be, to levy, for their own benefit, an absurd tax upon the rest of their fellow-citizens.' Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* [1776] (São Paulo, 2007) p. 200.

107 Pulteney, *Substance of the Speech,* p. 17.

108 Letter quoted in Cope, *Walter Boyd A Merchant Banker in the Age of Napoleon*, p. 100.

109 Discussed in chapter 3.

110 S.R. Cope, 'The Original Security Bank', *Economica New Series*, 13:49 (1946), 50-55 (p. 50).

111 William Playfair (1759-1823), ODNB. Ian Spence.

112 Cope, 'The Original Security Bank', pp. 51-52.

113 Ibid. p. 55.

114 Ricardo, *Plan for the Establishment of a National Bank,* p. 1.

115 Ibid. pp. 5-7.

116 Ibid. p. 3.

117 Ricardo calculated the interest payments by the public to the Bank of England at £690,000, added to this is an additional £248,000 paid for the management of the national debt making a total cost to the British public of £938,000 a year. Ricardo estimated that 'Public Commissioners' could administer these duties for a cost of around £188,000 a year, his scheme therefore leading to a public a saving (or gain) of £750,000 a year. Ibid. 30.

118 John Broughton, *Remarks upon the Bank of England: With Regard More Especially to Our Trade and Government* (London, 1707), p. 47.

119 Clapham, *The Bank of England: A History Volume I,* p. 38.

[120] Ricardo, *Plan for the Establishment of a National Bank*, pp. 11-13.

[121] Ibid. pp. 11-13.

[122] Anderson, *The Iniquity of Banking,* p. 21.

[123] Randall McGowan, 'The Bank of England and the Policing of Forgery 1797-1821', *Past & Present* 186 (2005), 81-116 (p. 83), Shin, 'Paper Money, The Nation, and the Suspension of Payments in 1797', p. 419 & O'Brien & Palma, 'Danger to the Old Lady of Threadneedle Street? The Bank Restriction Act and the Regime Shift to Paper Money, 1797-1821', p.16.

[124] David Kynsaton, *Till Time's Last Stand, A History of the Bank of England 1694-2013* (London, 2017), p. 88, Randall McGowan, 'Managing the Gallows: The Bank of England and the Death Penalty, 1797-1821', *Law and History Review* 25:2 (2007), 241-282 (p. 244), Shin, 'Paper Money, The Nation, and the Suspension of Cash Payments in 1797', p. 419. O'Brien & Palma, 'Danger to the Old Lady of Threadneedle Street? The Bank Restriction Act and the Regime Shift to Paper Money, 1797-1821', p.16.

[125] McGowan, 'The Bank of England and the Policing of Forgery 1797-1821', p. 87.

[126] Ibid. p. 83

[127] McGowan, 'Managing the Gallows: The Bank of England and the Death Penalty, 1797-1821', pp. 245-246.

[128] Ibid. pp. 251-252.

[129] Thomas Paine, *The American Crisis V* (Pennsylvania, 1778), in *The Complete Writings of Thomas Paine, Volume I* Philip S. Foner (ed.) (New York, 1945), p.110

[130] William Cobbett, *The Collected Social and Political Writings of William Cobbett Volume 5* [1809-1816] (London, 1998), p. 353.

[131] Cobbett, *Cobbett's Weekly Political Register Volume XXXIV,* p. 44.

[132] Ibid. p. 45.

[133] Ibid. p. 1058.

[134] Ibid. pp. 1070-1071.

[135] Ibid. p. 1059.

[136] Ibid. 1070.

[137] Background details of *The Black Dwarf* are discussed in chapter 5.

[138] *The Black Dwarf, A London Weekly Publication. Volume II* (London, 1818), pp. 561-562.

[139] Cobbett, *Cobbett's Weekly Political Register Volume XXXIV,* p. 45.

[140] Arguments against the continuation of the suspension during times of peace are discussed in detail in chapters 6&7. For further details see McGowan, 'Managing the Gallows: The Bank of England and the Death Penalty, 1797-1821', pp. 247-248 & p. 250.

[141] Anonymous, *Satan's Bank Note* (London, 1820), p. 4.

[142] Ibid. p. 5.

[143] Ibid. p. 6.

[144] *The Gorgon; A Weekly Political Publication. Volumes I & II* (London, 1819), p. 128. Background details of *The Gorgon* are discussed in chapter 5.

[145] Ibid. p. 128.

[146] Ibid. p. 294.

[147] *The Black Dwarf, A London Weekly Publication. Volume VI* (London, 1821), p. 353.

[148] *Hansard,* ser. 1, HC Deb., XXXVII, cols 1223-1224 8 April 1818.

[149] Anonymous, *Satan's Bank Note*, p. 8.

[150] *The Black Dwarf Volume VI,* p. 354.

[151] Anonymous, *Satan's Bank Note,* p. 7.

[152] Ibid. p. 8.

[153] See for instance, Chada & Newby, 'Midas, transmuting all, into paper: The Bank of England and the Banque de France during the Revolutionary and Napoleonic Wars', pp. 1-4, pp. 13-14 & pp. 32-33. & Pamfili Antipa & Christophe Chamley, 'Monetary and Fiscal Policy in England during the French Wars (1793-1821)', *Banque De France Working Paper* 627 (2017), 1-40 (p. ii & p. 1).

Chapter 3

Government Loan-Contracting

The wars Britain fought against France between 1793 and 1815 added over £600,000,000 to the permanent national debt. The unprecedented scale of this addition stretched the British funding-system to its limit, with at least one loan per year being raised throughout this period. In order to raise these loans it was necessary for the British government, the Bank and the government's creditors to build upon, and greatly extended, the methods and practices that had begun over a century earlier with the financial revolution.[1]

Writing after a decade of conflict William Howison (1803) viewed with trepidation the novel circumstances that had already seen the national debt double. Howison's fears being heightened by the fact that the breakdown of the Peace of Amiens in 1803 meant that further expense would be inevitable. In addition to the financial implications Howison was also concerned with the unprecedented scale and reach into people's lives that the raising of the government's war loans had given to the funding-system. Howison's aim was to highlight (to people unfamiliar with such developments) what he considered to be the inherent dangers of this situation. In particular, Howison was keen to highlight the damaging effects on society that the paper-money funding the British government's war loans was having. In order to achieve this aim Howison set out to elucidate as clearly as possible 'the principles and… the most obvious operations and effects of this paper money towards the community.' Crucial to Howison's understanding of this situation was his identification of the funding-system as an 'artificial' creation. Howison began by noting how this system had developed (post-1797) into an 'immense engine of political and commercial invention.' Of particular concern to Howison was the novelty of financial developments post-1797, developments that appeared to combine financial and political power in a dangerous and secretive mix.[2]

Howison acknowledged that his task was indeed daunting, observing that it was almost 'beyond the faculties of the mind' to formulate an adequate idea of the workings of the funding-system. One of the reasons for this difficulty was the scale and extent that this system had reached by 1803. The wars against France had witnessed loans being raised and debts increasing on a scale that, prior to 1793, few could have believed possible. Howison noted that as a consequence of this expansion, and the increases in taxation that it necessitated, the smallest ramifications of the various branches of this system, even down to its last farthing, influenced the comforts and conveniences of the entire population of Britain. This being the case, it was crucial that everybody who was affected by this system should take an interest in it.[3] Particularly apposite to the present study is Howison's identification of one of the more paradoxical features of the post-suspension workings of the funding-system. Namely, that the lending operations of the government's leading creditors were predicated upon support from the ostensible borrower in the process, the British government. Howison, in common with observers such as King and Ricardo, regarded the suspension of payments at the Bank as the catalyst for these developments. The suspension, in Howison's opinion, had given rise to a secret understanding between the Bank's Directors and the government. The dangers posed by this 'understanding,' in Howison's opinion, were considerable. Howison began by noting that prior to the suspension the Bank's credit was founded upon its public utility and 'subsisted upon the rectitude of [its] deportment.' Under such circumstances the Bank enjoyed a sufficient degree of independence from the government to enable it, in Howison's view, to survive 'even amidst the wreck of revolution.' The suspension had ended this independence and it was now clear that the Bank and the government shared a common fate.[4]

Howison regarded the pre-suspension Bank as being an independent institution whose virtue was protected by the public and commercial duties that it performed. Following the suspension, however, Howison feared that the Bank had become little more than an engine of the state that, crucially, enjoyed government protection in its financial undertakings. Under such circumstances, prudence and 'public utility' were likely to be an after consideration, as the temptation to profit from the circumstances that the suspension offered would be simply too great to resist. Crucially, Howison identified the paradoxical fact that (the Bank's private business arrangements aside) the 'solidity of the whole [funding] system… rests upon the credit of the government.' The reason for this was simple. As the Bank clearly lacked the financial resources to meet its note issue, Howison concluded that Bank of England notes 'appear to be in substance, or responsibility, the notes of the state.'[5]

The workings of the 'wonderful system' of paper-credit described by Howison can be evinced by an examination of a government loan of 1796. The aim of this loan was to fund Exchequer Bills, many of which were held by the Bank. In order to help fund this loan the Bank and Chancellor of the Exchequer agreed that a more liberal policy towards discounting would be adopted. This, in essence, meant that the Bank would provide advances to the loan-contractors, enabling them to make the third, fourth, fifth and six instalments of their ten-instalment loan.[6] In the funding of this loan the paradoxes and interdependence of a system of essentially 'circular credit,' described above by Howison, are revealed as this loan finds the government borrowing money from loan-contractors to pay the Bank who in turn has to lend to the loan-contractors who are funding the loan to the government. Figure. 1 provides a visual outline of this process.

When it is also borne in mind that the primary source of the Bank's credit was itself government debt, the circular nature of this web of mutual interdependence is increased still further. It was precisely in the context of this system of circular credit that observers such as Morgan (1796) lamented as delusional a funding-system that had enabled loan-contractors to profit from the increase of public debts via the use of fictitious credit and paper money.[7]

Crucial to Howison's objections was his contention (in common with Ricardo *et al.*) that government Exchequer Bills, instead of needing funding in the fashion of the 1796 loan, could simply function as government issued money in their own right. Howison objected to the fact that the public were compelled to use unredeemable Bank of England notes without choice or option, a situation that greatly benefitted the Bank as the public must pay interest on these notes. Having noted this 'puzzling' situation Howison pondered why the government 'should prefer the credit of a banking company to its own credit?' A circumstance rendered even more puzzling when Howison considered how the Bank's notes were essentially 'resting on the credit of the government… which must… pay the Company's notes, if they shall ever be realized.'[8]

By questioning the propriety of compelling the public to use the notes of a private corporation, notes whose intrinsic value was highly questionable, Howison was also echoing the arguments of earlier critics of this arrangement such as Paine. To Paine (1796) the intimacy of the connection between the Bank and the British government had resulted in a dangerous increase in paper-money with little intrinsic value, leading Paine to observe how if loans needed to be raised, or interest on the national debt paid, Bank of England notes could 'always be coined for th[is] purpose.' Crucially to Paine, payment in Bank of England notes proved little, the real proof of their value rested upon the question of whether 'the bank [could] give cash [gold] for the notes on which the interest is paid?[9] By the time of Howison's writing the unprecedented expense of Britain's wars against France had witnessed not only a huge expansion of the paper-money system, but, in order to fund such loans, had also given rise to many innovative developments in the London 'money market.' It is to how these developments were challenged and critiqued that our attention must now turn.

The London Money Market

The workings of the London money market had played a crucial role in the financial revolution and the raising of British government loans since the 1690s.[10] The core of the London money market, when war with France commenced in 1793, essentially consisted of several hundred individuals and firms who functioned variously (and interchangeably) as bankers, brokers and merchants. As has been discussed above (chapter 2) a crucial element in the smooth running of the London money market was the central position held by the Bank of England. Almost all London merchants held an account at the Bank and it was from the most influential of these firms that the Bank's Directors were recruited. In addition, Bank stock was held and traded extensively by the London merchants who were also the customers of the Bank's discounting operations. The Bank's centrality to the London money market was not limited to its dealings with London merchants. Following the suspension of payments at the Bank in 1797 all London banks had been permitted to have an account at the Bank, a move that neatly dovetailed with their agreement to accept

Bank of England notes as payments for debts owed (the 'Declaration Movement'). The tacit acknowledgement contained in this development, that the interests of London banks and the Bank of England contained a considerable overlap, being a move that further centralized financial power into the hands of the Bank's Directors.[11]

Morgan (1801) writing after the arrangements outlined above had already seen the national debt double since 1793 and taxation increase markedly, regarded Britain's prospects after eight years of war as 'gloomy.' Morgan's intention was to awaken Britain to the dangers that the continuation of this system posed, a task that he recognized (in common with Howison) as being somewhat 'forlorn.' In this regard Morgan was particularly concerned with the apathy (in the public) and the lack of imagination (in the political class) that this destructive system was fostering. Morgan lamented how the public bore 'without a murmur' the 'increasing pressure of tax and distress' whilst one set of men succeeded another, adopting the same policies and practices that led to extravagance and the destruction of 'public economy.'[12] In support of his conjecture Morgan pointed out how Pitt (famed for his financial acumen and attempts to reduce the national debt) had, despite this reputation, in a little over seventeen years increased the national debt from £230,000,000 (in 1783) to over £500,000,000 (in 1801). This increase led Morgan to note how the national debt 'which in other hands required one hundred years for its formation, has, under [Pitt's] management, been doubled in one-twentieth part of the time.' Of particular concern to Morgan was the fact that as the unprecedented scale of these increases had not led to a national bankruptcy (a fact that owed a great deal to the suspension) there appeared to be little standing in the way of further increases. Morgan considered this circumstance to be highly dangerous as it paved the way for the notion that 'public credit' is 'almost as boundless as ministerial profusion.'[13]

The strains that the wars against France placed on the system viewed with trepidation by Morgan were considerable, as a result innovation and ingenuity were required in order to meet the government's ever-increasing demands for money. One of the most influential of these developments was the centrality and importance granted to specialist or 'principal' loan-contractors in the raising of government loans. These specialist loan-contractors built upon (and expanded) the symbiotic relationship that already existed between the merchants and financiers who worked in the London money market, the Bank of England and the British government.

In order to assess the veracity of the objections raised by critics of these developments attention will be paid to the methods used, and fortunes of, two of the principal loan-contractors utilized by the British government between 1794 and 1810; Walter Boyd of Boyd, Benfield & Co., principal loan-contractor between 1794 and 1798, and Abraham and Benjamin Goldsmid of Goldsmid Brothers, principal loan-contractors between 1800 and 1810. This approach is particularly useful in highlighting these objections as, not only did both of these loan-contractors go bankrupt whilst ostensibly lending the British government many millions of pounds, they were also both indebted to the very government they were lending to at the time of their bankruptcy.

Government Loan-Contractors

The methods used by the British government to raise its loans varied considerably and were, naturally enough, dependent on a variety of factors political, military and economic. The most straightforward type of loan was that of public subscription, a loan of this kind involved the Chancellor fixing the terms of the loan and opening it up for public subscription, this method was used to raise the 1796

'Loyalty Loan' of £18,000,000 and a further loan of £25,500,000 in 1797.[14] The problem with these loans, however, was that they sank to a discount soon after they were floated on the market and therefore many investors lost money on their investment. The reason for this fall in price has been ascribed to the insufficiency of the London money market, already swollen with a large amount of 'undigested' government debt, to absorb any additional debt issue. While this explanation appears reasonable enough it does not explain how subsequent loans, raised in a more closed manner and amounting to many more millions of pounds, were able to be successfully absorbed by the market. A crucial factor in the solution to this problem was for the government to seek the assistance of specialist loan-contractors to facilitate the raising of their loans. Under this system the entire loan would be taken up by a principal loan-contractor who could either sell it on to their clients and contacts immediately, or, hold onto it themselves in order to try to 'steer' the price of stock on the market in the hope of improving conditions to sell.[15] This system of loan subscription saw the loan-contractors increasingly acting as middle-men, between the government who wanted to sell debt and the public who wanted to purchase a share of the debt offered. It has already been noted above how the loans made by the loan-contractors were made in ten instalments, a process that allowed them to gradually sell their holdings of government 'scrip' on the market. It has also been noted how assistance was granted by the Bank of England to the government's creditors in order to allow them to make these payments.[16]

To some observers the intimacy of this process between the Bank and the government had already led to ruin and the 'bankruptcy' of the Bank of England in 1797. Morgan (1797), writing shortly after this bankruptcy had led to the introduction of the suspension, noted how for many years previously the 'salutary restrictions' that the Bank ostensibly abided by had been subverted and circumvented.[17] This intimacy led Morgan to note that from the union that existed between the Bank and the Treasury one could surmise that 'they were incorporated for the purpose of assisting the nation more easily and effectually to increase its expenditure, and thus plunge itself more deeply into debt.' This combination of financial and governmental power, a combination that Morgan feared would only increase as the suspension wore on, was a perversion and abuse of both institutions. This 'perversion' was especially damaging for the Bank as it appeared to be turning it from a commercial institution, whose purpose was to help trade, into promoters of war where 'avarice and ambition have been furnished with implements to deluge the world with blood.'[18] Morgan was also concerned with the effect that the post-suspension increases in paper-money were having on real trade, fearing that fictitious paper-credit would encourage dangerous credit-fuelled speculation. In an attempt to highlight the novelty of the situation that the suspension had created Morgan noted that 'forty or fifty years ago… [when] trade was founded upon real and substantial property… [A merchant] would have thought himself grossly insulted if he had been told that his credit depended upon the discounts of the Bank… [However,]… things appeared to have changed… and. I'm afraid not much for the better.'[19] Morgan's warnings regarding excessive 'speculative' discounting were well founded. Indeed, they proved particularly prescient when several years later (1810) excessive paper-money fuelled speculation led to the demise of the Goldsmid Bank's tenure as 'principal' loan-contractor (discussed below).

There is little doubt that Morgan was also correct when he noted that, in addition to promoting speculation, the suspension also greatly facilitated the raising of government loans. Irrespective of whether these loans were raised via public subscription, or via a consortium of financiers and merchants headed by a principal contractor, all such loans required the sanction of Parliament. Therefore, shortly before the presentation of the budget the Chancellor would announce the intention of raising a new loan, inviting merchants and bankers to consider bidding. Rival bids for government loans typically consisted of combinations of contractors with the principal contractor negotiating with the Chancellor regarding the terms of the loan, the other loan-contractors each accepting liability for their portion. This 'open' method of raising funds was favoured by Pitt as he believed that it would encourage competition as rival contractors would bid for loans, a process he hoped would garner the most favourable terms for the public.[20]

Setting the Terms of Government Loans

Once the government had decided upon their preferred candidate(s) to make the loan they were summoned to Downing Street to finalise the terms upon which the loan would be issued. When considering the terms and conditions that formed these loans it is important to bear in mind that the financial interests of the borrowers (the taxpaying public) and the loan-contractors regarding how these loans were constituted were often diametrically opposed. Pitt, cognizant of this fact, had, from the commencement of his tenure as Prime Minister in 1783, stated publically that his preference was to fund the national debt in stocks of higher (4% or 5% stock) as opposed to the 'traditional' 3% stock.[21] Pitt's preference for 4% and 5% stock was accountable to the fact that foremost in his mind when contracting for loans was the idea of debt redemption; redemption that Pitt calculated would reduce as much as possible interest payments upon the permanent national debt. As government stock of 4% and 5% was more expensive to the government it was typically redeemed sooner than 3% stock. The government was entitled to redeem stock when it reached 'par' (or

100% of their face value), this happened much more frequently with stocks bearing higher interest, 3% stock seldom rose above par.[22] Foremost in Pitt's mind was the censure that Prime Minister Lord North had been subject to in his handling of the loans raised to fight the American colonists between 1775 and 1783. Throughout this conflict loans had been raised in 3% stock at a price that many felt were both ruinous to the government and unnecessarily generous to the government's creditors.[23]

Contemporary observers, aware of the above reasons for Pitt's preferences, were scandalized by Pitt's consistent reneging upon his stated desire to borrow at a higher rate of interest. This 'ruinous' course of action led Morgan (1796) to state that 'if the debts be *redeemed* with greater ease in a stock bearing a high interest, they must necessarily accumulate faster by *borrowing* in a stock bearing a low interest.[24] [emphasis in original] In support of this conjecture Morgan noted how (due to its price on the market) the 1796 loan (consisting primarily of 3% Consols) had witnessed the government borrowing a capital of over £27,000,000 and receiving only £18,000,000. This circumstance caused Morgan to lament how 'for every £100 received in money, the public debts are increased by £150.'[25] Morgan was not alone in these conjectures. James Maitland, the Earl of Lauderdale, also viewed with disapproval Pitt's actions when raising this 1796 loan. Maitland, having initially served as an MP, from 1781 to 1789, upon becoming the Earl of Lauderdale sat (sporadically) in the House of Lords from 1790 onwards. A supporter of the French Revolution and an advocate of peace, Lauderdale opposed Britain's military involvement against Revolutionary France. Lauderdale's vociferous opposition to war leading to suspicions that he was a French agent. Having successfully countered these charges Lauderdale went on to pen many works on political economy varying from (anonymous) pamphlets to full length theses such as *An inquiry into the nature and* *origin of public wealth, and into the means and causes of its increase* (1804 later expanded in 1819).[26]

Lauderdale (1797), when commenting upon Pitt's actions during the raising of the 1796 loan, was scathing in his appraisal, noting that 'the management of this business creates the strongest impression of… incapacity of those by whom it was conducted.' In particular, it was redolent of a 'neglect of interest' that was 'hitherto unknown in any public concern.' Lauderdale (referring to Lord North's handling of such matters) noted how formerly there had been much controversy surrounding whether loans should be raised at a higher rate of interest (and paid off quicker) or at a lower rate of interest (with little likelihood of redemption). This situation, however, had changed. Viewing with ironic trepidation the novel developments in place since 1793 Lauderdale noted how such 'trivial distinctions were now thought unworthy of the attention of the People's Representative [Pitt].' Most troubling was the fact that in the 'true spirit of indifference' the choice of securities that constituted this loan appeared to be left to the public creditor. This circumstance was particularly dangerous as, given the fact that the primary motivation of the loan-contractors was profit they were the people above all others to whom it was 'improper for Parliament to have delegated th[is] trust.'[27] Lauderdale was not alone in this opinion, Morgan (1797) also viewed Pitt's actions when conducting this loan with dismay, noting how he appeared to have 'abandoned every principle of economy, and to have committed his boasted system of finance to the discretion of contractors and loan-jobbers.'[28]

The loan-contractor's preference for 3% stock, as opposed to stocks in higher denominations, was accountable to several reasons. Primarily, the loan-contractors (unlike Pitt) were not interested in debt redemption but selling the stock they had subscribed to for a profit. The 3% stock was their preferred method of doing this. One of the primary reasons for the loan-contractor's preference for 3% stock was the fact that as it constituted the 'traditional' stock of government debt on the London money market it could be bought and sold with relative ease, improving the prospects for capital gains (via gambling) for traders in this stock.[29] This gambling was necessary as the loan-contractors were not lending 'spare capital' to the government but money that often existed primarily as paper transactions between themselves, their associates and their customers. Howison (1803) noted how the suspension had greatly increased such 'gambling' when he observed how the temptations available to speculators, via increased discounts at the Bank, were inducing many 'to join the gamblers.'[30] Other observers such as Waithman (1800) viewed with disdain the 'baneful effect' that this gambling with 'false capital' was having on the population as a whole. Waithman noted how the loan-contractors having gained an initial profit from advancing sums (of false capital) to the government increased their profits further by selling this capital on the market and to their customers. There were many 'evils' involved in this system but the primary one in Waithman's opinion was that it '*enrich[ed] the few by impoverishing the many,*' the accumulation of this 'false capital' allowing 'many more persons to be supported in indolence at the expense of the industrious.' [emphasis in original] The potential for such profits led Waithman to observe how it was hardly surprising to find so many people desirous to 'plung[e] nation into war, when it is recollected who are the gainers by it.'[31]

The ease with which the 3% stock facilitated such stock market manoeuvres was not the only reason for its popularity with loan-contractors. A further reason for their preference for 3% stock was that as it rarely rose above 'par' it was issued at a discount; this situation meant that if the price of 3% stock was 50 (100 = par) then £100 subscribed would purchase £200 of stock. Morgan (1801) viewed with dismay the cumulative effect that funding debt in this manner was having, as the 'extravagance of one set of Ministers [w]as invariably… forgotten in the greater extravagance of [their successors].' Pitt's 'extravagances' were, however, on such an unprecedented scale that, in Morgan's opinion, his exertions could not be forgotten by his successors in a similar fashion. Commenting upon the extraordinary levels of fictitious capital that had been added to the national debt since 1793 Morgan was keen to draw his readers attention to the exponential nature of these increases. Morgan noted how throughout the Seven Years War (1756-1763) the 'difference between the stock created and the money borrowed' was £9,443,388, throughout the American War of Independence (1775-1783) this amount had increased to £28,946,625. Morgan lamented how, as a consequence of this 'destructive system,' in the first eight years of conflict against France this sum had reached unprecedented proportions and stood at £127,679,045.[32]

Boyd Benfield & Co. Principal Loan-Contractors 1794-1798

Walter Boyd was the principal loan-contractor to the British government in the early stages of the war against France. Originally from Scotland, by the mid-1780s Boyd, having opened a bank in Paris under the partnership of Boyd, Ker et Cie., had managed to establish useful connections throughout Europe (in particular France and the Netherlands) via his dealings in foreign exchange and securities.[33] As the political situation in France became increasingly unstable, following the Revolution of 1789, Boyd fled Paris, founding in 1793, a new firm in London (with the wealthy nabob Paul Benfield) under the name Boyd, Benfield & Co.[34]

Boyd's continental connections proved useful to the British government who were keen to extend financial assistance to their continental allies, in particular

Austria. In this regard Boyd played an important role in helping to raise the 'Austrian Loan' of 1794.[35] As a consequence of being able to help facilitate such transactions Boyd found himself becoming increasingly influential to the funding of domestic war loans. Boyd was, therefore, ideally placed when Pitt decided that it would be best to allow a 'principal' contractor and their 'list' to tender for government loans in an open and competitive fashion. Under this system Boyd had successfully contracted for a government loan in 1794 and, following this success, for the £18,000,000 government loan for 1795.[36] Understandably, Boyd was keen to hold on to his position as the favoured principal loan contractor and so was keen to tender for the government loan of 1796 (discussed above). Boyd's tender for this new loan had powerful and influential backing and an examination of some of the largest subscribers on Boyd's list for his loan of 1796 reads like a whose who of London financial elites. The Governor, Deputy Governor and Directors of the Bank of England (£500,000); the East India Company (£300,000); the Royal Exchange Assurance Company (£200,000); the South Sea Company (£200,000); Abraham Newland (£100,000); Pascoe Grenfell Esq. (£100,000); Boyd, Benfield & Co. (£5,704,000), Robarts, Curtis & Co. (£2,966,000); Benjamin and Abraham Goldsmid (£2,966,000); E.P. Salomons (£1,711,000) and Peter Thellusson (£1,411,000). The amount subscribed by Boyd, Benfield & Co. was subdivided still further with the most prominent allocations going to John Julius Angerstein (£350,000), Godschall Johnson (£350,000) and Charles Herries & Co. (£250,000).[37]

Boyd's problem in tendering for this loan was that there still remained three instalments of his 1795 loan to be sold on the market. Therefore, there was a danger that the introduction of a new loan would flood the market, leading to a downturn in stock prices (discount) as opposed to the increase in stock prices (premium) that Boyd required in order to meet his obligations. Boyd's difficulties were compounded by the fact that a new contractor would only need to pay ten per cent down (as Boyd did for his 1795 loan) of the capital they were loaning; therefore a new contractor with fewer resources could undercut Boyd. If 'market forces' were allowed to function Boyd would lose money on his holdings of the loan (as the market would punish him for over-extending his credit). The most likely outcome of this scenario being that the loan would collapse as Boyd had little actual money to fund his loans. Help was needed. For assistance Boyd turned to Pitt in October 1795 and argued that as there still remained three instalments to pay on his 1795 loan he, and his list of contractors, should be entitled to the 1796 loan without competition.[38] Pitt initially demurred, aware both of his public position regarding competition, and the objections that would be raised by rival loan contractors to this 'favouritism.' Such fears were far from idle conjecture. Indeed, rival loan-contractor James Morgan, himself keen to profit from the new government loan, pointed out trenchantly to a Parliamentary Committee that Boyd had only himself to blame and, instead of receiving preferential treatment from Pitt, should attempt to ensure the success of his 1795 loan before contracting for a fresh loan in 1796.[39]

In spite of these objections, and against his publicly professed policy of competition, Pitt, under the advice of the Bank, agreed to award the 1796 loan to Boyd on condition that the terms of the loan were fixed by Pitt. When considering the terms fixed by Pitt for this loan the tenuous position of Boyd needs to be borne in mind; responsible as he was for the payment of £1,500,000 still outstanding from the 1795 loan.[40] Despite Boyd's apparently fragile position the terms granted by Pitt for the 1796 loan were extremely generous and call into question the notion that Pitt had 'no choice' but to accede to the loan-contractor's demands. For every £100 advanced by Boyd and his list they would receive £120 three per cent. Consols, £25 Reduced Consols and 6s. 6d. Long Annuity.[41] These terms (when judged against current market prices) were extremely favourable to Boyd, indeed Boyd, when informed of these terms, remarked to his friends of the 'wonderful coincidence' between his own terms for the loan and those set by Pitt.[42] The reasons for this 'wonderful coincidence' are not difficult to intuit. Neither Pitt nor Boyd wanted the 1795 loan to fail and with both parties aware of the difficulties Boyd would be placed under if the 1796 loan went to a rival contractor, it was decided therefore to award the loan (and the profits) to Boyd. The awarding of this loan to Boyd was dangerous as not only did it set the precedent that the holders of current government loans should be 'entitled' to any new loans, but also because such actions diminished the idea of competition. This circumstance opening up the dangerous prospect that loan-contractors were contracting for new loans in order to enable them to pay for their old ones. Indeed, this is exactly what did happen to Boyd when his contracting operations eventually crumbled in this manner several years later.

Stock Market Manipulation

Boyd's attempts to float his 1796 loan also brings to the fore another practice that received much contemporary criticism. Namely, the attempts of the British government (via the Commissioners for the Reduction of the National Debt) to manipulate stock prices, in order to assist loan-contractors at the expense of the public, with additional assistance, when required, from the Bank.[43] The price set for the loan-contractors to make their loans to the government was based on current market price, therefore it was in the interests of the loan-contractors (not the taxpaying public) that the price of government stock on the London money market should be as low as possible when the loans were floated. On 22 December 1795 the

Morning Post published an open letter by 'Gideon' pointing out that from 3 November 1795 (three weeks prior to the loan arrangements discussed above with Boyd) the Commissioners for the Reduction of the National Debt had switched their purchase of 3% Consols to 4% Consols, with the result that the price of the 4% rose while that of the 3% was reduced.[44] As the majority of the 1796 loan consisted of 3% this action undoubtedly assisted Boyd at the expense of the taxpaying public. Morgan (1796) viewed with disdain the stock purchasing actions of the Commissioners when he noted the secrecy and obfuscation that shrouded the motivation for their actions. The 1796 loan in particular highlighted this circumstance as the Commissioner's change in purchasing priority from 4% to 3% stock lowered the price of 3% stock on the market leading Morgan to note how the 'conduct of the commissioners, contributed, with other circumstances equally curious… to render this loan one of the most distinguished for its extravagance of all the loans that have ever been made in this country.'[45]

Much of the mystery regarding both Pitt's decision to fund the 1796 loan in 3% stock and the Commissioners 'curious' purchasing priorities evaporates when the opportunity for profit available to those involved in this loan are considered. Daniel Giles, who was one of the Commissioners for the Reduction of the National Debt, combined his role on this board with the Governorship of the Bank. In addition to a personal allocation on Boyd's list of £50,000, along with a subscription of £25,000 on Benjamin and Abraham Goldsmid's list, Giles also shared (with the Bank's Deputy Governor) a further allocation of £100,000 to this loan.[46] As well as this 'gift' to the Governor, the Directors of the Bank each received an allocation of £50,000 along with £20,000 to Abraham Newland who served as the Bank's Chief Cashier. The personal interest that these parties had in the successful floating of this loan (namely lowering the price before floating it and subsequently raising it following floatation) goes some way to explaining the 'mysterious' actions of Giles and his fellow Commissioners, as their purchasing priorities meant that he and his fellow Directors at the Bank could neatly dovetail support of the market price of the funds with substantial personal gain.[47]

To observers such as Morgan (1801) the unprecedented frequency with which such large loans were required, along with the methods that were necessitated in floating them, increased the opportunities for corruption and posed a danger to both 'liberty' and 'freedom.' The reason for these dangers was not only the secrecy and intrigue that they fostered but also the increases in 'intrusive' taxation that the funding of these loans necessitated. As Morgan explained, 'the necessary effect of every new impost is to produce some law either of coercion or restraint… increasing the means of corruption and thus rendering all opposition to inordinate power… feeble and ineffectual.'[48] Lauderdale (1797), too, viewed the increasing expense of these loans as posing a threat to the integrity of the government. Having pointed out that the additional charges to the national debt after four years of warfare (£6,701,000) equalled the total annual charge of the debt in 1782 (£6,688,000) Lauderdale regarded increasing public knowledge about this fact to be an important duty. This 'duty' was particularly pressing as Lauderdale regarded Pitt and his favourites as presiding over a 'fixed and determined system of concealment and delusion' aimed at keeping both Parliament and the public in ignorance regarding the true situation of Britain's finances.[49]

Fake Intelligence and Government Loans

In addition to the curious purchasing priorities of the Commissioners, another aspect of this loan worth considering is the use of fake intelligence by the loan-contractors and elements in the government. This practice involved the manipulation and invention of news stories in an attempt to influence the price of government stock (in the loan contractor's favour and at increased cost to the public) on the London money market. This practice had a long pedigree, indeed, the economic historian and Parliamentarian Sir John Sinclair, in his *History of the Public Revenue of the British Empire* (1785), identified as being coeval with the national debt itself.[50]

The announcement by Pitt on 8 December 1795 of a message from George III hinting at the government's willingness to negotiate a peace with France provides a possible example of this.[51] Whether it was a deliberate deception or merely a coincidence the effect of this news was to raise the price of government stock at a delicate time for the floating of government debt on the London money market. Lauderdale, writing in the *Morning Post* of 11 December 1795, noted how the King's message had caused the funds to rise almost 6%, whilst Omnium had risen over 12%.[52] Such increases greatly improved the potential profits available to loan-contractors leading Lauderdale to note that Pitt had 'made a premature and most shameful bargain for the Public.'[53] The *Morning Post* of 14 December 1795 similarly reported how this 'shameful bargain' had seen profits to loan-contractors reach almost two million pounds, commenting that 'in plain words, on Saturday, at three o' clock, every man who had subscribed 100*l*. to the Loan, could sell his subscription for 11*l* profit, which upon 18 millions, give a clear gain to… *whoever they may be*, of no less than 1,980,000*l*.'[54] [emphasis in original] The same edition of the *Morning Post* also raised a crucial question when it asked rhetorically, regarding the message from the King that had caused the funds to rise; 'Had Mr. Pitt any idea of such a message when he negotiated the Loan?'[55] Although it is impossible to say with certainty the motivation behind this announcement the possibility that it was merely a coincidence is rendered less likely by the fact that this was a far from isolated incident.[56]

The *Morning Post* of 17 December 1795 printed Lauderdale's rueful comments, made in the House of Lords. Lauderdale noting that, irrespective of whether this was 'a transaction of imbecility or corruption,' the 'bonus' received by Boyd upon the floating of this loan, along with Pitt's questionable negotiations (ostensibly on behalf of the public) revealed that 'from the conduct which has been pursued in this transaction, all the advantages resulting from a system of competition… [are]… completely forfeited.[57]

Select Committee of 1796

The consternation caused by the floating of this loan was such that a Select Committee was appointed to 'Enquire into the Circumstances of the Negotiation of the Late Loan.'[58] The primary aim of this Committee was to ascertain whether government or Treasury malfeasance had played any role in the circumstances described above. The evidence presented before this committee, while exonerating those in these institutions whose actions fell under suspicion, nevertheless provides a valuable (and rare) glimpse into the processes involved in government loan-contracting during this period.

The air of secrecy that shrouded the financial transactions between merchants, financiers and their customers looms large over much of the evidence presented to this Committee. The response of Sir Robert Herries being instructive in this regard when he stated how since 'time immemorial' it had been the 'general rule' of the 'Society of Bankers' (49 banking houses whose role was to protect society from forgers) 'not to divulge the situation of the accounts in their books without being forced to do so.'[59] Owing to such issues of confidentiality many of the major subscribers to the 1795 loan initially demurred when the Committee requested the names of those whom they were representing. The response of Rawson Aislabie, who subscribed £342,000 (retaining £87,000 for himself), was typical when he stated that he regarded the Committee's request to see a list of his clients as 'a kind of hardship… trespassing on my private concerns.'[60] Aislabie, despite such reservations, did acquiesce with the Committee's request and duly submitted a list of his clients.

There were, however, several subscribers who refused. Mr Ellis Were who featured on the list of Robarts, Curtis & Co., refused to account for £100,000 of outstanding subscriptions as the gentlemen on his list refused to permit it.[61] Similarly, Charles Hornyold distributed £135,000 to foreigners whose names he was 'not at liberty to mention.'[62] Particularly apposite to the current study was the refusal of the Goldsmid Brothers to account for the distribution of £1,253,000 of their loan allocation. The Goldsmids having (via a variety of 'lists') subscribed a total of £4,016,000 to this loan.[63] Pressed by the Committee to account for how this sum was distributed Goldsmid stated that it was 'among different persons, to whom I am under restrictions not to mention their names, of which the greatest part are bankers.' As the Committee was primarily interested in ascertaining the involvement of government or Treasury officials in this loan (Goldsmid was prepared to attest under oath that none were) this elusive answer sufficed.[64]

The question of the collateral that was backing the loans of these unknown bankers (or anyone else on Boyd's list) was left unasked by the Committee. As a consequence of such secrecy and obfuscation it is difficult to ascertain with precision the role that credit played in meeting these loan subscriptions; however, the role played by credit in the loans of larger subscribers is easier to intuit. The subscription of £1,141,000 by a list headed by Peter Thellusson & Sons provides an example of this. Peter Thellusson retained over £400,000 of this loan (for himself and friends).[65] A little over a year after he made this loan he was dead, leaving an estate of between £600,000 and £800,000.[66] As it is inconceivable that a financier of Thellusson's calibre would place so much of their fortune into a single transaction it is reasonable to assume that much of Thellusson's 'personal' £400,000 subscription represents little more than a credit-fuelled speculative venture.

Boyd's Bankruptcy

Boyd had been the principal loan-contractor for the government loan that formed the subject of the above inquiry. The fundamental problem Boyd faced was that he (in common with the rest of the loan-contractors) didn't possess anything like the amount of capital they had pledged to loan to the government. Boyd had effectively gambled on the value of government stock increasing when floated on the stock market. When this hoped for rise in price failed to materialize, a consequence of the large amounts of 'undigested' government debt already on the market combined with the invasion scare of 1797 (the event that precipitated the Bank suspension) in early 1797, Boyd was left holding large amounts of 'scrip' (government debt) that he had inadequate cash to fund. Boyd's fall, saw him being forced to rely increasingly on credit and the raising of further loans in order to meet his financial commitments. Essentially contracting for new loans in 1797 (£14,500,000) and 1798 (£17,900,000) in an attempt to pay for older ones.[67] Boyd was even forced in a paradoxical (and highly secret) move to borrow from the very government he was ostensibly lending to in order to allow him to meet his ever-extending loan commitments.[68] By late 1798, having banked on the prospect of peace negotiations (an action that it was assumed would increase the price of government stock) that never materialized, Boyd's lines of credit finally ran dry and he was forced to declare himself bankrupt.[69]

Crucial to Boyd's failure was his alienation from the Bank, the one institution that could have supported his credit. It has already been noted how the Bank regularly offered assistance to loan-contractors in order to facilitate their payments. Morgan (1801), writing after four years of such assistance, noted ruefully how it was no longer a 'matter of concern or anxiety' for the loan-contractor if they cannot meet their obligations. As long as the loan-contractor could make their initial payments the Bank would advance the 'greater part of the remainder.' This action was beneficial to the loan-contractor as it 'prevent[ed] the necessity of an immediate sale' and by maintaining the price of the stock on the market invariably 'insure[d] a profit to the subscriber.'[70] As has been noted above Boyd had been openly critical of the Bank's 1796 policy of restricting discounts. A policy adopted in a desperate attempt to preserve the Bank's specie reserves. Boyd, understandably, wanted as much 'liquidity' in the monetary system as possible in order to fund his loan operations. Boyd's open criticism of the Bank, along with his (un-adopted) suggestion to Pitt to set up an independent 'Board of Credit' to oversee the nation's money supply, naturally threatened the position of the Bank and gained him powerful adversaries in that institution.[71] In addition to the antipathy that this suggestion provoked the Bank was also cognizant of the fact that Boyd had been instrumental in encouraging Pitt to carry out the 'Austrian Loan' of 1794. A loan that was bitterly resisted by the Bank's Directors who correctly feared that it would drain their specie reserves.[72]

Along with the web of intrigue and self-interest that Boyd's failure exposes, it also needs to be considered that the loans discussed above of 1795 and 1796 took place *prior* to the suspension of cash payments in 1797, when all paper-money and bills were ostensibly redeemable for specie. That this was not the case where Boyd (or anyone else on his list) is concerned is beyond question. Indeed, the most powerful bank in England had been forced to suspended cash payments precisely because it couldn't pay in specie. What the suspension of 1797 did allow, however, with the pretence of having to honour paper money with gold gone was a huge increase in this type of money. The asymmetry of the benefits that this system potentially offered, between those who could create money and those who had to use this debased currency, was not lost on contemporaries who observed with trepidation the consequences of these actions. Despite the warnings of these observers the practical effect of the suspension was to see the practices discussed above (especially the ability to manipulate the price of stock on the market) multiply and take on new forms as the national debt, taxation and available profits all reached new heights. Before examining the activities of the government's next principal loan-contractor, the Goldsmid Bank, consideration also needs to be given to the phenomenon of 'extraordinary expenditure.'

Extraordinary Expenditure

Extraordinary expenditure or 'extraordinaries' were a type of government expenditure that, due to their unexpected or 'extraordinary' nature fell outside of the typical workings of parliamentary oversight. As a consequence of this critics regarded their excessive use as a means of both obscuring corruption and concealing the real cost of warfare. The fact that throughout the Wars against both America (1775-1783) and France (1793-1815) the annual amount of extraordinary expenditure often equalled in size the sums voted 'officially' by Parliament lent considerable justification to this claim. The critic's concerns were based not only upon the amounts involved but also focused on the fact that approval for these extraordinaries were always granted retrospectively by Parliament, a circumstance that greatly diminished Parliament's much vaunted control and oversight of government expenditure.[73]

The catalyst for the British government's increasing use of extraordinaries was the American War of Independence (1775-1783), a conflict that witnessed this type of expenditure increase dramatically. The expense of Britain's war with America had caused the national debt to double, a circumstance that, understandably, caused a great deal of concern to many contemporaries. John Horne Tooke (1780), a philologist who harboured radical political views, observed how the Earl Of Shelburne had raised the issue of extraordinaries in Parliament on 15 December 1779 when he stated that the 'alarming addition' of extraordinaries needed 'immediate check and control.' The reason the Earl Of Shelburne (and Horne Tooke) felt that such control was necessary was the fact that extraordinaries were increasing public debts far beyond the official sanction of Parliament. Therefore, they constituted an 'invasion of the fundamental rights of parliament' whose concern should always be one of 'utmost economy.'[74] Horne Tooke regarded this as a 'most unconstitutional circumstance,' as under this situation the 'discretion of parliament' could be circumvented as debts were raised and paid for at the whim of 'the minister [Lord North].'[75] Horne Tooke further noted how these extraordinaries were initially funded by 'money voted… by parliament… [for]… other purposes,' a practice that Horne Tooke noted had, in earlier times, been 'reprobated' and 'justly condemned.' This practice was doubly deceptive to Horne Tooke as, in addition to circumventing parliamentary oversight, extraordinaries also deceived the public by hiding and deferring the real costs of the war, a circumstance that 'conceal[ed] the magnitude and extent of… national engagements.'[76] The use of extraordinaries in this fashion was not unexpected. Indeed, Dr. Price (1776), of sinking-fund fame, presciently warned at the onset of the conflict against America how 'extraordinary expenses… will increase th[e] [national] debt considerably' whilst masking the 'full magnitude' of the government's expenditure via deferred (retrospective) approval.[77]

Over twenty years later the ever-increasing reliance of the British government upon extraordinaries was highlighted in a detailed fashion by Morgan (1801) who was keen to point out the dramatic increase of this type of expenditure throughout the eighteenth century.[78]

Table. 4: Extraordinary Expenditure in the Late Eighteenth Century

Amount of Extraordinaries	Conflict
£13,387,886	1756-1763 (Seven Years War)
£38,208,190	1775-1783 (American War)
£62,032,138	1793-1801 (Current French War)

Commenting upon these figures Morgan noted how the amount of extraordinary expenditure required to prosecute the American War (lamented above by Earl Of Shelburne and Horne Tooke) was double that required to prosecute the Seven Years War; the current war against France (at the time of Morgan's writing, 1801) having witnessed this expense more than quadruple. Such a vast increase in unaccountable expenditure (and the concomitant rise in taxation and corruption that such expense inherently entailed) led Morgan to lament how 'the mere recital of this expenditure must of itself be sufficient to sicken every friend to public economy and virtue.[79] Howison (1803), too, noted these increases when he lamented how Parliament appeared to have little control over the spiralling cost of the conflict against France, a conflict that he regarded as having been paid for by 'improper' and 'secret' transactions, between the government and its creditors.[80] Contemporary economic historian J.J. Grellier (1810) also bemoaned the cumulative effect of this process, noting how it had created a 'fathomless gulf of unapropriated expenditure' charged to the British taxpayer.[81] Grellier noted the corruption that access to this 'fathomless gulf' engendered when he observed how paymasters of the forces had retained around £500,000 in their own hands; Lord Holland personally retaining over £250,000. Revelations such as these lead Grellier to comment 'can it be wondered [then] that, under such management, our expenses and our debts have been so rapidly increasing?'[82]

Such unprecedented amounts of 'extraordinary expenditure,' although falling beyond the scrutiny of Parliament, nevertheless needed to be funded. Indeed, it was essential for the smooth running of the funding-system, irrespective of whether such expenditure had been sanctioned by Parliament or not, that interest on the national debt be paid regularly and promptly. In this regard loan-contractors performed an essential service for the government. Despite Boyd's ignoble fall, and the dangers that his failure exposed, there was no shortage of prospective loan-contractors keen to take up the lucrative position of principal loan-contractor to the government and, waiting in the wings, were the brothers Benjamin and Abraham Goldsmid of the Goldsmid Bank. It is to the innovative practices they employed, along with their eventual fall, that our attention must now turn.

Goldsmid Brothers Principal Loan-Contractors (1800-1810)

The Goldsmid's had formed part of Boyd's list for his loans to the government between 1795 and 1797 and after Boyd's fall they contracted for the loan of 1798 in an (unsuccessful) group headed by Robarts & Curtis.[83] Despite this setback, from 1800 the Goldsmid Bank went on to play a prominent role in government loan-contracting and their methods and eventual fall (in common with Boyd), provide valuable insights into the credit-fuelled techniques employed by government loan-contractors.

The Goldsmid Bank, taking advantage of the ever expanding and rapidly evolving money market centred in London post-1797, were innovative financiers pioneering the role of 'bill-brokers,' a role Benjamin's biographer states was not know to the Royal Exchange (money market) prior to their time.[84] The role and function of bill-brokers essentially involved the Goldsmids buying up commercial bills at a discount using borrowed money, using such bills as the basis for further financial transactions (short-term loans etc.) and making a profit out of the difference between the discount and interest rates.[85] The methods of the Goldsmid Bank were indeed innovative and their pioneering use of such activities (the handling of bills, dealing on foreign exchange and issuing loans) led to them becoming one of the first of the London discount houses; forerunners of the large London merchant banking houses of Rothschild and Barings.[86] The large amounts of capital at the Goldsmid Bank's disposal, thanks to their discounting and bill brokering activities, put them in a prime position to take advantage of the loose money period following the suspension of 1797; a period characterized by a turbulent wartime stock market and the exigency of the government for ever greater quantities of money.

Key to the success of the Goldsmid Bank was not only their dealings with the merchants and bankers of London (their customers) but also their intimate connection with both the British government and the Bank. Boyd's connection with the government (in particular with Pitt) has already been noted, however, the mutually beneficial relationship that the Goldsmids' enjoyed with the Bank stands in stark contrast to the antipathy it displayed towards Boyd. This close contact between the Goldsmid brothers, the Bank and the government was a crucial factor of their success and was a technique that would be built upon (and extended) several years later by both the House of Rothschild and Barings Bank. The Goldsmid Bank's primary contact at the Bank of England was its chief cashier Abraham Newland. The usefulness of this influential friend at the Bank was of particular importance to the Goldsmids as Newland was known for his fondness for speculative ventures.[87] The lucrative relationship between loan-contractors and officials at the Bank has already been mentioned and can be observed most obviously by the allotment of certain portions of loans to staff at the Bank. It is highly unlikely that any of these subscriptions could have been backed by anything other than the Bank's own notes, notes that were backed almost entirely by government credit and, post-suspension, enjoying the added benefit of not having to be backed by tangible assets. Such transactions, despite being described rather euphemistically, as 'a little anomalous' by some later observers, could (arguably) just as accurately be described as actions that represent little more than profiteering and greed masquerading as patriotism under wartime conditions. Irrespective of the appellation granted to such transactions, whilst it is indeed possible that the advice tendered to the Chancellor by the Bank was unbiased and free of personal interest (the Governor and Deputy Governors of the Bank were responsible for advising the Chancellor regarding the timing and structure of government loans), as this system brought substantial profits to those concerned such a conjecture seems highly improbable.[88]

As has been already been alluded one way for the loan-contractors and the staff at the Bank to realise the latent profits that lay in these loans was to attempt to manipulate the market prices of government bonds to their advantage. It is worth emphasising again, when discussing these transactions, that despite the huge sums of money involved very little cash or 'hard money' was actually involved (or needed) on the part of loan-contractors in order to carry out this process. The entire operation was instead reliant on credit, paper-money and stock market manipulation as loan-contractors looked to either sell their holdings on to genuine investors or hold on to it themselves in order to steer the market in their favour, such actions paving the way for further manipulations when required. This fact is of particular importance when it is considered that the artificial depression of prices made the loans more expensive for the public while simultaneously increasing the profits of the lenders, a circumstance that meant that the interests of the lenders (the loan-contractors) and the borrowers (the public) were diametrically opposite on this issue.

Howison (1803), having acknowledged the duty to public service (via its commercial dealings) that the Bank carried out, questioned the propriety of the arrangements outlined above; in particular the power that it appeared to grant to the Bank post-1797. Given the record profits the Bank was enjoying post-1797 Howison questioned the wisdom of 'establishing a lasting system' that appeared to be 'so beneficial for the Bank.' Crucially, Howison questioned the basis upon which the Bank's power and influence was based when he noted that 'the solidity of the Bank of England has been… assumed without inquiry.'[89] Howison here raised a crucial point; what *specifically* was the Bank's solidity founded upon? A question whose implications are compounded when consideration is given to the fact that many of the Bank's loans and much of their assistance to loan-contractors would not have been possible without government protection in the form of the suspension.

Market Bulls and Bears

The profitable arrangements between the loan-contractors, the Bank and elements of the government faced disruption on several fronts. Not only from the vicissitudes of Britain's (and her allies) war effort, and the amount of undigested stock on the stock market, but also by 'stock jobbers' or market 'bears.' Chief amongst these bears while the Goldsmid Bank were contracting was David Ricardo. Ricardo, later to become a loan-contractor himself, was looking to profit from a *fall* in stock prices brought about by his own manipulation of stocks and dissemination of news (both genuine and fake) regarding the fortunes of war.[90] One of the more curious methods used by the bears to lower the price of government stock was to sell 'short.' This process involved the bear borrowing (at interest) government stock from a large investor, typically a bank, and then selling it on the market (either suddenly or gradually) in an attempt to lower the price. The bear would then buy back this stock at the new (lower) price before returning it to its original owner, their profit being the difference between the interest charged for the loan of the stock and the price difference on re-purchase. In order to counter bear operations such as this the bull (the Goldsmid Bank and their list) needed a great deal of resources in order to maintain the price of government stock on the market. Fortunately for the Goldsmid Bank they had, thanks to their bill-brokering business, the resources necessary to do this. Paradoxically, the bears deposited the money they had borrowed in order to purchase their stock to sell on the market with their own bankers who, in turn, deposited it with the Goldsmids, a somewhat ironic situation that enabled the Goldsmids to meet the extra demands caused by the bear's purchases.[91] The centrality of the Goldsmid Bank to the support of the market price of government stock, along with the dangers posed to their operations by market bears, has been noted by later observers who observe how the Goldsmid's loans and purchases of funds provided 'important support for the contractors' against the skilful machinations of market bears such as Ricardo.[92]

Backing the considerable resources of the Goldsmid brothers was the Bank of England (in the form of Abraham Newland) who stood ready to maintain stock prices by advancing money to subscribers to assist them in making their subscriptions. The patriotic glow surrounding these actions loses much of its lustre when the opportunities for personal gain to the Bank's staff that this activity afforded are considered. Newland, for instance, left a favoured servant an income of £60,000 of government stocks when he died in 1807.[93] A figure put in perspective when it is considered that the average male agricultural worker in 1805 was earning approx. £40 a year.[94]

Despite the pioneering success that the Goldsmid Bank initially enjoyed, and the huge fortune they amassed via their lending operations to the government, by 1810 (like Boyd before them) they became a victim of this success and, more importantly, the contradictions that lay at the heart of their credit-based lending. The Goldsmid Bank's end, like that of Boyd before them, came when their paper-based credit could no longer support their position in the market. Having successfully bid (in a falling market) for a loan of £14,000,000, a bid they made in conjunction with Barings Bank in 1810, the Goldsmid Bank was swept up by a wider financial storm. Speculation in trade to South America throughout 1809 had caused a huge stock market bubble that burst in 1810 causing a panic and a desire for 'safe' money. This panic caused a fall in stock prices and this fall coupled with an outstanding debt to the East India Company made the Goldsmid Bank's position increasingly untenable. Benjamin Goldsmid committed suicide on 28 September 1810 in the grounds of his house at Morden.[95]

As was the case with Boyd before them the failure of the Goldsmid Bank provides a window into the reciprocal arrangements that lie at the heart of the system of circular credit. An investigation into the financial position of the Goldsmid Bank revealed that they *owed* the Exchequer £466,700, a somewhat ironic situation as they went bankrupt ostensibly lending the government £14,000,000.[96] The financial crisis that led to the demise of the Goldsmid's tenure as principal loan-contractors and the debate, both inside and outside Parliament, into its causes provides a valuable window into the credit-fuelled environment that the suspension had facilitated and under which government loan-contractors worked.

The Crisis of 1810

Speaking in Parliament (11 March 1811) William Huskisson was keen to emphasize the contrast between the crisis of 1810 with that of 1793, when it had been necessary for the government to issue £2,000,000 of Exchequer Bills in order to prevent a commercial crisis.[97] Huskisson was an MP who was closely connected to both Pitt and Walter Boyd, to whom he had lent £14,000, money Huskisson lost when Boyd went bankrupt. Despite this misadventure with Boyd, Huskisson was, nevertheless, viewed as an expert in finance and co-authored, along with Henry Thornton and Francis Horner, the Bullion Committee of 1810, a Committee set up to examine the depreciation of the currency following the suspension of payments.[98] Huskisson was keen to highlight the contrast between the government intervention of 1793 with that of 1810, Huskisson observing that the crisis of 1793 had been caused by a deficiency in the circulating medium, whereas the cause of the latest crisis was 'greatly the reverse;' namely, there was too much money in the financial system.[99] Huskisson was unequivocal in pointing the finger of blame for this circumstance on excessive discounting at the Bank and their favourite financiers, stating that this 'great evil arose from too great a facility of procuring credit.'[100] Huskisson noted how, as a consequence of the suspension, 'the Bank of England, or any persons who advanced money (such as the Goldsmids), were partners in every speculation, to the extent of five per cent. without risk.' Unsurprisingly, with the temptation of such 'risk free' gain before them Huskisson was concerned that there had been a 'great readiness' to extend credit far beyond the bounds of commercial prudence. Huskisson was keen to emphasise both the novelty of this situation and the 'evil' that it represented. Huskisson noted how in 1793 merchants and gentlemen of the first character and the greatest respectability had been unable to 'get money on good bills.' In contrast, Huskisson noted how the government Report into the 1810 crisis appeared to adopt a far more generous approach to the assistance on offer, apparently 'countenanc[ing] the idea that there were manufacturers [in need of assistance]… who had no capital at all.' Huskisson also stated his surprise that this same Report appeared to regard it as a 'strange thing' that there was a lack of credit on offer for insolvent merchants.[101]

Particularly apposite to the present study are Huskisson's comments regarding the effect that this broader commercial situation was having on government loan-contracting. Huskisson without wanting to be injurious or offensive to 'respectable individuals' could not help but notice how the 'sad catastrophe' that had befallen Mr. Goldsmid illustrated his point; namely that loose discounting and easy credit had encouraged financiers to speculate 'beyond the[ir] means.' Huskisson was also keen to highlight the novel circumstances that this speculative environment had helped to foster. Huskisson observed how the 'old English merchants' who would not speculate 'beyond their capital' had been usurped by 'a set of mad and extravagant speculators, who never stopped as long as they could get credit.' These speculators, who possessed very little 'real' capital had now 'eclipsed' merchants of the 'greatest consequence' turning commerce into a 'sort of wholesale gambling… [that] had never before been seen in this country.'[102]

Huskisson was not alone in this conjecture. Cobbett (1817), when commenting on the Goldsmid's collapse, not only viewed with disdain the gambling and speculation involved in the floating of government loans but the rewards that were on offer for those who undertook such risky ventures. The success of this system (along with the novelty of its workings) was clear in Cobbett's mind for all to see as 'Loan-Makers… have… in many cases, become so rich by these transactions as to be enabled to surpass in expenses the gentry and nobility of the kingdom.' The ability to make such vast fortunes via novel and dubious practices was viewed by the conservative minded Cobbett as being but 'one of the great evils of the National Debt.'[103] Although Huskisson (unlike Cobbett) was keen not to 'convey any imputation' against the Goldsmids and Barings Bank he noted how (as a consequence of having negotiated a bad deal) they had been 'obliged' to indulge in 'inordinate speculations' in an attempt to push the price of government stock to an 'unnatural price.' Interestingly, Huskisson also noted how such credit-fuelled stock market manipulation was in essence a 'zero sum game' between the loan-contractors and the public, noting how 'were these inordinate speculations successful, they must have been impositions on the public – failing, they must involve the holders in irretrievable ruin.'[104]

As has been noted Huskisson was not alone in observing the novelty and latent dangers surrounding the spirit of adventure that the suspension had unleashed, and the crisis of 1810 had brought into stark relief. Unlike Huskisson, however, who appeared keen to draw distinctions based upon the class or reputation of those who were the recipients of credit, Cobbett viewed the crucial distinction to be between those who were profiting from the credit-fuelled system that the suspension had created and those who were paying for it via increased taxation. Key to Cobbett's approach was his desire to explain in a clear and concise manner the multifarious and paradoxical workings of paper-money. Cobbett regarded the paper-money system in place since 1797 as being shrouded in secrecy and as such posed a great many dangers to the public, dangers that had been exposed by the 1810 crisis. Cobbett (1811) began by explaining to his readers how the loans that the government was making to assist merchants were being made in government paper-money (Exchequer Bills) Bills that Cobbett explained were essentially interest bearing 'promissory notes.'[105] Cobbett viewed this action as dangerous for two reasons; firstly it potentially paved the way for a dangerous intermingling of financial and governmental power, rendering the recipients of these loans dependent upon the 'minister of the day,' and, secondly, it appeared to be using 'public resources' to prop up private trade.[106] In arguing this point Cobbett was reiterating the arguments of economists such as Smith (1776) who regarded government interference in trade to be damaging due to the distortions it caused in the workings of the market.[107] As Cobbett noted, commerce when it is free and running its 'natural course' offers a great many benefits to society not only monetarily but also by extending knowledge, virtue and freedom. In Cobbett's mind danger arose when commerce swelled to such an extent that companies became great masses and, crucially, became 'closely connected with the government;' under these circumstances commerce could easily become 'an enormous evil.'[108] As evidence of this 'evil' Cobbett observed how the government's loan of Exchequer Bills had been issued to assist individuals and was not for the use or benefit of the public at large, despite this fact the loan would, nevertheless, still need to be paid for by the general public through increases in taxation.[109]

Cobbett was keen to point out that he was not against trade *per se* but only the wild speculations that un-backed paper-money appeared to encourage. These speculations had unleashed forces that lay far beyond the comprehension and control of ordinary subjects. Cobbett noting how the crisis of 1810 had witnessed 'people in Wiltshire… [being]… starved in virtue of operations… [taking place in]… Rio Janeiro.'[110] Crucial to Cobbett's understanding of this novel situation was his attempt to get to the root of the issue, whilst avoiding the 'imaginary causes' that could distract a public unused to such circumstances.[111] In this regard, blaming the 1810 crisis simply on speculation was to put the cart before the horse. The real cause of the crisis was the excessive issuance of un-backed paper-money without which such speculation simply would not have been possible. As this 'paper' had little tangible backing Cobbett regarded the problem as being, in reality, one of 'confidence;' once people realized the notes they were holding had little 'intrinsic value' panic was likely to ensue.[112]

In Cobbett's opinion this point was crucial, as paper-money (especially since 1797) was intrinsically valueless and was representative of little more than the profit seeking whims of the Bank's Directors. Most troubling to Cobbett was the fact that, having been in existence for over ten years, and despite the dangers that the 1810 crisis highlighted, this 'radical' system of paper-money (centred around excessive discounting at the Bank of England) was no longer a temporary or accidental system but a permanent one. A circumstance that was greatly facilitated by the greatly increased opportunities for profit that it presented to well placed individuals and institutions. Cobbett was also keen to highlight to his readers another paradoxical situation that the 1810 crisis had brought to the fore; namely that at precisely the moment when the government was lending £6,000,000 of Exchequer Bills to merchants in order to stave off a wave of bankruptcies, this same government was simultaneously borrowing £14,000,000 (from other merchants and financiers) in order to fund its previous issuances of Exchequer Bills. As Cobbett noted ‘while the nation is going to *lend* money to the merchants… it is, at the same moment, *borrowing* from another part of th[is] community.’[113] [emphasis in original] In Cobbett’s opinion the nexus of this paradoxical situation, whereby the government was simultaneously lending the financial community money whilst also borrowing from them, was the dangerous novelty of un-backed paper-money.

Cobbett was not alone in viewing this circumstance with trepidation. Huskisson, when discussing this loan (from the government to merchants) also questioned in Parliament what checks were in place to ensure that the recipients of this loan did not subsequently use it to speculate on a loan (from merchants to the government)?[114] Responding directly to this statement George Rose, Vice-President of the Board of Trade, was keen to play down such fears observing that whilst ‘mercantile gambling… had partially taken place’ this was no reason to deny ‘fair claims on public liberality.’[115] Rose was also keen to add that, despite the ‘allusions’ to gambling that peppered Huskisson’s statement he was unaware of ‘any impropriety’ with regards to the loan that had led to the collapse of the Goldsmid Bank. Despite such assurances against any further potential impropriety Samuel Whitbread, speaking in Parliament several weeks later (22 March 1811), noted how the Commercial Credit Bill, despite promises to the contrary, contained no such clause to prevent MPs and Commissioners (for the Reduction of the National Debt) from ‘participating in the benefits to be derived from the Bill.’[116]

In common with observers outside Parliament (such as Cobbett) Whitbread feared that this circumstance was paving the way for a new form of ‘crown influence’ over Parliament. Whitbread's fears over excessive court or crown influence over Parliament had a long pedigree and reached back to debates over this topic that stretched back for over a century.[117] Whitbread, however, feared that such 'influence' when combined with powerful financial interests that were themselves a novel and relatively recent development 'could not be regarded in any other light than as a new species of influence, which must be highly detrimental to the constitution.'[118]

It is interesting to note how (irrespective of their political and social views) Cobbett, Whitbread and Huskisson were all keen to emphasize the novelty of this situation and, just as importantly, the 'evil' that it represented. Such circumstances being evil in a twofold manner. Firstly, they appeared to disrupt the natural order of both commerce and government. It disrupted commerce because money appeared to no longer have a fixed value and could instead be arbitrarily 'created' simply in order to facilitate speculation. Secondly, it disrupted government because (as warned about by Whitbread *et al.* above) the profits that such speculation generated could then be used to distort the workings of government through bribery, corruption and influence. The fact that the Bank of England lay at the centre of this 'radical' system assuaged the concerns of many contemporary observers (as well as those of many subsequent historians) that 'propriety' was being maintained.[119] Critics such as Cobbett, however, saw less to be sanguine about and he was keen to consistently distinguish between those who were profiting from this system and those who were paying for it.

This circumstance was brought into stark relief in Cobbett's mind by the aftermath of the 1810 crisis. The government and the Goldsmid's creditors, not wanting to further 'upset' the money market, agreed not to press for immediate payment of debts owed. It is interesting to note here how the Goldsmid Bank, in common with the Bank of England, had based the security of their own borrowing and lending on their prior loans to government and their holdings of Omnium. These attempts at calming the market were also given further support as the Bank agreed to offer 'liberal assistance' and relief to financiers where required.'[120] Cobbett, viewing this situation, asked 'But what is meant by *relief*?' [emphasis in original] Whilst such relief might prop up the paper-money system it did little to help 'the shop-keepers, the public-house keepers, people in trade of every sort and size… [who]… in an instant… [have]… been left penniless… [and]… in debt' as a consequence of the 1810 crisis.[121]

Permanent System

Of particular concern to critics of the funding-system was the fact that the arrangements described above between financiers, the Bank and elements of the government appeared to be coalescing into a permanent system. It was not the arrangements as such that caused most concern, but the unprecedented *scale* upon which they were undertaken. As such, the issues and objections raised focused not only on financial matters but also on the dangers they posed to 'liberty' as this system placed ever-larger amounts of money at the disposal of the government.

The potential for such developments was noted at the commencement of hostilities with France. A pamphlet entitled *On a Reform in Parliament* featured in *Politics for the People* (1794) noted with trepidation the dangers that a new war with France posed to many British subjects.[122] *Politics for the People* was a radical publication established by Daniel Isaac Eaton who published sixty editions between 1793-1795. A persistent advocate of Parliamentary reform, Eaton also published the works of Paine and worked closely with the London Corresponding Society. These activities, in particular his association with Paine, witnessed Eaton stand trial three times. Eaton was acquitted twice in 1793 but was eventually convicted in 1812 following his publication of Paine's work.[123]

Politics for the People began by arguing that, through the workings of the English constitution, the liberty of the people rested upon the influence that they could exert via the House of Commons. As a consequence of this circumstance the whole fabric of the peoples' liberty rested upon the independence of Parliament from undue influence. *Politics for the People* feared that this independence was threatened by the opportunities for corruption that warfare (and the vast monetary dealings that it involved) placed before the executive. These monetary dealings, whose 'integrity [could] be corrupted by treasury influence' or 'warped by the prospect of places and pensions,' were to a large extent dependent upon the executive, a situation that could result in it becoming a 'dangerous instrument of arbitrary power.'[124] Such ideas had a long pedigree. This fact can be gleaned from an examination of the anonymous *A Short View of the Apparent Dangers and mischief's from the Bank of England* (1707). Writing as the Bank's charter was coming up for renewal this pamphlet regarded both the newly formed Bank of England and a standing army as 'equally dangerous powers' in a 'free' country and thought that neither should exist except as an 'unavoidable necessit[y].' Interestingly, this author stated that they would 'rather consent to keep up a standing army in time of peace… than to establish a bank.'[125] The primary reason for this was the access to money (and the concomitant potential for corruption and influence via patronage) that the Bank had been making available to the government since its establishment in 1694. *Politics for the People* commented upon the development of this circumstance throughout the eighteenth century when it observed how a Parliament with questionable notions of representation had systematically 'involved us in millions of debt.' Crucially, this debt and the taxation that funded it, had cemented into place ‘a system of corruption, that reaches from the cabinet to the cottage’ and that ‘carri[ed] havoc and devastation to the remotest extremities of the globe.’[126]

Howison (1803), writing almost a decade after the above pamphlet was written, also viewed with concern what appeared to be a permanent system that combined arbitrary financial and political power in a dangerous symbiotic mix. Howison in elucidating this power noted how the Bank post-1797 could (and had) both increased and restricted their note issue (via discounting), an action that had increased and lowered the price of commodities on the market. In addition to such market ‘manipulations’ Howison also viewed with concern the post-suspension loans that the Bank was making to the government. Having noted how the Bank post-1797 had lent the government over £16,000,000, money that could only be returned to them through ‘the channels of government,’ Howison worried that under the cover of the suspension there was ‘nothing to prevent’ further costly ‘paper’ loans. Crucially, Howison noted that, as a consequence of the secrecy and opaqueness of such monetary dealings, there was noting to render such transactions perceivable to the public.[127]

Howison attempted to break through such obfuscation with simple logic. After pointing out to his readers that the Bank’s (pre-1797) total capital was around £11,000,000, Howison questioned how the Bank was subsequently able to make a loan of £15,000,000 to the government; pointing out that such money ‘could not have been the property of the Bank.’ Bearing this paradoxical circumstance in mind Howison noted how ‘the understanding of John Bull has often been made the subject of ludicrous observations.’ The situation in 1803 was not, however, merely ‘ludicrous’ it was also costly. Howison opined that under no previous instance had

John Bull's 'intellectual discernment been so ill-treated' as this spectacle of the Bank 'charging him with interest… for the pretended loan' of his own money.[128] The obfuscation that surrounded such financial dealings, even when discussion over them was conducted in Parliament, caused Howison particular concern, hence his attempts to elucidate such matters in a clear and concise manner to a wider public. In Howison's opinion the power granted to the Bank post-1797 deserved far more critical scrutiny. Given the unprecedented power that the suspension granted to the Bank Howison stated that 'few measures of such consequence appear to have passed their deliberation with less persuasion… or with less examination by the Legislator, or reasoning upon the effects, than the restraining law [suspension] has perhaps done.' Of most concern to Howison was the fact that this 'artificial system,' a system that was both beneficial to the Bank and damaging to the public was (as a consequence of the vast profits that it engendered) in danger of becoming a permanent 'lasting system.'[129]

It was not only the potential for increased influence that caused concern. Equally alarming was the fact that the increasing costs of this system made it ever more intrusive into peoples' lives. This intrusion being a direct consequence of ever-increasing levels of taxation that were needed to fund this system as it continued to expand. Indeed, whilst the paradoxical workings of the British funding-system could be hidden from the public due to their secrecy and their complex workings, the cost of such actions; namely unprecedented increases in taxation, were less easily obscured. To observers such as Lauderdale (1797) the costs of this system were causing permanent damage to the workings of the constitution. As Lauderdale observed, it mattered little whether the British government was ' a Monarchy, an Aristocracy, a

Republic or a Mixed Government' if it was imposing £25,000,000 of taxes upon its citizens 'it must be a Despotism.'[130]

It is to the system of taxation that funded the financial operations detailed above that our attention must now turn.

[1] B.R. Mitchell, *British Historical Statistics* (Cambridge, 1988), p. 601 & S.R. Cope, 'The Goldsmids and the Development of the London Money Market During the Napoleonic Wars', *Economica New Series* 9:34 (1942), 180-206 (p. 191).

[2] William Howison, *An Investigation into the Principles and Credit of the Circulation of Paper Money, or Bank Notes, in Great Britain: As protected or enforced by legislative Authority, under the Suspension of paying them in Cash; in the Extent of such Paper Money, the Responsibility attached to it, and its Effects upon Prices of commodities, individual Income, Agriculture, Manufactures, Commerce; and upon the Course of Exchange with foreign Countries. Together with a Discussion of the Question, Whether the restraining Law in favour of the Bank of England from paying Notes in Money, ought or ought not to be continued as a Measure of the State?* (London, 1803), p. 25.

[3] Ibid. p. 25.

[4] Ibid. p. 28.

[5] Ibid. p. 29.

[6] Cope, 'The Goldsmids and the Development of the London Money Market During the Napoleonic Wars', p. 199.

[7] William Morgan, *Facts Addressed to the Serious Attention of the People of Great Britain Respecting the Expence of the War and the State of the National Debt* (London, 1796), p. 42.

[8] Howison, *An Investigation,* pp. 29-30.

[9] Thomas Paine, *The Decline and Fall of the English System of Finance* (Paris, 1796), p. 22.

[10] Outlined above chapter 1.

[11] Cope, 'The Goldsmids and the Development of the London Money Market During the Napoleonic Wars', p. 181.

[12] William Morgan, *A Comparative View of the Public Finances, From the Beginning to the Close of the Late Administration* (London, 1801), pp. 3-4.

[13] Ibid. p. 13.

[14] For a discussion of the 'Loyalty Loan' of 1796 see S.R. Cope, *Walter Boyd A Merchant Banker in the Age of Napoleon* (Gloucester, 1983) pp. 133-135 & Cope, 'The Goldsmids and the Development of the London Money Market During the Napoleonic Wars', p. 191.

[15] Cope, 'The Goldsmids and the Development of the London Money Market During the Napoleonic Wars', p. 191.

[16] Victor E. Morgan & W.A. Thomas, *The Stock Exchange its History and Functions* (London, 1962), pp. 45-46.

[17] William Morgan, *An Appeal to the People of Great Britain, on the Present Alarming State of the Public Finances and of Public Credit* (London, 1797), pp. 76-77.

[18] Ibid. pp. 77-78.

[19] Ibid. pp. 77-78 (footnote †).

[20] Cope, 'The Goldsmids and the Development of the London Money Market During the Napoleonic Wars', pp. 192-193.

[21] Pitt, in his budget speech to Parliament (30 June 1784) stated; 'It was always my idea… that a fund at a higher rate of interest is better to the country than those at lower rates; that a four per cent. is preferable to a three per cent. and a five per cent. better than a four. The reason is that in all operations

of finance we should always have in view a plan of redemption.' Quoted in Earl Stanhope, *Life of the Right Honourable William Pitt Volume I* (London, 1861), pp. 218-219.

[22] Patrick K. O'Brien, 'Mercantilist Institutions for the Pursuit Of Power with Profit. The Management Of Britain's National Debt, 1756-1815', *London School of Economics* Working Paper No. 95/06 (2006), 1-62 (p. 35).

[23] The 'ruinous' terms of the loans entered into by Lord North that saw creditors receiving over 9% interest per annum are discussed in John Horne Took & Dr. Richard Price, *Facts: Addressed to the Landholders, Farmers, Stockholders, Manufacturers, Merchants, Tradesmen, proprietors of every description, and generally to all the subjects of Great Britain and Ireland* (London, 1780), pp. 102-105.

[24] Morgan, *Facts Addressed to the Serious Attention of the People of Great Britain*, pp. 15-16.

[25] Ibid. pp. 16-17.

[26] James Maitland, eighth Earl of Lauderdale (1759-1839), ODNB. Roland Thorne.

[27] The Earl of Lauderdale, *Thoughts on Finance, Suggested by the Measures of the Present Session* (London, 1797), p. 19.

[28] Morgan, *An Appeal to the People of Great Britain,* p. 23.

[29] E. L. Hargreaves, *The National Debt* (London, 1930), p. 111.

[30] Howison, *An Investigation,* p. 55.

[31] Robert Waithman, *War Proved to be the Real Cause of the Present Scarcity and Enormous High Price of Every Article of Consumption with the Only Radical Remedies* (London, 1800), pp. 22-23.

[32] Morgan, *A Comparative View of the Public Finances,* pp. 26-27.

[33] Cope, *Walter Boyd A Merchant Banker in the Age of Napoleon*, chapters I-II passim & Walter Boyd, (1753-1837), ODNB. Martin Daunton.

[34] Cope, *Walter Boyd A Merchant Banker in the Age of Napoleon*, p. 39.

[35] Ibid. chapter IV passim.

[36] Ibid. pp. 58-59.

[37] *The Journals of the House of Commons Volume 51*, *From October the 29th 1795, In the Thirty-sixth Year of the Reign of King George the Third, to May the 19th 1796, in the Thirty-sixth Year of the Reign of King George the Third. The Select Committee appointed to enquire into the Circumstances of the Negotiation of the late Loan. Appendix No. 2,* (London, 1803), pp. 350-353.

[38] Ibid. p. 323, p. 328 & p. 332.

[39] Ibid. pp. 310-312.

[40] Ibid. p. 323.

[41] Ibid. p. 335.

[42] Ibid. p. 333.

[43] The Commissioners for the Reduction of the National Debt was established in 1786 and continues to exist today.

[44] *Morning Post* 22 December 1795. The pseudonym Gideon presumably referring to the famous financier Samson Gideon (1699-1762).

[45] Morgan, *Facts Addressed to the Serious Attention of the People of Great Britain*, pp.17-18.

[46] *The Journals of the House of Commons Volume 51,* p. 350 & p. 353.

[47] Ibid. p. 350.

[48] Morgan, *A Comparative View of the Public Finances,* pp. 73-74.

[49] Lauderdale, *Thoughts on Finance,* p. 6.

[50] Sir John Sinclair, *The History of the Public Revenue of the British Empire* (London, 1785), p. 281.

[51] Cope, *Walter Boyd A Merchant Banker in the Age of Napoleon*, p. 86.

[52] *Morning Post* 11 December 1795. Omnium was the name given to a 'bundle' of non-specific government debt when packaged for sale i.e. a mixture of 3% and 4% consols packaged together.

[53] *Morning Post* 11 December 1795.

[54] *Morning Post* 14 December 1795.

[55] Ibid.

[56] The historian John Francis (1850) noted how the use of fake intelligence to manipulate stock prices was a widespread and widely acknowledged practice. Francis observed how 'false intelligence' consisting of letters and news ostensibly written by (and sometimes forged by) senators or other 'names of importance' were often fraudulently used. The aim of such deceptions was simple, to 'raise or lower' the funds by the promulgation of news, real and fabricated, knowing that on account of their position such information 'would be received as true.' John Francis, *Chronicles and Characters of the Stock Exchange* (Boston, 1850), p. 54. A more modern appraisal of this topic similarly notes how throughout the nineteenth century, due to financial and corporate ownership of (and influence over) press agencies, 'world news coverage was, if not "poisoned" at source, at least dammed up, filtered, channelled, or watered down' in the interests of financiers and corporations. Alex Nalbach, '"Poisoned at the Source?"? Telegraphic News Service and Big Business in the Nineteenth Century', *The Business History Review* 77:4 (2003), 577-610 (p. 577).

[57] *Morning Post* 17 December 1795.

[58] For the full report see. *Journals of the House of Commons Volume 51*, *The Select Committee appointed to enquire into the Circumstances of the Negotiation of the late Loan.* pp. 310-360.

[59] Ibid. p. 337.

[60] Ibid. p. 346.

[61] Ibid. p. 350.

[62] Ibid. pp. 347-348.

[63] For details of Goldsmid's list see Ibid. p. 348.

[64] Ibid. p. 349.

[65] Ibid. p. 340.

[66] Thellusson's will is more famous for its unorthodox terms than the amount bequeathed. It led to the passing of the *Thellusson Act* (1800) in order to prohibit a repeat of his bequest.
Peter Thellusson, (1737-1797), ODNB. E. I. Carlyle (rev.) François Crouzet.

[67] Cope, *Walter Boyd A Merchant Banker in the Age of Napoleon*, p. 139 & pp. 142-163.

[68] Ibid. p. 129

[69] Ibid. p. 145 & p. 156. The bankruptcy of Boyd is 'glossed over' somewhat by Hilton (2006) who, without making any mention of Boyd's debt to the government he was lending to (or the fact that he had been contracting for fresh loans to pay for his new loans) notes how the British government's 'main loan contractor, Walter Boyd, nearly went bankrupt [in 1797].' Boyd Hilton, *A Mad, Bad, and Dangerous People? England 1783-1846* (Oxford, 2006), p. 91. No further reference to Boyd's actual bankruptcy is made by Hilton.

[70] Morgan, *A Comparative View of the Public Finances,* p. 39.

[71] Cope, *Walter Boyd A Merchant Banker in the Age of Napoleon*, pp. 104-105.

[72] See discussion in chapter 1.

[73] Gordon E. Bannerman, *Merchants and the Military in Eighteenth-Century Britain: British Army Contracts and Domestic Supply 1739-1763* (London, 2008), pp. 14-15.

[74] Horne Took & Price, *Facts: Addressed,* pp. 7-8.

[75] Ibid. p. 38.

[76] Ibid. pp. 38-39 footnote (a).

[77] Dr. Richard Price, *Observations on the Nature of Civil Liberty, the Principles of Government, and the Justice and Policy of the War with America. To which is added, an Appendix and Postcript, containing, a State of the National Debt, an Estimate of the Money drawn from the Public by the Taxes, and an Account of the National Income and Expenditure since the last War* (London, 1776), p. 54.

[78] Morgan, *A Comparative View of the Public Finances,* p. 19.

[79] Ibid. p. 20.

[80] Howison, *An Investigation,* p. 15.

[81] Bannerman, *Merchants and the Military,* p. 15.

[82] J.J. Grellier, *The History of the National Debt From the Revolution in 1688 to the Beginning of the Year 1800: With a Preliminary Account of the Debts Contracted Previous to that Era* (London, 1810), pp. 315-316.

[83] Cope, *Walter Boyd A Merchant Banker in the Age of Napoleon*, p. 154.

[84] Cope, 'The Goldsmids and the Development of the London Money Market During the Napoleonic Wars', p. 182.

[85] Paul H. Emden, 'The Brothers Goldsmid and the Financing of the Napoleonic Wars', *Jewish Historical Society of England* 14 (1939), 225-246 (p. 227).

[86] Cope, 'The Goldsmids and the Development of the London Money Market During the Napoleonic Wars', p. 182 & Emden, 'The Brothers Goldsmid and the Financing of the Napoleonic Wars', p. 228.

[87] Emden, 'The Brothers Goldsmid and the Financing of the Napoleonic Wars', p. 233.

[88] Cope, 'The Goldsmids and the Development of the London Money Market During the Napoleonic Wars', p. 195.

[89] Howison, *An Investigation,* p. 63.

[90] Norman J. Silberling, 'Financial and Monetary Policy of Great Britain During the Napoleonic Wars', *Quarterly Journal of Economics* 38:3 (1924), 397-439 (p. 428).

[91] Cope, 'The Goldsmids and the Development of the London Money Market During the Napoleonic Wars', p. 202.

[92] Silberling, 'Financial and Monetary Policy of Great Britain During the Napoleonic Wars', p. 428.

[93] Abraham Newland, *The Life of Abraham Newland, Esq., late principal cashier at the Bank of England; with some account of that great national establishment* (London, 1808), p. 106.

[94] Peter H. Lindert & Jeffrey G. Williamson, 'English Workers' Living Standards during the Industrial Revolution: A New Look', *The Economic History Review New Series* 36:1 (1983), 1-25 (p. 4 Table 2).

[95] Cope, 'The Goldsmids and the Development of the London Money Market During the Napoleonic Wars', p. 205. Goldsmid's suicide is mentioned in a footnote by Hilton (2006) who, after noting that he committed suicide 'over allegations that he had bribed the Exchequer Bill Office to be allowed to subscribe to a loan early' makes no reference to the fact that he went bankrupt ostensibly lending the British government £14,000,000. Hilton, *A Mad, Bad, and Dangerous People?*, p. 255 fn. 209.

[96] Cope, 'The Goldsmids and the Development of the London Money Market During the Napoleonic Wars', p. 205.

[97] Sir John Clapham, *The Bank of England: A History*, *Volume I* (Cambridge, 1944), pp. 260–265. & Francis E. Hyde, Bradbury B. Parkinson & Sheila Marriner, 'The Port of Liverpool and the Crisis of 1793', *Economica, New Series* 18:72 (1951), 363–378 (p. 364).

[98] William Huskisson, (1770-1830), ODNB. A. C. Howe.

[99] *Hansard*, ser. 1, HC Deb., XIX, col 338 11 March 1811

[100] Ibid. col. 339-340.

[101] Ibid. col. 339.

[102] Ibid. col. p.340.

[103] William Cobbett, *Paper Against Gold, or the history and mystery of the Bank of England, of the debt, of the stocks, of the sinking-fund, and of all the other tricks and contrivances, carried on by the means of paper money* (London, 1817), p. 112.

[104] *Hansard*, ser. 1, HC Deb., XIX, col 343 11 March 1811

[105] William Cobbett, *The Collected Social and Political Writings of William Cobbett Volume 5* [1809-1816] (London, 1998), p. 415.

[106] Ibid. p. 412 & p. 415.

[107] As Smith (1776) explained. 'A monopoly granted either to an individual or to a trading company has the same effect as a secret in trade or manufactures… The price of monopoly is upon every occasion the highest which can be got. The natural price, or the price of free competition, on the contrary, is the lowest which can be taken… The exclusive privileges of corporations, statutes of apprenticeship, and all those laws which restrain… the competition to a smaller number than might otherwise go into them, have the same tendency… They are a sort of enlarged monopolies, and may frequently, for ages together, and in whole classes of employments, keep up the market price of particular commodities above the natural price.' Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* [1776] (São Paulo, 2007), p. 52.

[108] Cobbett, *The Collected Social and Political Writings of William Cobbett Volume 5,* p. 423.

[109] Ibid. p. 415

[110] Ibid. pp. 357-358.

[111] Ibid. p. 367.

[112] Ibid. p. 350.

[113] Ibid. pp. 415-416 & pp. 420-421.

[114] *Hansard*, ser. 1, HC Deb., XIX, col 341 11 March 1811

[115] Ibid. col. 342.

[116] *Hansard*, ser. 1, HC Deb., XIX, col 493 22 March 1811

[117] H. T. Dickinson, *Liberty and Property Political Ideology in Eighteenth Century Britain* (London, 1977), pp. 179-180.

[118] *Hansard*, ser. 1, HC Deb., XIX, col 494 22 March 1811

[119] This approach is neatly summarized in David Kynsaton, *Till Time's Last Stand, A History of the Bank of England 1694-2013* (London, 2017), pp. 88-89.

[120] Cope, 'The Goldsmids and the Development of the London Money Market During the Napoleonic Wars', p. 205.

[121] Cobbett, *The Collected Social and Political Writings of William Cobbett Volume 5,* pp. 349-350.

[122] *Politics for the People: or a Salmagundy for Swine Volume 1 (Part II) No. III* (London, 1794), p. 5.

[123] Daniel Isaac Eaton, (*bap.*1753-1814), ODNB. Daniel Lawrence McCue Jr.

[124] *Politics for the People Volume 1 (Part II) No. III* p. 5.

[125] Anonymous *A Short View of the Apparent Dangers and mischief's from the Bank of England: More particularly address'd to the Country Gentlemen* (London, 1707), p. 19.

[126] *Politics for the People Volume 1 (Part II) No. III* p. 7.

[127] Howison, *An Investigation,* pp. 51-52.

[128] Ibid. pp. 52-53.

[129] Ibid. pp. 62-63.

[130] Lauderdale, *Thoughts on Finance,* p. 49.

Chapter 4

Taxation

Taxation lay at the heart of the financial revolution. Without the ability to appropriate the wealth and earnings of its citizens efficiently and reliably it would have been impossible for the British government to borrow on the unprecedented scale that it did throughout the eighteenth century. Indeed, it was the diligence and alacrity with which the British government honoured its fiscal commitments (by regularly making interest payments on the national debt) that made lending to the government such a tempting proposition to those who were in a position to do so. Given this symbiosis between government debt and taxation it is not surprising to note that as the national debt increased from £6,100,000 in 1694 to its peak of £844,300,000 in 1819 so too did the burden of taxation levied upon the population of Britain.[1]

Radical Objections to Taxation (Part One)

Even before the outbreak of war against Revolutionary France in 1793 resentment against the funding-system and the taxation it necessitated was foremost in the mind of radicals desperate for some measure of parliamentary reform. The 'Address' at the Thatched House Tavern on 20 August 1791 by Horne Tooke gives us a flavour of the attitude that radicals held towards taxation, the national debt and reform of Parliament on the eve of war with Revolutionary France.

Horne Tooke had a long pedigree of support for parliamentary reform and had supported John Wilkes under the banner of 'Wilkes and Liberty' in the latter's election to Parliament in 1768 as the member for Middlesex.[2] Horne Tooke also had a keen interest in economic matters and co-authored, with Dr. Richard Price (of sinking-fund fame), *Facts addressed to the landholders, stockholders . . . and all the subjects of Great Britain and Ireland* (1780). A work that not only highlighted the financial corruption that stalked the British military effort during the war against the American colonists but also hypothesized, in common with previous observers such as Hume, Smith and Paine, that there must be a limit as to how far taxation could be increased without 'bankrupting' Britain's finances.[3]

It was with such fears in mind that Horne Tooke lamented the prospect of another costly war with France, noting how the population of Britain was already 'oppressed' by a huge national debt, burdensome taxation and a government with limited representation that fed off such burdens. Instead of waging costly wars aimed at the suppression of more representative forms of government in France, Horne Tooke instead proposed that the British government should instead take care of Britain's 'numerous poor.' The duty of the government to direct their expenditure in this direction was, to Horne Tooke, a moral one; 'the moral obligation of providing for old age, helpless infancy and poverty, is far superior to that of supplying the invented wants of courtly extravagance, ambition and intrigue. Mindful, however, of the beating of the drums of war that could be discerned amidst the voices clamouring to decry the direction the French Revolution was taking Horne Tooke pondered the veracity behind the claims that had been given throughout the eighteenth century in order to justify the existence of the British national debt. After pointing out the fact that the £17,000,000 in annual taxes that the citizens of Britain were currently paying (in 1791) had been raised primarily to thwart the 'restless ambition of the Court of France' Horne Tooke stated his astonishment that the British government should apparently regret the passing of the French court to ‘whose influence they formerly attributed… the enormous increase of our… taxes.’[4]

Dropping his ironic approach Tooke then proceeded to examine the motivations of those who sought war with Revolutionary France. In the process calling into question the legitimacy of those who profit from war and taxation to speak for (and represent) the interests of the general population of Britain. Horne Tooke was keen to emphasise how *all* those who paid taxes, as opposed to a relatively small group who profited from the manner in which they were spent, should ‘look with circumspection to their own interest.’ The Revolution in France, by ridding Britain of its erstwhile enemy, should be a cause of celebration providing as it did a happy opportunity for ‘lessening the enormous load, under which this nation groans.’ Horne Tooke warned that if this opportunity was not taken then the cries of intrigue that had led to the numerous wars against France throughout the eighteenth century should be viewed as little more than the ‘common cant of all Courts.’[5]

A little under a year later, on 16 July 1792, a meeting of the Society for Political Information held in Derby featured another ‘Address’ that echoed many of Horne Tooke’s fears. This Address, fearful that a costly war with France was imminent, began by stating that honest men who had the welfare of the nation at heart should not be distracted or scared by the false alarms of venal politicians who had prostituted themselves to the forces of corruption upon which war fed. In common with Horne Tooke this Address also called for the cessation of unnecessary wars that did nothing to promote the interests of the poor and had led, instead, to the nation paying seventeen millions in taxes annually.[6]

Sentiments such as these were also voiced by the London Corresponding Society (LCS) at a meeting in the Globe tavern on 20 January 1794. Having witnessed the fears of a war with France expressed above materialise the LCS lamented the inevitable expense and damage to trade that this conflict would necessitate.[7] The LCS noted ruefully that 'we have reason to expect, that other taxes will soon be added to the intolerable load of imposts and impositions with which we are already overwhelmed.' In common with Horne Tooke the LCS also challenged the ostensible purpose of this increased expense, which appeared to be the buttressing of Britain's inveterate enemy, the Bourbon monarchy. The LCS viewed the support of Britain's erstwhile enemy with suspicion and little more than 'a fruitless crusade, to re-establish the odious despotism of France'[8]

Many of the arguments raised above against 'excessive' taxation, along with the dangers that such excessive taxation posed to the workings of the British government and its constitution, had a long pedigree. The onset of the financial revolution had witnessed many 'Country' Tories express fears over the corruption that increases in taxation brought in their wake. To such critics, more money in the hands of the government meant more opportunities for corruption and 'Crown Influence.'[9] Building from these arguments, the radical reformers of the 1790s typically juxtaposed the practices of a corrupt Parliament of 'place-men' and sinecure holders (feeding off taxation) with the interests of the broader (under-represented) tax-paying public. This perception of the British government was a common thread (across both ideology and time) that linked the various radical thinkers who viewed reform of the electoral system as the first step towards making Parliament more representative of the population as a whole. Whether this reform came about through innovative measures, such as the extension of the franchise to all males, or by a reversion to Britain's 'Ancient Constitution,' it was hoped that reform would allow proper oversight of governmental spending and foreign policy; in the process reducing the corruption, patronage and taxation which were viewed as the fountain of social and economic grievances. In this context it was the inequitable distribution of political power, as opposed to wealth, that formed the basis of the economic grievances of many of the government's critics.[10]

Not all of the radical's arguments, however, had such a long lineage. Towards the latter decades of the eighteenth century the objections raised by radicals towards corrupt governments and the taxation they levied on their respective populations increasingly began to be grounded upon the notion of 'Reason.'[11] This notion juxtaposed the self-interested arbitrary rule of 'aristocratic' governments with the 'rational' practice of democracy and the inherent 'Rights of Man.' Views such as this were given their most famous exposition by Paine in his *Rights of Man Part II* (1792), where he contrasted governments from the 'Old World' whose intrusive and greedy hands constantly sought innovative pretences to increase taxation with government based on Reason. It was Paine's contention that a government founded upon such Reason would be more conducive towards the happiness of the people, as it would be less likely be based upon war and the military expenditure that monarchical governments fed upon. As Paine noted when referring to such governments, 'war is their trade, plunder and revenue their objects… Government founded on a *moral theory, on a system of universal peace, on the indefeasible hereditary Rights of Man*… promises a new era for the human race.[12] [emphasis in original]

Inspired by such concepts, the importance of having a Parliament that better represented the interests of the whole community, and not just a privileged minority, were felt across much of Britain on the eve of war with France. An *Address to the Underrepresented Manufacturing Towns* (1792), a pamphlet aimed at under-represented workers in the north of England, lamented how they were currently subject to laws formulated by people that others had chosen and had been placed over them without their consent. It was argued that such a circumstance was a denial of their 'birth-rights' as Englishmen and that they should be entitled to 'a share in the making of those laws which have a power over your properties, your families, your lives, and liberties.' As long as this unrepresentative situation continued it was inevitable that 'bribery [will] govern borough elections, corruption be the characteristic of Parliament, and an oppressive taxation be the lot of the people.[13]

The practical consequences of this situation, namely the damage done to trade (and consequently their employment) caused by warfare and excessive taxation, was also adumbrated in this *Address*. This argument was premised upon the observation that the necessity of these northern workers to pay their taxes (in order to meet interest payments on a national debt of over £270,000,000 in 1792) meant that less taxed nations could potentially undercut them on price, a circumstance that would impact adversely on both their income and employment prospects. In order to counter these developments it was crucial to restore 'purity' to the British Parliament. If this purity was not forthcoming then this *Address* warned that 'an increase of debt, and consequently an increase of taxes, must follow; for, so long as the *cause* of extravagance remains, the *effect* will not cease.'[14] [emphasis in original]

The above *Address* was far from alone in noting the asymmetry of interests inherent in heavy taxation and warfare. Joseph Gerrald, one of the 'Scottish Martyrs' who was arrested and deported for sedition in 1794, as a consequence of his connections with the LCS and the Society for Constitutional Information, also noted how wars declared by unrepresentative governments nevertheless required the support of the inadequately represented mass of people in order to prosecute them.[15] In his *A Convention the Only Means of Saving us from Ruin* (1794) Gerrald observed that 'parliament imposes taxes, but you pay them. The King declares war, but it is the blood of the peasant and manufacturer which flows in the battle.[16] Gerrald's premise, that wars needed to be paid for by the 'unrepresented mass,' had also been acknowledged almost two decades earlier by Prime Minister Lord North. North, speaking in 1776, offered a refreshingly frank view of the methods by which wars were funded. Having stated that taxes, where possible, should be levied on items of 'luxury' North proceeded to note how in times of war 'this mode of levying taxes w[ill] not answer. Where great sums [are] to be borrowed, the burden must lie on the bulk of the people at large.'[17]

An *Address* featured in *Politics for the People* (1794), cognizant of the veracity of North's observation, questioned the necessity of this expenditure. This was especially the case as *Politics for the People* noted how taxation had already increased in order for Britain to attempt to 're-establish those privileged orders [in France], which th[e] people detest.' Interestingly, *Politics for the People* was also keen to emphasize the class interests inherent in this circumstance. Noting how the present War was not only one of Britain against France but, also, one of 'Kings against *the people*' the primary aim of this conflict appeared to be little more than an attempt 'to keep things as they are'[18] [emphasis in original]

The fears expressed above regarding the increases in taxation that another war with France would necessitate were far from idle conjecture.

Indeed, Cobbett (1816) writing after over £600,000,000 had been added to the national debt in order to restore the Bourbon monarchy to the French throne, was in a position to remind his readers of the prescience of the objections raised by the LCS and Horne Tooke *et al.* over twenty years previously. Cobbett noted how, prior to the wars with France, radicals had urged for a reform of Parliament. Instead of listening to these pleas Cobbett claimed that Parliament, instead, chose to crush them and launch a war that had led to an additional £55,000,000 a year in taxes; £36,000,000 of which was spent on servicing interest payments on the national debt.[19]

The objections raised to these unprecedented levels of taxation, along with their effect on the population of Britain will be examined below.

British Taxation in 1793

Upon the commencement of hostilities with France Pitt was reluctant to increase taxation on what was universally regarded (not only by radical critics) to be an already heavily taxed population. The extent of this taxation is detailed below in Table. 5.[20]

Table. 5: British Taxation in 1793

Direct Taxes

Land tax	£2,000,000
Houses and establishments	£1,300,000
Property insured from fire	£185,000
Property sold at auction	£75,000
Post horses, coaches, hackney coaches	£277,000
Total	**£3,837,000**

Indirect taxes/ taxes on consumption

Salt	£377,000

Sugar	£1,316,000
Beer	£2,224,000
Malt	£1,203,000
Hops	£151,000
Wine	£1,016,000
Spirits	£1,532,000
Tea	£650,000
Tobacco	£566,551
Coals exported and coastwise	£700,000
Raw and thrown silk	£300,000
Iron bars	£150,000
Hemp (rough)	£103,000
Muslins	£118,000
Calicoes	£96,000
Candles	£256,000
Leather	£281,000
Soap	£403,000
Printed goods	£265,000
Newspapers	£140,000
Glass	£183,000

Bricks and tiles	£128,000
Total	**£12,158,551**

Stamp Duties

Bills and notes	£156,000
Receipts	£48,000
Consolidated duties	£748,000
Post Office	£378,000
Total	**£1,330,000**

To critics such as Paine (whose ideas had a powerful influence upon the radicals discussed above) the extent that British taxation had reached by the close of the eighteenth century provided clear evidence not only of the links between war and taxes but of a 'system' that benefitted financiers, merchants and courtiers at the expense of the rest of society. It was not only the amount of taxation raised that was important in this regard. The *shift* in the burden of taxation throughout the eighteenth century away from 'direct' taxation (such as the Land Tax that fell predominantly on the wealthy) and towards 'indirect' taxation on items of consumption (levied via customs and excise and impacting on the population as a whole) was also emphasised. Table. 6 below details the shift in taxation at the conclusion of the major wars involving Britain between 1694 and 1815. The figures for 1821 are included as they highlight how, following the repeal of the Income Tax (1816) the vast majority of the indirect taxes remained in place.[21]

Table. 6: The Shift in British Taxation 1694-1821

	Customs & Excise (Indirect Tax)	Stamps & Post Office (Indirect Tax)	Land, Assessed & Income Tax (Direct Tax)
Establishment of the Bank of England -1694	£1,771,000	£105,000	£1,914,000
Conclusion of the Nine Years War - 1697	£1,797,000	£106,000	£972,000
Conclusion of the War of the Spanish Succession - 1714	£3,655,000	£204,000	£1,289,000
Conclusion of the Seven Years War - 1763	£7,076,000	£402,000	£2,288,000
Conclusion of the American War of Independence - 1783	£8,429,000	£1,021,000	£2,596,000
Conclusion of the French Wars - 1815	£44,300,000	£8,700,000	£22,500,000
Resumption of payments at the Bank of England - 1821	£41,500,000	£9,000,000	£8,200,000

Paine (1792), commenting upon this shift, noted how before the Hanoverians acceded to the British throne 'taxes were divided in nearly equal proportions between the land and articles of consumption.' However, as the eighteenth century progressed, and the national debt increased, Paine noted how many millions more of new taxes had been imposed upon consumption, 'the consequence of which has been a constant encrease in the number and wretchedness of the poor.'[22] In Paine's (1787) opinion it mattered little what the pretence or outlandish cause of the war was; the crucial point was that 'the consequence has always been [increased] TAXES.' The primary social effect of these taxes was to enabled 'a few men [to] enrich themselves by jobs and contracts' whilst the rest of the population 'groaned' under this 'burden.'[23]

To those inspired by Paine's lucid expositions of both financial and political matters the importance of education, along with a clearer understanding of the forces at work behind taxation and the funding-system in general, was viewed as imperative. An 'Epigram' featured in *Politics for the People* (1794) adopted an ironic tone towards those who challenged the vanity and ignorance of the lower orders, who supposed themselves capable of dabbling in politics or reading books that had not been approved for their consumption by their social superiors.[24] The influence of Paine's ideas, along with their latent dangers to the *status quo*, is made explicit when this Epigram ironically noted how the venom of this 'vile miscreant' had poisoned the minds of the people.[25] Paine's principle crime being that of informing the people that they had rights, whilst simultaneously pointing out the great number of sinecures and place-men that their taxes supported. *Politics for the People,* building from Paine's writings, noted ironically how, as the people were paying their taxes they should know who the useful set of men were whom they were generously supporting.[26]

Taxation and War with France

When France declared war against Britain on 1 February 1793, Pitt envisaged that the war would be a quick one. This fact was hinted at in his speech to Parliament

(11 March 1793) when he acknowledged that although warfare reduced the certainty with which expenses could be calculated, even if the conflict with France should extend into 1794, Britain was in a position to continue to prosecute her war without the necessity of increasing taxation.[27] Pitt's hopes of a quick victory against France were encouraged by the successful fiscal reforms he had instituted between 1783 and 1792, reforms that had made Britain's finances 'war ready' following the debacle of the American War of 1775-1783.[28] Pitt's confidence that the conflict against France could (and would) be fought and won through financial as well as military means dominated his thinking in the early stages of the war. Even when the conflict appeared to be turning against Britain, and his hopes of a rapid victory appeared to be dissipating, Pitt continued to compare the shaky situation of French finances with the solidity of those of Britain. In a speech to Parliament (10 May 1796) with the suspension less than a year away, Pitt noted that France's finances were in the 'gulf of bankruptcy' and in their 'last agonies,' a circumstance that, naturally enough, meant that they would soon be unable to carry on a 'vigorous war.' The fact that France was currently spending over a third of its national capital on warfare could only work in Britain's favour and led Pitt to note how 'the rapid decline of their finances begins to affect in the greatest degree their military operations.'[29]

A politician of Pitt's calibre was not blind to the social effects of taxation lamented over by the LCS and other radical critics. As a consequence of this Pitt, whilst hoping for a quick victory, resorted to borrowing in order to minimise as much as possible any additional increases in taxation (a process described above chapter 3). Unfortunately for Pitt his gamble on a quick victory (paid for via borrowing) failed to materialize and, as a consequence of this error, only compounded his difficulties. Pitt's misjudgement is placed in a more forgiving light when it is realized that by attempting to pay for the war via loans, and increasing taxation only enough to meet the increased interest payments that these loans necessitated, he was merely following a precedent set by all of his eighteenth century predecessors.[30] The problem for Pitt when adopting this policy was that, as a consequence of this method having been the 'traditional' policy of British governments throughout the eighteenth century, any additional government borrowing would augment interest payments on an already huge national debt.

Even prior to the war with France, critics of the British funding-system had attempted to draw their reader's attention to this phenomenon. Paine (1787) began by observing how Britain's conflicts throughout the eighteenth century had been paid for by 'borrowing and funding the capital on… perpetual interest, instead of paying it off.' In this fashion every major conflict that Britain had been involved in had seen an (approximate) doubling of the national debt. Paine viewed this as posing a problem for Britain as the accumulated debt of all these wars continued to hang on the 'shoulders' of the nation. Paine noted that whilst this phenomenon had been gradual it nevertheless posed real problems; what had commenced as a light burden had, over the course of the eighteenth century, become much heavier. Paine claimed that there must be a limit to this process, noting that the funding of the national debt 'is exactly like that of loading a horse with [one] feather at a time till you break its back.'[31]

Pitt's Increases in Taxation

By the late-1790s it was becoming increasingly apparent that Pitt's hopes for a quick victory were no longer tenable. Therefore, if Britain was to triumph over France it would be necessary to make fundamental changes to the way that Britons were taxed. These changes could only be introduced under the auspices of dire necessity when the traditional methods of funding military conflict, used extensively throughout the eighteenth century, and lamented above by Paine, Horne Tooke *et al*., had been exhausted and stood on the brink of collapse.

It was traditional on the commencement of hostilities for the Land Tax to be raised in order to defray, to some degree, the additional expense that warfare necessarily incurred. This option was, however, not open to Pitt in 1793 as the Land Tax had already been at its 'natural limit' of 4*s*. since 1783 and no Chancellor, not even one with Pitt's esteemed reputation, could contemplate a rate of 5*s*.[32] If the land Tax could not be increased then other sources of revenue would have to be sought out. In order to meet the increased costs that the war entailed it became necessary for Pitt to make perpetual some temporary taxes, such as the 'Assessed Taxes' of 1791, increase the duty on items already taxed, and, seek out other innovative sources of taxation. The extent to which the burdens of taxation on the British public began to increase as the war raged on can be gleaned from Table. 7 that lists the most significant additions to taxation proposed by Pitt in 1796.[33]

Table. 7: Pitt's Additions to Taxation in 1796

Assessed taxes	£290,000
Auctions, 2.5*d*. in the £ for land, and 3*d*. for furniture, goods etc.	£40,000
Sugar	£280,000
Spirits	£510,000
Tea	£240,000
Bricks	£36,000

Port duties, 10 per cent. on the produce of hemp, iron and brimstone, and 5 per cent. on the produce of all other goods, except wine and coals coastwise	£153,000
A regulation of stamps	£30,000

Lauderdale (1797) writing in response to these additions, and after four years of conflict with no end in sight, was able to lament the huge increases in both the national debt and taxation that had resulted from the failure of Pitt's over-optimistic calculations. Of even more concern to Lauderdale was the fact that, despite these unprecedented increases in taxation, they were still not enough to meet the government's burgeoning expenditure.[34] The unprecedented expense that the war with France necessitated (even at this early stage) can be appreciated by Lauderdale's comments regarding the increases in extraordinary expenditure. Lauderdale lamented how Pitt had been forced to leave 'unprovided for… [a sum]… far exceeding the Taxes proposed in one year by any of his predecessors, and nearly double the amount of imposts which the most calamitous years of our history have rendered necessary.[35] That Lauderdale was writing before the full effects of the suspension of 1797, and the subsequent explosion of debt and taxation that this move facilitated had yet to materialize, gives us some idea of the shock that many contemporaries felt towards these developments.

It also needs to be remembered that a not inconsiderable portion of this newly raised tax revenue was contributing towards paying the 'contractor's bonus' to Walter Boyd who, while being effectively bankrupt and reliant on support from the government he was lending to, was nevertheless the recipient of new government loan contracts in 1797 and 1798. Viewed in the light of such transactions Lauderdale's comments regarding Pitt's 'mysterious declamations' on financial matters, declamations that he viewed as 'perplexing the understanding of the nation' seem particularly pertinent. Concern over the secrecy, obfuscation and complexity that shrouded such financial dealings leading Lauderdale to note how 'deceit, backed by power and authority, has too often triumphed over truth… and the complication of which details on Finance are susceptible, points that subject out as fit for the experiment.[36]

As Lauderdale noted, even these increases in taxation were not enough to meet the spiralling costs of the war. The year 1797 was indeed a disastrous one for the British war effort; the threat of French invasion, the looming bankruptcy of Boyd Benfied & Co. (the government's principal loan-contractor), the (effective) bankruptcy of the Bank of England with the suspension of cash payments and the sinking of the value of government securities on the stock exchange (as a consequence of a combination of the above factors) to their all time low of just under 48 in May 1797 meant that Pitt's dream of defeating the French with the help of Britain's superior finances appeared little more than a hollow mockery.[37]

One of the most damaging consequences to Pitt's financial calculations of this fall in the price of government debt was the increased (and increasing) rate of interest that was being demanded of the British government from her creditors. In 1796 Pitt borrowed £25,500,000 at almost 5% interest, in 1797 £34,500,000 was borrowed at over 6% interest leading Pitt to estimate (fear) that the loans of 1798 might have to be borrowed at 6.7%, a rate of interest that meant that over the life of the loan (between forty and fifty years) £22,000,000 would cost the public between £40,000,000 and £50,000,000.[38]

It was becoming increasingly apparent that the methods of the financial revolution, methods that had served Britain so successfully throughout the eighteenth century, had been exhausted and were no longer adequate. An alteration of policy was required and Pitt, in a speech to Parliament (24 November 1797), was unequivocal that if all that was held dear was to be preserved from the ravages and anarchy of Revolutionary France it was essential that the British government change course regarding its reluctance to impose further increases in taxation. Pitt argued that if the honour and interest of Britain was to successfully resist the intentions of an arrogant foe then the British people must be 'ready to meet th[is] difficulty in its fullest extent, and [be] prepared to support our resolution [to] every extremity.'[39] What Pitt was proposing were further increase in taxation in an effort to shore up British finances. These increases in taxation were deemed necessary in order to pay a larger portion of the government's expenses out of annual income as opposed to borrowing. This policy, when coupled with Dr. Price's sinking fund, would, it was hoped, steady Britain's finances and enable her to borrow at a lower rate of interest on the London money market.

Lower levels of literacy amongst the poorer members of society, combined with the lack of any official platform of representation that would allow them to express their views, make it difficult to discern their attitude towards such increases in taxation. However, given the resentment and reluctance shown by their social superiors towards increases in taxation, in particular the Income Tax (discussed below), there is no reason whatsoever to suppose that the further increases in taxation proposed by Pitt were viewed positively.[40]

The following pamphlets, aimed at the lower orders, give us a taste of what many of those who made up the under-represented masses thought about the levels of taxation they were subjected to, along with how these taxes were spent, prior to Pitt's proposed increases of 1796. *The Disinterested Family* (1792) began with an exposition of the cost to the taxpayer of the various sinecures and pensions currently supported by taxation. The oppressive weight of this taxation coupled with the efficiency and centralization of those collecting it meant that the British public faced a burden that 'no country on the face of the earth ever before was able to bear.' The impudent notion that the nation was merely levying the taxation it could afford was also challenged. In particular, this pamphlet juxtaposed the asymmetry of benefits to be derived from a permanent system of taxation that simultaneously kept down citizens who were groaning under exorbitant taxation with Pitt and his coadjutors who were 'wallowing in wealth.' Mindful of the immanence of war with France, this pamphlet closed with a prescient warning regarding the 'enslavement' that awaited the British public if another war should break out. Viewing with trepidation the unprecedented levels of taxation that such a conflict would necessitate the author of this pamphlet warned, 'when, O Britons! When will you open your eyes, to the miseries, which without your watchful care… are [being] prepar[ed] for you, and will soon burst upon your heads? Nothing but Reform in Parliament can possibly save you from beggary, and slavery.'[41]

It was the inability of an unreformed Parliament to represent the interests of the people of Britain, along with the injustices that this lack of representation entailed, that formed the core of *On A Reform in Parliament* (1792). In particular this pamphlet noted how, due to their limited incomes, increases in taxation (both direct and indirect) had a more profound effect in the living standards of the poor. The role of the government, as far as this circumstance was concerned, was to protect those with little to spare (as opposed to exploiting them). This pamphlet pointing out how 'those who have little, deserve to have that little the more carefully protected, the less a man possesses, the less he can spare from his narrow store.' Of particular importance in this regard was the notion of consent. With no popular platform to contest what was taxed and how this taxation was spent the funding-system was regarded as little more than tyranny and redolent of slavery on the part of those who were 'compelled to submit to it.' This pamphlet ended with a clear message that in order for the interests of the poor to be taken care of it was necessary for 'the voice of the poor man should be heard with respect and attention in the House of Commons.'[42]

The notion of consent with regard to the levying of taxation was also acknowledged in *Politics for the People* (1794). After exhorting its readers to 'know their own importance' and to be conscious of the rights, dignity and importance that they possessed, this pamphlet proceeded to outline how all of these rights were threatened by the imposition of taxes by a government with a limited notion of representation. It was the opinion of the author of this pamphlet that the 'spirit of the constitution require[d]… full and fair representation of the people,' this representation was crucial as it was upon this and this alone that the right to tax citizens rested.[43] This topic was a highly contentious issue. Indeed, it had often been argued, both inside and outside Parliament, that the lower orders, despite not being directly granted the vote were, nevertheless, adequately represented by the House of Commons.[44] Increased (and increasing) levels of taxation, along with the profound social and demographic shifts that had occurred (and were continuing to occur) throughout eighteenth century Britain had, however, rendered such arguments anachronistic to many observers.

This pamphlet was at the more extreme end of radical literature, especially as it referred to Locke's (1689) potentially treasonous notion that citizens had the right 'assert and defend their liberties, when directly invaded.' Conscious of the dangerous ground upon which it was treading *Politics for the People* urged that such a direct and shocking challenge to those in power, should be 'guided solely by the spirit of the constitution.' Adopting an appeal to history that stretched back to the 'spirit of Magna Charta' *Politics for the People* exhorted its readers to 'defend their liberties, when directly invaded,' claiming that if they feel that they are unfairly represented (or not represented at all) then they should refuse to pay taxes the imposition of which was made without 'consent.' Turning the violence that many in positions of power feared such statements encouraged on its head, *Politics for the People* argued, instead, that it was the tax officer who 'proceeds with violence,' as they 'robbed' the property of those who were inadequately represented.[45]

The ideas espoused above by radical critics and the various 'Corresponding Societies' that sprang up with the coming of the French Revolution had little impact on the British government, who viewed such ideas with a mixture of contempt and trepidation. This was especially the case as it was becoming increasingly apparent that hopes for a quick victory against Revolutionary France owed more to misplaced optimism than military reality. As a consequence, the introduction of The Seditious Meetings Act and the Treasonable and Seditious Practices Act, the 'Two Acts' of 1795, were intended to stymie the threat that the radicals (and their ideas) posed to both the state and its war effort.[46] Through a combination of such legal measures, force, government propaganda, intimidation and intrigue (the government employed the use of an extensive spy network) ideas such as those outlined above, calling for better representation in government in order to lower taxation and end war, were outlawed and driven (for the time being at least) underground; engulfed by a tide of popular patriotism and government repression.[47]

Triple Assessment of 1798

Following the successful suppression of dissenting views at home Pitt was able to concentrate fully upon prosecuting his war with France. In order to raise the required tax revenue that victory would necessitate Pitt set his sights firmly on property. Having this intention in mind it was necessary for Pitt to tread carefully. Pitt's reluctance to impose an Income Tax in 1798, following almost five years of warfare that had seen the national debt almost double in size to over £400,000,000, and the cost of borrowing (due to the low price of government stock on the money market) increase to levels many felt were ruinous, starkly revealing the dangerous imposition that many (both inside and outside Parliament) feared was latent in such a drastic measure. Bearing such thoughts in mind Pitt knew that any increase in taxation on property would be deeply unpopular. Indeed, such entrenched resistance to direct taxation, even when the threat of a French invasion in 1797 was, by all accounts, very real indeed reveals just how grievous an imposition taxation of this manner was considered to be.[48] Pitt, faced with such ingrained resistance to the 'intrusion' of government into the private affairs of its citizens, correctly intuited that Britain's war effort could not be funded by appeals to patriotism alone. A direct taxation on income was necessary and the need for compliance would have to be backed by the full force of the law.

Income Tax

When formulating plans for his Income Tax Pitt estimated (liberally) that the total annual income in Britain from rents, profits etc. came to £100,000,000, therefore a 10% tax on this income would yield £10,000,000 annually.[49] Whilst there was a general agreement in Parliament that if the war was to be won taxation would need to increase, arguments over the details of Pitt's 1799 Income Tax Act (the final Act contained 124 sections and many schedules) were, naturally enough, debated over and opposed by different people for a wide variety of reasons.[50] Aside from objections to the additional financial burden that it necessitated, the Income Tax was also objected to as an imposition by the government into the private financial affairs of its citizens; this Tax representing an intrusion into personal matters that was most unwelcome to people unused to such measures. A taste of these sentiments can be gleaned from the parliamentary record of the debates around this issue. Sir Robert Clayton considered it a 'dreadful thought' that the accounts of traders, merchants and bankers would be laid open to public inspection.[51] In a similar vein, Sir John Sinclair, an economic historian regarded by many contemporaries as an expert in finance, feared that if, in addition to the increases in taxation already implemented gentlemen would have to 'disclose their circumstances' then a 'spirit of emigration' would sweep across the nation.[52]

Another issue that arose during the debates over the Income Tax (and one that is particularly apposite to the present study) was the notion that the implementation of the Income Tax would unduly benefit the loan-contractors and 'monied men' of the City of London. A point made in Parliament (3 December 1799) by George Tierney, with whom Pitt had fought a bloodless duel on 27 May 1798.[53] Tierney began by stating that he personally would not take the property of any body of men as a 'sacrifice' to the state, however, if it was necessary that 'violent hands' must be laid upon the property of the public then he would point Pitt in the direction where his attention should focus. Tierney stated that it was incorrect to claim that the Income Tax would 'fall nearly equally on all sorts of property.' This was not the case, as there was a type of property upon which this tax did not fall, namely, 'the property of a certain description of stockbrokers, or what may be called the leading London gentlemen.' Tierney sardonically noted how these gentlemen, whose patriotism Pitt held in such high esteem, were not only wealthy enough to pay any tax levied on them but, paradoxically, also found themselves enriched the more taxes increased. Tierney's reasoning was simple. It was Pitt's contention that the Income Tax would support the funds by causing them to rise on the market. This being the case, if the funds increased by two per cent the capital of these gentlemen would increase commensurately. In this regard Tierney was arguing that the Income Tax resulted in a 'zero sum' game whereby the fortunes of some increased whilst others were brought to 'ruin.' Tierney concluded by claiming that if Pitt's proposal was to be 'worth anything' then these city gentlemen should be compelled to take their share of the public burden.[54]

Tierney's assertion that the implementation of the Income Tax would benefit the 'monied men' over other interests had a great deal of merit. As did his objection to the government's reluctance to tax the profits that loan-contractors were making from their investments. Taxing the profits of capital invested in government debt was regarded as a 'breach of faith' on the part of the government, as it would lower the amount of interest that its creditors received. This policy was, eventually, changed in 1806, but the exception from taxation of those profiting most from the promulgation of the war (by lending debased paper to the government) is a reminder of how powerful and influential the 'monied interest' was.[55]

A further concern expressed by the monied men (besides their insistence that they should be exempt from paying tax on profits derived from their property in the funds) was their apprehension that they would be required to disclose their financial situation to public view. Soundness of credit was regarded as a banker's and a merchant's lifeblood and in the ordinary course of mercantile dealings the ability to call upon credit based on good faith was indeed imperative. If a merchant was required to publicly reveal their financial situation the amount of credit they could draw on could (potentially) be severely curtailed. As has been noted above while reliance on credit clearly had many legitimate mercantile purposes, the use of credit could be (and indeed was) used as a means for merchants and bankers to lend money to the government that existed merely as a paper transaction between themselves. Needless to say Pitt lent a considerable amount of sympathy to the concerns expressed by merchants and financiers on this issue. Indeed, in a statement to Parliament (19 December 1798) he explained how concerned parties, rather than returning statements regarding their income directly to assessors, would be permitted to send their returns secretly to Commissioners. These Commissioners being commercial 'assistants' tasked with overseeing the amount of tax actually paid. Bound by an 'oath of secrecy' these Commissioners were instructed not to disclose the private accounts and financial circumstances laid before them. In addition, and in order to prevent such accounts from ever becoming public knowledge, Pitt explained how all records would be kept in a secret book where numbers would correspond to names.[56] The partiality contained in this concern for the secrecy of merchants and financiers did not go unchallenged. Tierney, responding to Pitt's statement above, commented on the marked difference between the landed and mercantile interests when he observed how 'one [group] was permitted to benefit their common interest, and to impose taxes upon themselves, under the pretence of commercial expediency, while the landed gentry were obliged to submit to whatever might be proposed, and thus dragged through the dirt.'[57] Despite such objections an Income Tax was duly implemented in 1799. Although the amount raised fell short of Pitt's expectations by £1,500,000 (a shortfall made up for with increases on the duty of spirits and quality tea) the additional money raised did at least steady the fiscal ship and succeeded in its aim of allowing the government to borrow money on the London money market at a more reasonable rate of interest.[58]

The deeply ingrained resistance to the methods inherent in the Income Tax can also be evinced by the fact that, in common with the suspension of payments at the Bank, it was only ever entertained in Parliament as a 'temporary' measure. The Income Tax of 1799 (a tax levied under what were considered to be conditions of dire necessity) was repealed in 1802, following the Peace of Amiens, and was only gradually reintroduced when it was realized that if Napoleon's restless ambitions were to be halted the incomes of Britain's citizens would, once again, need to be taxed at source.

Radical Objections to Taxation (Part Two)

It was in the context of increased taxation, increased governmental corruption, increased levels of paper-money, a hugely increased national debt and a seemingly never-ending war (a war that all these increases fed upon) that the resurgence of radical politicians, desperate for some measure of reform in order to halt these excesses, emerged.[59] Appeals to 'Reason' and the 'Rights of Man' had taken a severe blow following the chaos caused by the rule of the 'Committee of Public Safety' in Paris between 1794 and 1795. Instead, it was a more pragmatic view of the consequences of the wars against France that led to the re-emergence of radical political objections to taxation and the funding-system. Higher prices for food, along with inflation caused by the rapid expansion of an un-backed paper currency post-

1797, resulting in hardship and resentment for those not in a position to profit from these developments.[60]

Inflation

Whilst many of the objections raised against taxation had a long pedigree, the cumulative effect of the unprecedented levels of taxation, debt and paper-money post-1797 were regarded by many critics as fostering novel and highly dangerous developments. Foremost of these dangers was the phenomenon of rapid inflation in food prices, prices that wages struggled to keep pace with.

The upward effect on prices that warfare brought in its wake is revealed in Table. 8 that takes a long-term view of the annual indices of English prices. When it is considered that throughout the 55 years between 1715-1770 the price index only rose above 100 16 times and that the highest level of this index prior to the outbreak of war in 1793 was 129 (between 1782 and 1783), a figure that came at the conclusion of the disastrous (and hugely expensive) American War, the unprecedented increases in prices that took place between 1793 and 1815 can be appreciated in a fuller perspective.[61]

Table. 8: Price Index of Consumer Goods 1791-1815

Year (1700-1701=100)	**Price index of Consumer Goods**
1791-1792	122
1792-1793	129
1793-1794	136

1794-1795	147
1795-1796	154
1796-1797	148
1797-1798	148
1798-1799	160
1799-1800	212
1800-1801	228
1801-1802	174
1802-1803	156
1803-1804	161
1804-1805	187
1805-1806	184
1806-1807	186
1807-1808	204
1808-1809	212
1809-1810	207
1810-1811	206
1811-1812	237
1812-1813	243
1812-1814	209
1814-1815	191

Unsurprisingly, the detrimental consequences of this phenomenon (namely higher prices for food and other necessities) were observed first hand by the lower orders of the population. What was not necessarily clear, however, was the *cause* of these increases. An exposition of the 'hidden forces' at play was the primary objective of many authors who were keen to draw their reader's attention to the underlying causes of these inflated prices.

Waithman (1800), whilst acknowledging that increases in paper-money had led to price inflation, attempted to adopted a more 'holistic' approach to this phenomenon and identified five ways that the war had led to higher prices.

First. By the great waste and increased [military] consumption which it occasions.

2dly. By the numerous government contracts, and the large stores collected for the use of our armies and navies.

3dly. The immense load of public debt, or false capital which it creates.

4thly. The amazing quantity of paper money, which is a natural consequence, and

5thly. The prodigious increase of taxes.[62]

While some increases in the cost of living (in particular food) were a consequence of natural occurrences such as harvest failures, the dramatic increases in consumer prices that can be observed throughout the period between 1793 and 1815 (Table. 8 above) were, despite Pitt's claim in 1800 that the war had had no effect on prices, undoubtedly a consequence of the wars with France.[63] Waithman's account also gives us a valuable insight into how contemporaries, not able to profit from the war, viewed this escalation of prices. Waithman was keen to emphasize how the poverty, hardship and distress caused by the 'exorbitant price of every necessary article of life' weighed most heavily on those least able to afford such increases. The cause of these price increases was not hard to detect and, in Waithman's view, undoubtedly arose directly 'from the present *expensive, destructive*, and most *unfortunate* war; into which the nation has been unjustly and unnecessarily precipitated.'[64] [emphasis in original]

It was Waithman's contention that the people of Britain had been 'fatally deluded' into an expensive and unnecessary war with France, the prosecution of which undoubtedly had a negative impact upon the standard of living of a great many taxpayers. Waithman (in common with other radical critics) regarded knowledge of the circumstances that led to these price increases as being paramount, stating that 'it is a matter of great importance… [indeed]… the duty of every individual… to investigate the causes of an evil of such magnitude… arrest its progress and ultimately afford relief.' The cause of these evils, in Waithman's opinion, was not difficult to locate and lay firmly at the door of the funding-system and the Bank of England.[65] One of the most apposite of Waithman's observations to the present study is his identification of how the funding-system and national debt had a direct bearing on the shift of wealth up the social scale, as each new loan required additional taxation to cover the interest on the national debt. Waithman correctly noted how the ability of loan-contractors, merchants and bankers to lend money created *ex nihilo* (via bills of exchange or accommodation bills) to the government before passing this debt on to their customers, or using it between themselves to form the basis of more loans, in essence enabled a small group of loan-contractors and financiers to make huge profits at the expense of the population at large.[66] The damage to society from this situation was noted Waithman when he observed how each new government loan necessitated ever greater quantities of paper-money in order to fund for them. Waithman ruefully observing how, 'paper being plentiful, everything else becomes… dear, except labour, which has not risen in the same proportion.[67]

This phenomenon was neither unforeseen nor unexpected, indeed, it had been observed and warned about several decades earlier by Dr. Price (1776). Dr. Price noted that whilst public banks (such as the Bank of England) clearly provided a valuable service and ‘great conveniences’ there was a danger that a lack of wisdom leading to uncontrolled emissions of money could turn the Bank into the ‘most pernicious of institutions.’ The reason for this danger was the Bank, whilst serving as a mine for the government, was likely to ‘improperly and dangerously’ issue excessive amounts of un-backed paper-money. Dr. Price warned that the substitution of fictitious wealth for real wealth would cause convulsions in society by ‘raising the price of provisions’ to a level that would be detrimental to the public at large.[68]

Politics for the People (1794), conscious of the secretive nature of the dealings discussed above by Dr. Price, attempted to highlight to its readers the ‘invisible’ forces at work in this process. Interestingly, the invisibility they referred to was not the increase in price (which was often all too apparent) but the fact that people were often ‘crouching under burthens, without knowing how, or by whom, they are placed.’ *Politics for the People* is interesting in this regard for its attempt to elucidate to its readers the powerful anonymous forces that were at play in these circumstances, highlighting how the decisions and actions of unaccountable politicians and financiers were increasingly encroaching upon the lives of what they considered to be inadequately represented taxpayers.[69]

Howison (1803), having observed the warnings of Dr. Price and *Politics for the People* come to fruition, equated the reduction of living standards for ordinary citizens post-1797 (via a devaluation of the purchasing power of their wages) as ‘little short of robbery from the public to the Bank, as far as value goes.’[70] Howison feared that the artificial nature of the post-suspension world hid two inflationary dangers. The initial danger was ‘obvious’ and was due to the fact that an increase in the circulating medium typically leads to an increase in prices. The second danger despite being less obvious was, however, more pernicious in Howison’s view. The suspension, by allowing merchants and traders access to discounting and credit that would otherwise not be available, enabled them 'to withhold… articles from the market, enabl[ing] them to raise the price… as high as he may choose, or as the last shilling of the user can reach.'[71] In addition, Howison also noted how this artificial situation had enabled loans to government to be floated and 'the funds' to be maintained at a higher price on the London money market than they otherwise would be.

Whilst Howison acknowledged that there were some benefits to be garnered from this situation they did not counterbalance the numerous other 'evils' that arose from an 'excess of paper money.'[72] To Howison, the primary evil was the inflationary burden that the paper-money system imposed on those whose income was fixed and therefore struggled to keep pace with increasing prices.[73] The novelty of these circumstances can be evinced by Howison's attempts to explain to his readers the links between price inflation and paper-money. Crucial to Howison's reasoning was the fact that paper-money could become 'overcharged' by over issue, thereby diminishing its purchasing power. Of particular concern to Howison was not only the cumulative effect that this process had on reducing the purchasing power of people's wages but, just as importantly, the fact that this diminution was rendered 'invisible' as it often occurred gradually. Howison was particularly concerned that these impositions were not observed until it was too late when 'the individual finds his fixed revenue does not procure [for] him the same quantity [of goods].'[74]

It was in an attempt to clarify these circumstances, and clear up any lingering confusion surrounding the workings of paper-money, that Cobbett (writing almost two decades later) devoted much of his energy whilst being held in Newgate prison following his conviction for seditious libel in 1810.[75] Writing as the circumstances lamented above by Waithman and Howison *et al.* had reached new heights, Cobbett began by drawing his readers' attention to a piece from the *Morning Post* (19 July 1810). Cobbett noted how this piece stated that 'the *depreciated* value of country Bank-paper has already occasioned a *reduction in the price of provisions of every description*. [emphasis in original] Cobbett, whilst attempting to point out to his readers the erroneous reasoning that had led to this statement, also drew his readers' attention to the correlation between prices and the quantity of money in circulation. Cobbett stated his thesis simply, 'when money *depreciates,* prices rise,' although this fact might be 'obvious' to some Cobbett was keen to link this phenomenon to the workings of the funding-system in general when he stated that 'high prices… [are]… nothing more than another word for depreciated currency.'[76] [emphasis in original] Cobbett having noted that money is of '*high* or *low* value in proportion to *its quantity* compared with the *quantity of purchase* which it has to perform,' [emphasis in original] illustrated his point by noting that if the quantity of money in Britain were to double overnight the price of provisions would rise in step with this increase. The reason for this, Cobbett argued, was the fact that paper-money, especially if issued in excessive amounts, has little intrinsic value, therefore, 'as it increases in quantity, it decreases in value… becom[ing] less and less powerful in the way of purchase.'[77]

Radical critics such as Cobbett, Waithman and Howison were not alone in noticing the inflationary impact of taxation and paper-money on prices. William Huskisson (a chairman of the Bullion Committee) in his *The Question Concerning the Depreciation of our Currency Stated and Examined* (1810), published in the same year as the Bullion Committee sat, argued that the actions of the government, in concert with the Bank, had indeed led to credit inflation and increased prices. Huskisson began by noting how, post-suspension, ingenious means had been devised to multiply accommodation bills, bills of credit not representative of actual goods and services. Building upon these ingenious means of extending credit Huskisson then observed how the suspension of payments at the Bank provided an 'Archimedean moment' when 'all… parties discovered to what degree the suspension of cash payments afforded facility and security to… the extension of credit.' Whilst the loosening of credit described by Huskisson was doubtless of great benefit to the merchants and financiers of London, as the restrictions that convertibility traditionally imposed upon access to such credit had evaporated, these benefits were (literally) enjoyed at the expense of the rest of society. This circumstance was explained by Huskisson thus, 'under these circumstances [post1797], the rise in the price of goods, which at first was the effect of an increase in demand, was soon considerably aided by the depreciation of the currency.[78]

Increases in Taxation

In addition to the negative impact on standards of living, brought about by paper-money fuelled price inflation, increased levels of taxation on items of consumption compounded this circumstance.

Table. 9 below reveals the extent that taxation had reached by the conclusion of the war in 1815; the increase in taxation, compared to the levels of taxation in 1793 (see Table. 5 above), is on the right hand column. It will be observed that the only tax that was reduced throughout the wars was the Land Tax, presumably due to the increased burdens brought about by the introduction of the Income and House Taxes. Items in italics were not subject to taxation in 1793.[79]

Table. 9: British Taxation in 1815

Direct Taxes

Tax	**Tax in 1815**	**Increase/ Decrease since 1793**
Land Tax	£1,196,000	- £804,000
Taxes on houses and establishments	£6,500,000	+ £5,200,000
Income Tax	*£14,600,000*	
Tax on succession to property	*£1,297,000*	
Property insurance	£918,000	+ £733,000
Property sold at auction	£284,000	+ £207,000
Coaches, posting and hackney cabs	£471,608	+ £194,608
Tonnage on shipping	*£171,000*	
Total	**£25,438,259**	**+ £21,601,259**

Taxes on Items of Consumption (Eatables/ Drinks/ Smoking)

Salt	£1,616,671	+ £1,239,671
Sugar	£2,957,403	+ £1,641,403
Currants, raisins, pepper and vinegar	*£541,589*	
Beer (inc. malt, hops and *licences*)	£9,796,346	+ £6,218,346
Wine	£1,900,772	+ £884,772
Spirits	£6,700,000	+ £5,168,000
Tea	£3,591,350	+ £2,941,350
Coffee	*£276,700*	
Tobacco	£2,025,663	+ £1,459,112

Taxes on Articles of Consumption (Not listed above)

Coals and slate	£915,797	+ £215,797
Timber	*£1,802,000*	
Cotton wool	*£760,000*	
Raw and thrown silk	£450,000	+ £150,000
Barilla, indigo, potashes, bar iron and *furs*	£297,000	+£147,000
Hemp	£285,000	+ £182,000
The duties outwards	*£364,417*	
Other customs duties	*£1,188,000*	
Leather	£698,342	+ £417,342
Soap	£747,759	+ £344,759
Bricks and tiles	£269,121	+ £141,121
Glass	£424,787	+ £241,787
Candles	£354,350	+ £98,350
Paper	*£476,019*	
Printed goods	£388,067	+ £123,067
Newspapers	£383,000	+ £243,000
Advertisements	*£125,000*	
Plate	*£82,151*	
Minor taxes	*£132,116*	
Total (All taxes on consumption)	**£39,549,429**	**+ £27,390,878**

Stamp Duties

Bills and notes	£841,000	+ £685,000

Receipts	£210,000	+ £162,000
Other instruments	£1,692,000	+ £566,000 (vs. consolidated duties and Post Office 1793)
Total	**£2,743,000**	**+ £1,113,000**

When the taxation figures for 1815 are contrasted with those from 1793 the first thing that strikes the viewer is the prodigious increase in the absolute levels of taxation raised; £17,325,551 for 1793 compared with £67,730,668 in 1815, an increase of £50,378,117. Taxation on items used by the poor (despite the ostensible aim of avoiding taxing them) that in 1793 amounted to £7,561,000 had, nevertheless, also increased to £22,703,681 by 1815.[80]

Adding to these direct burdens on the poorer members of society was the phenomena of 'trickle-down' taxation. Taxation was indeed a vexed subject and the huge sums raised by the Income Tax led some contemporaries (resentful of this burden) to argue that the poor 'paid no taxes.'[81] Whilst it was true in a literal sense that the poor paid no Income Tax the reality of this situation was less clear-cut. As a consequence critics were keen to highlight and explain how this phenomenon worked. Waithman (1800) considered it an 'obvious' concomitant to tax increases. Aware that the workings of trickle down taxation could often be obscured in practice, Waithman explained how a landowner, whose income had been reduced from £10,000 to £9,000 via Income Tax, would typically raise the price of his produce to cover this expense. The purchaser's 'only alternative' was to increase their prices in turn, an action that Waithman noted 'must raise the price of every article very considerably' as taxation was (in effect) passed down the social scale.[82]

At the heart of the objections raised above towards taxation, objections that span a period of over twenty years, is an acknowledgement by these writers that they were dealing with a new phenomenon. Whilst taxation (along with complaints about paying it) was obviously nothing new, the scale, reach and social impact of taxation post 1793 *were* unprecedented. Also unprecedented was the monetary situation (post-suspension) under which these taxes were raised. The apparent ease with which paper-money could be 'coined' by financiers leading many critics to fear that the suspension and tax increases were cementing into place a permanent and ever-expanding system of government financing. A system that both fed off and encouraged corruption and government 'influence.' In addition to these political considerations, the diminished standard of living that the funding-system imposed upon the general population caused a great deal of anguish and resentment to many observers. Cognizant of this fact, and concerned by such developments, in addition to calling for a reform of Parliament, education and knowledge about the workings of paper-money, the funding-system and its links to taxation, lay at the heart of the writings of critics of this system.

It is to how such arguments developed with the coming of peace that our attention must now turn.

[1] B.R. Mitchell, *British Historical Statistics* (Cambridge, 1988), pp. 600-601.

[2] The government's refusal to allow Wilkes to take his seat saw Horne Tooke's political activities greatly increase. Horne Tooke was sympathetic to both the American and French revolutions and served jail time, most notably in 1778 and 1794, as a consequence of his radical opinions and actions. John Horne Tooke (1736-1812), ODNB. Michael T. Davis.

[3] John Horne Tooke & Dr. Richard Price, *Facts: Addressed to the Landholders, Farmers, Stockholders, Manufacturers, Merchants, Tradesmen, proprietors of every description, and generally to all the subjects of Great Britain and Ireland* (London, 1780), pp. 20-21. For Hume's contention that there must be a limit to debt and taxation see, David Hume, *Essay on Public Credit* (London, 1752), p. 3. For Smith's see Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations* [1776] (São Paulo, 2007), pp. 724-725.

[4] John Horne Tooke (ed. Paine), *Address and declaration, of the friends of universal peace and liberty: held at the Thatched House Tavern, St. James's Street. August 20th. 1791* (London, 1791), pp. 2-3.

[5] Ibid. p. 4.

[6] The Society for Political Information was one of numerous such organizations modeled upon the London Corresponding Society (see footnote below). This Address from the Society for Political Information was featured in *Politics for the People: or a Salmagundy for Swine Volume 1 (Part I) No. XI* (London, 1794), pp. 160-164.

[7] The London Corresponding Society (LCS) was founded on 25 January 1792 and led by the shoemaker Thomas Hardy. The LCS were dedicated to a reform of the British political system and focused their attention towards universal manhood suffrage, annual elections and the redistribution of parliamentary seats. The LCS aimed to form a national movement and prior to the government's crackdown on such societies (via the Two Acts 1795) the LCS claimed a membership of 5,000, reduced to 400 by 1798 when the LCS was forced into dissolution. H. T. Dickinson, *British Radicalism and the French Revolution 1789-1815* (Oxford, 1985), pp. 9-10. For details of the meeting see *First Report from the Committee of Secrecy, To whom the several Papers referred to in His Majesty's Message of the 12th May, 1794. And which were presented (sealed up) to the House, by Mr. Secretary Dundas, upon the 12th and 13th Days of the said Month, by his Majesty's command were referred* (London, 1794), pp. 12-18.

[8] *First Report from the Committee of Secrecy…* p. 12.

[9] These sentiments were voiced by Bolingbroke (1733-34) a Tory critic of the Whig government thus, 'The establishment of the public funds… furnishes new means of corruption on the part of the crown, and new facilities to [use] these means… In time of peace… we contract new debts, and we create new funds… What will happen, when we have mortgaged and funded all we have to mortgage and to fund? Henry St. John, Viscount Bolingbroke, (ed. David Armitage) *Political Writings* [1733-1734] (Cambridge, 1997), p. 181.

[10] Dickinson, *British Radicalism and the French Revolution*, p. 16.

[11] Influenced by the scientific work of Newton and building upon ideas formulated by Descartes, Locke and Hume '[Reason] in the eighteenth century… was commonly used to designate the natural faculty or power of the mind [to] discover… what was true, or at least what was probable.' Jeremy Black & Roy Porter (eds.), *A Dictionary of Eighteenth Century History* (London, 1996), p. 630.

[12] Thomas Paine, *The Rights of Man, Common Sense and Other Political Writings* (Oxford, 1995), pp. 211-213.

[13] *The Patriot: or, Political, Moral, and Philosophical Repository, consisting of pieces, and selections from writers of merit Volume II No. XIV* (London, 1792), pp. 146-147.

[14] Ibid. pp. 153-154.

[15] For a discussion of the 'Scottish Martyrs' see John Belcham, *Popular Radicalism in Nineteenth Century Britain* (London, 1996), pp. 19-20. & Gordon Pentland, 'Patriotism, Universalism and the Scottish Conventions, 1792-1794', *History* 89:3 (2004), 340-360 (passim).

[16] Joseph Gerrald, *A Convention the Only Means of Saving us from Ruin: In a Letter, Addressed to the People of England, by Joseph Gerrald. Now Languishing in Exile From his Native Country* (London, 1794), pp. 1-2.

[17] Quoted in *The Gentleman's and London Magazine: Or Monthly Chronologer Volume XLVI* (Dublin, 1776), p. 810.

[18] *Politics for the People Volume I (Part I) No. VI,* p. 71.

[19] William Cobbett, (John M. Cobbett & James P. Cobbett eds.) *Selections from Cobbett's Political Works: Being a complete abridgement of the 100 volumes which comprise the writings of "Porcupine" and the "Weekly Political Register" Volume V* [1816-1820] (London, 1837), p. 4.

[20] Stephen Dowell, *A History of Taxation and Taxes in England From the Earliest Times to the Year 1885 Volume II, Taxation from the Civil War to the present day* (London, 1888), pp. 206-207. Dowell's figures for taxation in 1793 along with their subsequent use for levels of taxation in 1815 have been utilized in the above tables as they contain a level of specific detail absent in the more recent work of Mitchell (1988). Broadly speaking Dowell's figures are in line with those of Mitchell although Dowell underestimated the levels of indirect taxation and stamp duty reached in 1815 whilst overestimating the levels of direct taxation, as the comparison below demonstrates.

	Indirect Taxation **Customs & Excise**	**Direct Taxation** **Land, Assessed & Income Tax**	**Stamps & post Office**
Dowell 1793	£12,158,551	£3,837,000	£1,330,000
Mitchell 1793	£12,116,000	£2,952,000	£1,861,000
Dowell 1815	£39,549,429	£25,438,259	£2,743,000
Mitchell 1815	£44,300,000	£22,500,000	£8,700,000

Dowell, *A History of Taxation… Volume II,* pp. 206-207 & pp. 257-258. Mitchell, *British Historical Statistics,* p. 577 & p. 581.

[21] Data complied from Mitchell, *British Historical Statistics,* pp. 575-577 & p. 581.

[22] Paine, *The Rights of Man, Common Sense and Other Political Writings,* p. 277.

[23] Thomas Paine, *Prospects on the Rubicon* (London, 1787) in *The Complete Writings of Thomas Paine, Volume II* Philip S. Foner (ed.) (New York, 1945), pp. 623-624.

[24] *Politics for the People Volume I (Part II) No. I,* pp. 4-5.

[25] Ibid. p. 6.

[26] Ibid. p. 8.

[27] R. Coupland (Selected by), *The War speeches of William Pitt the Younger* (Oxford, 1916), p. 88.

[28] William Pitt's financial reforms, in addition to his resurrection of the Dr. Price's sinking-fund (1786), also involved a streamlining and reform of taxation via his 'Assessed Taxes' and 'Consolidated Fund.' Together these initiatives allowed the British government to pay off £10,242,100 of the national debt between 1786 and 1793, saving around £300,000 in annual interest payments. Dowell, *A History of Taxation… Volume II,* p. 184, pp. 189-190 & pp. 192-193. & E. L. Hargreaves, *The National Debt* (London, 1930), p. 105.

[29] Coupland (Selected by), *The War speeches of William Pitt the Younger,* pp. 152-153.

[30] Richard Cooper, 'William Pitt, Taxation, and the Needs of War', *Journal of British Studies* 22:1 (1982), 94-103 (p. 95).

[31] Paine, *Prospects on the Rubicon,* pp. 641-642.

[32] Dowell, *A History of Taxation… Volume II,* p. 209.

[33] Ibid. pp. 210-216.

[34] For a discussion of the parliamentary 'extraordinary expenses' Lauderdale is here referring to see discussion in chapter 3.

[35] The Earl of Lauderdale, *Thoughts on Finance, Suggested by the Measures of the Present Session* (London, 1797), pp. 41-42.

[36] Ibid. p. 42.

[37] Élie Halévy, *A History of the English People in the Nineteenth Century: Volume I England in 1815* (New York, 1961), p. 366.

[38] Cooper, 'William Pitt, Taxation, and the Needs of War', p. 99.

[39] *The Parliamentary History of England, from the earliest period to the year 1803. From which last-mentioned epoch it is continued downwards in the work entitled, "Hansard's Parliamentary Debates." Vol. XXXIII. Comprising the period from the third day of March 1797, to the thirteenth day of November, 1798* (London, 1818), col. 1037. For Pitt's full speech see Ibid. cols. 1036-1056.

[40] Levels of literacy amongst the general population were subject to a great many variables (occupational, regional etc.) and although literacy levels were improving throughout the time period under discussion many economic factors, such as lack of writing materials etc. were also at play and limit the historian's access to the 'genuine' thoughts and opinions of working people. See for instance W. B. Stephens, 'Literacy in England, Scotland and Wales 1500-1900', *History of Education Quarterly* 30:4 (1990), 545-571 (passim).

[41] *The Patriot: Volume II No. XIV,* p. 119.

[42] Ibid. pp. 28-29.

[43] *Politics for the People: or a Salmagundy for Swine Volume II No. IV* (London, 1794), p. 59 & p. 63.

[44] The 'classic' defense of this position was voiced by Edmund Burke thus; 'It would require a long discourse to point out… the many fallacies that lurk in the generality and equivocal nature of the terms 'inadequate representation.' I shall only say here, in justice to the old-fashioned constitution, under which we have long prospered, that our representation has been found perfectly adequate to all the purposes for which a representation of the people can be desired or devised. I defy the enemies of our constitution to shew the contrary.' Edmund Burke, *Reflections on the Revolution in France* [1790] (London, 1982), p. 146.

[45] *Politics for the People Volume II No. IV,* pp. 62-63.

[46] The 'Two Acts' consisted of the Seditious Meetings Act (36 Geo.3 c.8), designed to limit public meetings to no more than fifty persons, and the Treasonable and Seditious Practices Act (36 Geo.3 c.7), that made it treasonable to 'imagine, invent, devise or intend death or destruction, or any bodily harm tending to death or destruction, maim or wounding, imprisonment or restraint, of the person of ... the King and the Treasonable and Seditious Practices Act 1795 (36 Geo.3 c.7). For a discussion of the imposition of these 'Acts' see Dickinson, *British Radicalism and the French Revolution*, pp. 40-41.

[47] For the British government's use of spies see Clive Emsley, 'The Home Office and Its Sources of Information and Investigation 1791-1801', *The English historical review* 94:372 (1979), 532-561 (pp. 532-534, pp. 543-549 & passim). For the use of spies in the latter stages of the wars and their aftermath see J. L. Hammond & Barbara Hammond, *The Skilled Labourer 1760-1832* (London, 1919), pp. 341-376. For the effects of government repression and popular patriotism on radical reformers throughout this period see Belcham, *Popular Radicalism in Nineteenth Century Britain,* pp. 21-25.

[48] Patrick K. O'Brien, 'The Political Economy of British Taxation, 1660-1815', *The Economic History Review New Series* 41:1 (1988), 1-32 (pp. 21- 22).

[49] Dowell, *A History of Taxation… Volume II*, pp. 224-225.

[50] Ibid. p. 226.

[51] *The Parliamentary Register; or, History of the Proceedings and Debates of the Houses of Lords and Commons. Containing an account of the most interesting Speeches and Motions; accurate Copies of all the Protests, and of the most remarkable Letters and Papers; together with the most material Evidence, Petitions, &c. laid before and offered to either House, during the Third Session of the Eighteenth Parliamentof Great Britain. Vol. VII* (London, 1799), pp. 133-134.

[52] Ibid. p. 135.

[53] For a discussion of this duel see John Gifford, *A History of the Political life of the Right Honourable William Pitt; including some account of the times in which he lived Volume V* (London, 1809), pp. 263-268.

[54] *The Parliamentary Register… Volume VII,* p. 122.

[55] Patrick K. O'Brien, 'British Incomes and Property in the Early Nineteenth Century', *The Economic History Review* 12: 2 (1959), 255-267 (p. 259).

[56] *The Parliamentary Register… Volume VII,* pp. 313-314.

[57] Ibid. pp. 315-316.

[58] Dowell, *A History of Taxation… Volume II*, pp. 226-227.

[59] Some of the more high profile cases of blatant corruption involved collusion in the sale of military commissions by the Duke of York and his mistress Mary Anne Clarke in 1809 and the resignation of Henry Dundas (Lord Melville) for 'financial irregularities' in 1805. Jenny Uglow, *In These Times: Living in Britain Through Napoleon's Wars 1793-1815* (London, 2014), pp. 483-484 & pp. 395-396 respectively. See also Herries' comment below chapter 5 fn. 18.

[60] Dickinson, *British Radicalism and the French Revolution*, p. 65 & p. 70.

[61] Elizabeth Boody Schumpeter, 'English Prices and Public Finance, 1660-1822', *The Review of Economics and Statistics* 20:1 (1938), 21-37 (p. 35 Table 5).

[62] Robert Waithman, *War Proved to be the Real Cause of the Present Scarcity and Enormous High Price of Every Article of Consumption with the Only Radical Remedies* (London, 1800), p. 13.

[63] David S. Jacks, 'Foreign wars, domestic markets: England 1793-1815', *European Review of Economic History* 15:2 (2011), 277-311 (Introduction passim & p. 284) & Waithman, *War Proved to be the Real Cause…* p. 16.

[64] Waithman, *War Proved to be the Real Cause…* p. 9 & p. 13.

[65] Ibid. p. 9 & p. 13.

[66] Ibid. pp. 22-23.

[67] Ibid. p. 28.

[68] Dr. Richard Price, *Observations on the Nature of Civil Liberty, the Principles of Government, and the Justice and Policy of the War with America. To which is added, an Appendix and Postcript, containing, a State of the National Debt, an Estimate of the Money drawn from the Public by the Taxes, and an Account of the National Income and Expenditure since the last War* (London, 1776), p. 38.

[69] *Politics for the People Volume I. (Part I) No. VI* pp. 70-71.

[70] William Howison, *An Investigation into the Principles and Credit of the Circulation of Paper Money, or Bank Notes, in Great Britain: As protected or enforced by legislative Authority, under the Suspension of paying them in Cash; in the Extent of such Paper Money, the Responsibility attached to it, and its Effects upon Prices of commodities, individual Income, Agriculture, Manufactures, Commerce; and upon the Course of Exchange with foreign Countries. Together with a Discussion of the Question, Whether the restraining Law in favour of the Bank of England from paying Notes in Money, ought or ought not to be continued as a Measure of the State?* (London, 1803), p. 33 & p. 38.

[71] Ibid. pp. 37-39.

[72] Ibid. pp. 67-68.

[73] Ibid. p. 68.

[74] Ibid. pp. 44-45.

[75] Christina Parolin, *Radical Spaces: Venues of popular politics in London, 1790-c.1845* (Canberra, 2010), pp. 30-31 & David A. Wilson, *Paine and Cobbett The Transatlantic Connection* (Canada, 1988), pp. 158-159.

[76] William Cobbett, *The Collected Social and Political Writings of William Cobbett Volume 5* [1809-1816] (London, 1998), p. 350.

[77] Ibid. pp. 364-366.

[78] Wiliam Huskisson, *The Question Concerning the Depreciation of our Currency Stated and Examined* (London, 1810), p. 133 & p. 136.

[79] Dowell, *A History of Taxation… Volume II*, pp. 257-258. See also footnote 20 above for a contrast of these figures with those of Mitchell.

[80] Despite the vast increases in customs and excise duties between 1793 and 1815, much was made of the ostensible aim of 'avoiding' taxing the poor. These sentiments can be appreciated by a speech of Pitt to Parliament (17 February 1792) discussing the repeal of certain taxes. 'The actual relief felt by the public should be proportioned to the amount of revenue which is relinquished… upon… articles of consumption, where the tax is often blended with the price of the commodity, there can be little doubt that the relief intended to be given will in these instances be effectual to its fullest extent. The other object which I naturally have in view, is, that the relief intended should apply particularly to that class, to whom, on every account, it ought to be extended, I mean… the most industrious part of the community.' William Pitt, *The Speeches of the Right Honourable William Pitt in the House of Commons Volume I* (London, 1806), p. 352. Following the outbreak of war the need for money meant that such noble sentiments could no longer be adhered to. Despite this circumstance the ostensible aim of avoiding taxing the poor was still an aim of Pitt's as his budget speech to Parliament (24 March 1795) makes clear, 'Taxes to an immense amount, £1,600,000 [have been] laid upon the public… which there was every reason to suppose would be productive, and yet such as were on all sides allowed to press as little as possible upon the poor.' Ibid. p. 285. Pitt's sentiments appear to be echoed by O'Brien (1988) who observes. 'Despite the famous battles over excises and the antipathy of the radicals to that form of taxation, excise legislation was, it seems, framed in order to minimize incidence on the poor.' O'Brien, 'The Political Economy of British Taxation, 1660-1815', p. 20.

[81] The shifting of tax burdens down the social scale was also noted by Samuel Bamford, a radical critic of the government who was drawn to the radical cause following the activities of the Luddites in 1811. Having helped to organize a 'Reform Club' in his native Middleton Bamford went on to lead the Middleton contingent in what transpired to be the Peterloo Massacre; Bamford being charged with treason for his part in these events and serving a year in jail for 'inciting a riot.' Although Bamford (1844) was primarily interested in reform of Parliament, as opposed to specifically economic issues, his memoirs recall an interview whilst he was imprisoned that is interesting for revealing the apparent disconnect that some contemporaries had regarding the effect that taxation policies had on the poor. Why, Bamford was asked, did the poor resist taxation when 'poor people paid no taxes'? Bamford attempted to explain how this was possible by pointing out how landowners subjected to increased taxation would increase the price of rent on land, farmers (subjected to this increase) would then pass on this increase in rent to the cost of their produce, in turn the shopkeeper (having to pay more for the farmer's produce) would have little choice but to pass on this increase to their customers. To this explanation of how taxation impacted on the poor Bamford noted 'there was no reply.' Samuel Bamford, *Bamford's Passages in the Life of a Radical and Early Days Volume II* (London, 1844), p. 111. & Samuel Bamford (1788-1872), ODNB. Peter Spence.

[82] Waithman, *War Proved to be the Real Cause…* pp. 42-43.

Chapter 5

Peace and its Consequences 1815-1821

(Suspension, Resumption and Taxation)

The defeat of Napoleon at Waterloo on the 18 June 1815 finally brought to a close the conflicts in Europe that had raged for over 22 years. Victory, however, had not come cheap. The state of almost continuous conflict with France since 1793 meant that over £600,000,000 had been added to the permanent national debt; annual interest payments on this debt had increased more than threefold since 1793 and by 1815 stood at over £30,000,000.[1] In order to service a debt of this magnitude measures had been adopted that were unprecedented in both their size and scope. The 'temporary' suspension of payments at the Bank had been in place for almost twenty years, permanently altering the British financial landscape. Taxation too, in particular the Income Tax, had left an indelible mark not only on economic thinking but also on the public conscience as the state's demands on its citizens (and encroachment into their lives) reached levels that would have been unimaginable only a few decades earlier.

Compounding and exacerbating the financial issues brought about by the vast increase in the national debt were a host of other intertwined (to a greater or lesser extent) social and economic problems. Nascent industrialization, increasing levels of urbanization, disputes between 'combinations' of workers and their employers (fuelled by the vicissitudes of trade subject to booms and slumps), ongoing agricultural enclosures, price inflation of consumer goods and a serious harvest failure in 1816 were just some of the myriad issues that confronted a government that, with the coming of peace, was also beginning to face resurgent arguments regarding parliamentary reform.[2] In addition to this already volatile social environment Britain was also faced with the formidable task of economic re-adjustment following, what was at the time, the most expensive military conflict in history. The war effort had required military personnel and resources on an unprecedented scale, all of which had now to be adjusted to a peace-time economy. Added to these circumstances the restoration of international trade, along with issues of monetary stability at home (a debate that focused primarily on the resumption of cash payments at the Bank) loomed large over the Liverpool administration.[3]

These were indeed uncharted political waters and the complex web of social and economic issues mentioned above form the backdrop to this chapter that will focus primarily on how these circumstances influenced (and were in turn influenced by) the funding-system described in the above chapters.

Pascoe Grenfell vs. The Bank of England

The Bank of England's increased centrality to the British financial system (a direct consequence of the suspension) inevitably meant that a great deal of attention was focused on its actions. Despite the fact that the Bank lacked a clearly defined legal position as to its precise role with regards to its public and private duties (an issue that would not be resolved definitively until the Banking Act of 1844) it was hardly a parvenu establishment in 1815.[4] Indeed, the Bank had been assisting the government with its financial operations for over 120 years by the conclusion of the Napoleonic Wars, and, while it was reluctant to formally acknowledge its role as a nascent central bank, it undeniably enjoyed an intimate (and highly profitable) connection to the British government. As had been detailed above, this close connection between elements of the government and a private financial institution aroused suspicion from a great many observers, both inside and outside Parliament, who challenged the notion that the interests of the public were foremost on the minds of those involved in this relationship.

Pascoe Grenfell was determined to challenge in Parliament what he perceived to be the Bank's abuse of their position as government banker. The objections raised by Grenfell providing a window into the secretive and costly dealings between the British government and the Bank. Grenfell was far from an outside critic of the practices involved in high-finance. Indeed, in addition to personally holding a considerable amount of Bank of England stock, his name can also be found on Boyd's 'list' for his 1796 loan, towards which Grenfell subscribed £100,000.[5] Grenfell was a merchant who dealt primarily in tin and copper ore and was involved with the development of these industries in both his native Cornwall and Anglesey. In addition to these commercial activities Grenfell was also an MP, sitting in the House of Commons between 1802 and 1820. Grenfell's intimate and practical knowledge of financial matters leading to him being regarded by many of his peers as an expert on such issues.[6]

By focusing on what he considered to be excessive charges paid for their banking services, as well as the Bank's use of public money for private gain, Grenfell launched a scathing attack on this relationship in Parliament in 1816. The arrangements described by Grenfell, based upon his examination of a 'mass of papers' that consisted of a great many parliamentary enquiries, reports, statistics and Committees providing a valuable glimpse into the workings of the British financial system throughout this period. It was a relationship that Grenfell regarded as being 'in [its] nature extravagant, exorbitant, and therefore in [its] effect and operation injurious to the public interests.'[7]

Grenfell's charges, backed as they were by extensive documentation, have led even those who view the Bank's actions with favour to sympathize with many of his complaints.[8] These charges often being swiftly passed over by historians who are, instead, keen to focus on the vital work the Bank was carrying out in the national interest.[9] Grenfell's objections regarding the relationship between the Bank and the government are particularly apposite to the present study as they were not aimed at individual acts of bribery or corruption. Instead, Grenfell was keen to focus on the *systemic* nature of the malfeasance that this relationship fostered, malfeasance that Grenfell identified as being coeval with the financial revolution and the national debt itself.[10] This point was made explicitly by Grenfell when he commenced his exposition, explaining how his objections were not motivated by any personal hostility towards the Bank's Directors but rather towards a 'system.' In Grenfell's view this was a system not designed by those currently conducting the Bank's affairs but by their predecessors, stating, 'in my conscience, I believe it to be a system hostile to the interests of the country.[11]

The most obvious effect of this system when Grenfell addressed Parliament (13 February 1816) was the unprecedented levels of profit that the Bank had been enjoying since 1797. In addition to regularly paying a dividend to its shareholders of 10% throughout the period of the suspension, the Bank's profits were £8,319,000 in August 1815 increasing to £8,640,000 in February 1816, unprecedented amounts at the time.[12] Grenfell, building on arguments that had been made by many critics since 1797, was keen to draw attention to the link between these increased profits, the suspension and the increased circulation of Bank of England paper. The obvious benefits that the Bank had enjoyed from this circumstance led Grenfell to note that the suspension, rather than being titled 'An Act for restraining the Bank of England from paying its obligations in cash,' would have been better phrased as 'An Act for relieving the Bank of England from the necessity of paying its obligations in cash.'[13]

The unprecedented profits accruing from the suspension were, however, only the most obvious example of the asymmetry of benefits that had emerged as a consequence of the dealings between the Bank and the government. Grenfell believed that the murky and recondite nature of these financial dealings went far deeper and could be better glimpsed by an examination into the circumstances surrounding the renegotiation of the Bank's charter in 1800. In these negotiations Pitt, representing the public, staked a claim on the public's behalf to a share of the profits that the Bank derived from the deposit of public monies with them. It has already been noted how government deposits and loans at the Bank formed a large portion of the collateral used by the Bank for its private business. As the Bank charged 5% interest when giving its paper in exchange for such securities Pitt applied his principle of public participation in the Bank's profits to the balance of public monies currently deposited at the Bank and lent at 5% interest. It was agreed at the time (1800) that the amount of public money that fell under this remit was £3,100,000.[14]

Grenfell, who had the benefit of sixteen years hindsight (along with the evidence of several parliamentary inquiries and Committees to call upon) was in a position to reveal in 1816 that the amount of public money held by the Bank in 1800 was in fact £6,000,000. Grenfell, whilst reluctant to state that the Bank had deliberately misled the Committee of 1807 (or Pitt in 1800) nevertheless claimed to be stating the facts as they appeared, leaving it to the Bank 'to account for and to explain, the difference that exists between the two statements… both having reference… precisely to one and the same subject.[15]

This 'discrepancy' was merely the tip of the iceberg regarding what Grenfell considered to be a system that was institutionally harmful to the public. As a consequence of Pitt's negotiations in 1800 Grenfell observed how it was agreed that (in the spirit of profit sharing) that the Bank would loan the government £3,000,000 for six years free of interest.[16] Grenfell then proceeded to observe that it was when this loan became payable in 1806 that the conflict of interests inherent in this relationship became apparent. Grenfell noted that the then Prime Minister Lord Grenville, negotiating (ostensibly) on behalf of the public had agreed to prolong this loan for the remainder of the war, not without interest (as was the case with the 1800 loan), but with 3% interest; an arrangement that meant that the public would be paying £90,000 a year for the use of this money. This agreement, despite saving the government 2% interest (£60,000) annually (by borrowing at 3% instead of 5%), was nevertheless, described by Grenfell as 'inadequate as… to what the public had a right to expect, unreasonable on the part of the Bank to require, and improvident on the part of the public to accede to.[17]

As has already been noted Grenfell's objection to these transactions was not directed towards particular persons or individual transactions but instead focused on what he regarded as systemic malfeasance. To Grenfell the above transaction typified 'the spirit in which the Bank has conducted itself in all its transactions with the public of late years,' it was a spirit that Grenfell found so 'objectionable' that he could no longer 'suffer it to pass by me.' The agreement to begin paying interest on a loan that had until then been free of such a burden could clearly be justified on sound commercial reasons but this argument was diminished considerably by further circumstances. Grenfell went on to observe how, owing to widespread corruption amongst public officials, a large amount of public money (£12,000,000) had been placed with the Bank for 'safe-keeping.'[18] It wasn't until the investigations of the Committee of 1807 that the scale of these holdings became public knowledge. This led Grenfell to note how at the precise moment in 1806 when the government had agreed to pay £90,000 a year to the Bank for a loan of £6,000,000 the Bank had recently come into possession of £12,000,000 of public money. Money that whilst being (apparently) unproductive to the public had nevertheless been put to profitable use by the Bank between 1806 and 1816 when Grenfell gave his speech.[19]

The public were, in effect, paying £90,000 a year for a loan from the Bank when this same Bank was holding (and profiting from) £12,000,00 of the public's own money. It is particularly apposite to the present study to note how Grenfell questioned the notion of such transactions as being termed 'loans,' stating 'this term has always appeared to me… if not intended, [then] calculated to mislead and deceive the public, as to the real nature and character of the transaction itself.' Whatever the 'real nature' of this transaction it did not come cheap, Grenfell calculated that this loan had resulted in the public paying £780,000 interest for the use of its own money.[20] Crucially, Grenfell also lamented how this transaction was far from an isolated incident.[21] Indeed, it represented just 'one of many' conducted in similar fashion, 'in which the public interests have been most improperly and unjustly sacrificed, to swell and aggrandize the already enormous treasures of the Bank of England.'[22] The spectacle of the government paying the Bank hundreds of thousands of pounds to borrow its own money, along with the fact that the solvency of the lender in this transaction was entirely dependent upon its being legally protected by the borrower from honouring its transactions in hard money could take on a risible aspect were it not for the fact that the cost of these transactions were being borne by all members of society through a regressive system of vastly increased taxation.

Grenfell was also keen to examine the costs incurred by the more workaday transactions that existed between the Bank and the government. These observations are, once again, highly apposite as they cut through the mystique, glamour and prestige surrounding the workings of the Bank and question what *specifically* was the nature of the service provided? In the process also questioning whether this arrangement was conducted with the best interest of the public in mind? Initially, Grenfell observed how the Bank had, over the past decade, been paid over £4,000,000 by the government for providing what he considered to be little more than an 'ordinary banking transaction… [that]… expos[ed] the Bank to little risk or trouble, and neither require[ed], nor in point of fact ha[d] any extensive establishment of clerks or officers necessary for carrying it into execution.'[23] While there was doubtless a degree of hyperbole in Grenfell's appraisal of this relationship, his exposition of the services rendered by the Bank, along with the charges paid for said services, is worthy of inspection.

Grenfell began by observing how Pitt, in 1786, successfully negotiated a reduction in the amount charged by the Bank for 'managing' the national debt from £562 10*s.* per £1,000,000 to £450 per £1,000,000, a reduction that meant that the government was paying around £100,000 annually for the Bank's services.[24] It would appear at first glance that Pitt had performed an admirable service in gaining this reduction, but Grenfell then produced a letter dated 18 January 1786 from the Commissioners for Auditing the Public Accounts. This letter, addressed to the Treasury, discussed the costs that had been agreed upon in 1726 in order for the Bank to manage the national debt, and how this figure related to the circumstances of 1786. This letter began by noting the obvious fact that the commencement of any activity is typically the time when costs are at their highest. Bearing this fact in mind in 1726, when the Bank would need to employ additional clerks and face other new expenses, £360 per million was regarded as a 'reasonable and fitting' charge for the management of the national debt. The letter then proceeded to note how, following its establishment in 1726, this arrangement had continued and required few changes in either personnel or management. The Commissioners, cognizant of Pitt's efforts to retrench governmental expenses following the disastrous American War (1775-1783), then proceeded to note how they could not 'pass unnoticed th[e]… very heavy charge for the management of the National Debt' that the Bank was currently enjoying. The Commissioners also noted (again with an eye towards governmental parsimony) that in addition to this generous fee for managing the national debt the Bank also enjoyed 'very advantageous terms' in its dealings with government Exchequer Bills and the custody of 'cash for the navy and army services' that it was permitted to employ for its private business transactions.[25] These Commissioners then proceed to state that a charge of £360 per million would be more than adequate for the services that the Bank was currently providing. Indeed, if the Bank should object to this amount and request more money for performing these services the Commissioners noted that it was their duty to suggest that this same service could be performed by the Exchequer for less than a third of what the Bank was currently charging. Grenfell then observed how this advice, offered by government Commissioners who had access to all the official documents pertinent to this issue, was ignored by Pitt who instead agreed to pay the Bank £450 per million for what his Commissioners advised could be carried out by the Exchequer itself for £187 per million. Grenfell further noted that, despite the Finance Committee of 1797 recommending a reduction of this fee, it wasn't until 1808 that this management fee was finally reduced to the level originally recommended by Pitt's Commissioners in 1786.[26]

The anonymous author of *The Bank, the Stock Exchange…* (1821) offers an interesting conjecture as to how Pitt (famed for his astute handling of financial matters) could have reached such a decision. This author hypothesized that Pitt, when meeting with the Bank's Directors, imagined that he was 'examining the 'vulnerabilities of their garrison.' In fact, this author opined, Pitt was merely deceiving himself, as he 'did not perceive that the older and [more] experienced practitioners [at the Bank] were completely reconnoitring his camp, delineating a perfect draft of his designs, and planning measures to render [him] subservient to their own interests.'[27]

Compared to such blatant and costly betrayals of the public trust the other sinecures enjoyed by the Bank, and alluded to by Grenfell, appear almost trivial; 'House Expenses' (£4,000 per annum), management of the South Sea Company debt (£1,898 per annum) and the acceptance of money voluntarily deposited at the Bank for the Property (Income) Tax (£3,000 per annum).[28] Less trivial were the exemptions the Bank enjoyed from paying tax while the rest of the nation groaned under ever increasing burdens. The (highly profitable) issues of paper-money emanating from the Bank were exempt from Stamp Duties between 1804 and 1815, an exemption that saved the Bank and *cost* the general public £535,000.[29]

Concluding his appraisal of this arrangement Grenfell posited that the public (in 1816) was paying the Bank '£425,000 [a year] for a service, which if there were any competition, would be performed for, and which is, therefore, worth no more than £25,000.'[30] Grenfell, by highlighting the dangers posed by monopolies, along with the concomitant benefits of competition, was resorting to arguments that had enjoyed a long history. Indeed, with regards to the Bank's position, such arguments had been raised (on and off) for over a century at the time of Grenfell's statement to Parliament in 1816.[31]

The defence in Parliament of the arrangements described above by Grenfell, aside from a great array of cavilling technical details issued by (amongst others) the Chancellor Nicholas Vansittart and financier Alexander Baring, revolved primarily around the damage that would be done to 'public credit' if these matters were delved into too deeply.[32] This oft-repeated argument rests principally upon divining a public benefit in the institutional and systemic malfeasance described above by Grenfell. Lord Castlereagh's statement in Parliament, made in direct response to Grenfell's accusations, typified such thinking when he declared that for the sake of 'public credit' it was necessary that the Bank 'should be kept in a flourishing and independent situation.' The highly paradoxical nature of the symbiosis that existed between the Bank and the government led Castlereagh to both simultaneously acknowledged and deny this relationship, when he noted that any 'unnecessary inquiry' into the Bank's affairs would prejudice not only the Bank but the entire country and (ultimately) 'public credit' itself. Lord Castlereagh closed his statement with the highly specious claim that it was 'one of the great characteristics of the Bank of England' that the government 'did not interfere in the management of its affairs.'[33] The paradoxical (and utterly fictitious) argument that the Bank was independent of, yet its fortunes 'tied to' those of the public, only adding to the mystique that surrounded its workings; a mystique that also served to obfuscate the arrangements highlighted by Grenfell above.

In subsequent years Grenfell continued to question in Parliament the relationship between the government and the Bank, his objections eventually bearing fruit as they led to the periodical publication of accounts at the Bank.[34] In addition to this success, his ‘insider’s’ appreciation of such dealings add a great deal of weight to the claims of less respected critics, both inside and outside Parliament, who vigorously challenged the confident assertions of Castlereagh *et al.* regarding the public benefit in such matters.

Parliamentary Objections to the Continuation of the Suspension

Grenfell was far from alone in questioning the wisdom of continuing the suspension in times of peace. Indeed, the continuation of the suspension following victory over France aroused suspicion from many MPs who, cognizant of the power and influence that the Bank enjoyed as a result of the suspension, were keen to see an immediate return to cash payments. As has already been noted above the suspension, from its inception in 1797, had been assiduously portrayed as a temporary wartime measure. The news, therefore, that the suspension would be continued throughout 1816 and beyond was greeted with suspicion by many MPs, especially as Vansittart had claimed in Parliament (2 March 1815) that it was his ‘intention that the Bank restrictions should cease [on] the 5th of July 1816.’ Vansittart, blissfully unaware of the impending ‘100 Days’ of Napoleon, stated ‘at the expiration of these sixteen months… there was good ground to hope, that there would be no further occasion for renewing this measure.’[35]

When the long-promised end to the suspension failed to materialize suspicions surrounding the motives of those who sought further delays came to the fore. Francis Horner, one of the chairmen of the 1810 Bullion Committee, who had advocated for a return to cash payments at the Bank as early as 1811, when addressing Parliament (1 May 1816), expressed his ‘surprise’ that he found Parliament discussing the extension of the suspension for a further two years. Horner claimed that this surprise was felt throughout Parliament and the country at large, especially as the former declarations of ministers had continually emphasized how the suspension was a wartime measure.[36] In an attempt to shield the Bank from the obloquy it received as the date for the resumption of cash payments was continually deferred Vansittart continued to insist upon the oft-repeated notion that the suspension was being ‘forced’ by the government on an otherwise ‘willing’ Bank. Vansittart (echoing claims made by Pitt at the suspension's inception) was keen to emphasize how the Bank Restriction Act had been ‘imposed’ upon the Bank on public grounds and not with ‘any view to the advantage of the bank.’[37] Unsurprisingly, the longer this narrative continued in peacetime the more difficult it became to maintain. Horner addressed this prevarication by the Bank and the government in Parliament recalling how, ‘year after year’ and with a great deal of ‘gravity,’ the Bank's directors had continually insisted how the suspension was not only a matter of ‘compulsion’ but was ‘painful to their feelings’ and ‘against their system. This circumstance causing Horner to note sardonically how, if the suspension ‘were a measure of compulsion… never was resistance so weak as that which was opposed to it by the bank.’[38]

MP J. P. Grant, having heard Horner's arguments for a resumption of payments, and Vansittart's defence for the prolongation of the suspension, stated that he had never ‘heard a case more ably stated than that of [Horner], or more feebly answered than by [Vansittart.]’ Grant was primarily concerned with the fact that if the suspension was continued in times of peace it might never be lifted, stating that ‘the impolicy and danger of continuing the restriction, must be obvious upon due consideration.’[39] In a similar vein, MP Frankland Lewis protested against what he saw as ‘the dangerous system involved in the principle of the bill [to continue the suspension for two more years.]’ Lewis regarded this system as having served the financial interests of the Bank very well, at the expense of the general public stating, 'if the Bank were left to itself, its interests [were] so diametrically opposite to a resumption of cash payments, that it was utterly childish to expect from it a voluntary proceeding of that kind.'[40]

Understandably, such an asymmetry of interests in the continuation of the suspension – namely between those who could profit from it and those who were paying for it via increases in taxation – meant that objections towards the continuation of the suspension were not limited solely to parliamentary debates.

The Radical Press and Resistance to the Suspension

For a brief period between 1816 and 1819 the radical press flourished with a plethora of publications being launched advocating for parliamentary reform.[41] Highly influential in this regard was Cobbett's decision in 1816 to reduce the price of his *Political Register* to 2*d,* by publishing it in a format that did not require stamp duty.[42] This move by Cobbett saw sales of his twopenny *Political Register* increase from 40,000 a week to 50,000 and was soon imitated by friends and foes alike.[43] Cobbett achieved this feat by publishing his *Political Register* in the form of a series of 'Open Letters' to individuals and groups of people. By avoiding the publication of news in this fashion Cobbett was able to claim that his *Political Register* was merely a pamphlet offering opinions (and not news) thereby avoiding the 4*d* duty that newspapers were obliged to pay.[44]

This brief flourishing of the radical press was brought to a halt in 1819 by the imposition of the Six Acts, legislation intended to stymie radical activity aimed at parliamentary reform in the wake of the Peterloo Massacre of 16 August 1819.[45] Particularly dangerous to radical publishers were The Blasphemous and Seditious

Libels Act, under which many were prosecuted, and The Newspaper and Stamp Duties Act. The latter Act in particular, by extending the definition of a newspaper to include radical pamphlets and their use of Open Letters, saw the price of such publication rise to 6*d,* a move that, owing to the increased the cost of these publications, dramatically reduced their circulation.[46]

Foremost of the radical publishers who followed in Cobbett's wake was Thomas Wooler. Wooler was a skilled orator who ran his own debating club and began publication of *The Black Dwarf* in 1817. Despite the fact that Wooler was arrested in May 1817 on a charge of seditious libel he managed to escape jail as a consequence of his impressive defence of his actions in court, *The Black Dwarf* subsequently enjoying a circulation of around 12,000 copies a week. Arrested again in 1819, following his attendance of a reform meeting in Birmingham, the more repressive measures of the Six Acts lead to Wooler being imprisoned for fifteen months. *The Black Dwarf* was one of the few radical pamphlets to survive the Six Acts and was eventually wound up in 1824.[47]

Another influential publication throughout this period was *The Gorgon.* Despite regarding Cobbett as a 'fool' John Wade, publisher of *The Gorgon* between 1818 and 1819, nevertheless, imitated many of his publishing practices. Wade claiming in the first edition of *The Gorgon* (23 May 1818) that the circulation of cheap weekly publications was the best antidote to the corruption, vice and power of an unreformed Parliament.[48] Despite his work on *The Gorgon* Wade's fame rests primarily on his *The Black Book, or, Corruption Unmasked!...* (1820). In this work, that eventually sold over 50,000 copies, Wade attempted to highlight the beneficiaries of the 'borough-monger' system of an unreformed Parliament. *The Gorgon,* in addition to championing the nascent trade union movement and challenging the

'Combination Acts,' also made many pertinent observations regarding the funding-system and taxation. Although initially sharing much common ground with his fellow reformers Wade became increasingly conservative in his outlook and, in addition to his disparaging remarks towards Cobbett, also regarded reformers such as Hunt and Cartwright with barely disguised contempt.[49]

Perhaps the most remarkable of these radical editors and writers was William Sherwin who, in partnership with fellow journalist Richard Carlile, began publication of *Sherwin's Weekly Political Register* (SPR) when he was only eighteen years old. Carlile was present at the Peterloo Massacre and SPR (21 August 1819) ran with the headline 'Horrid Massacres at Manchester.'[50] In the wake of the Peterloo Massacre, and the subsequent imposition of the Six Acts, the SPR stopped publication. Carlile, imprisoned for six years in 1819 for seditious libel, instead focused his energies on *The Republican* a paper he continued to write from prison with the help of his wife and sister.[51] Despite the fact that there is little biographical information about Sherwin (he has no entry in ODNB) his precocious observations, grounded as they were in a firm grasp of the historical context of both political and economic developments, were both highly readable and informative and have been admired by later observers.[52]

All of the writers and editors discussed above, in addition to pressing for a reform of Parliament, were also keen to highlight to their readers the symbiotic and paradoxical workings of the funding-system, the suspension and the system of taxation upon which the entire funding-system was predicated. As such they provide a valuable glimpse into how the power relations latent in the working of the funding-system, issues often ignored or overlooked by later reformers, could be treated in clear, concise and informative language.

When discussing the continuation of the suspension in times of peace an editorial from *The Black Dwarf* (10 December 1817) began by asking 'what was it… [that] caused the Bank of England to become insolvent in 1797?' After noting that it was due to their intimate connection with the government and an excessive issuance of paper-money, the editorial then asked, somewhat ironically, whether this circumstance had led to a reduction of paper-money or less intimacy with the government? Bearing these facts in mind, the editorial claimed to be wary of 'a system *originating out of poverty.*' [emphasis in original] In particular the editorial viewed with suspicion the paradoxical nature of how a system based upon 'an inability to meet our expenditure [in 1797]' had led, by 1817, to a mindset that appeared to claim 'the more we borrow and spend, the more wealthy we become.'[53]

Several years later the symbiotic nature of this situation was also noted by an editorial in *The Gorgon* (9 January 1819) that challenged the 'great characteristic' of Castlereagh's notion regarding the Bank's independence from the government. In order to highlight the opposite, namely the symbiotic interdependence between these two institutions, *The Gorgon* pointed its readers to the device that made such interdependence possible, un-backed paper-money. *The Gorgon* began by noting how almost £18,000,000 of Bank of England notes were currently circulating upon the *'faith* of the debt due from the Government to the Bank; on the faith of Exchequer-bills, and other Government securities.' [emphasis in original] The editorial then observed how this arrangement meant that 'the *solvency* of the Bank, therefore, depends on the *solvency* of Government; and the *ability* of the Bank to take up 16 or 18 millions of its own notes depends on the *ability* of Government, not only to discharge the debt, but all other obligations entered into with the Bank.'[54] [emphasis in original]

To many observers the consequences of this situation reached far beyond matters of finance and threatened the very fabric of the nation. *The Black Dwarf* (31 March 1819) addressed this issue in a letter to the Bank's Directors. Appalled at the recent executions for forgery carried out at the behest of the Bank, along with the calls for yet another renewal of the suspension (almost four years after victory over France) this letter viewed with trepidation the power that the Bank appeared to enjoy over British society. Turning earlier fears regarding the government taking over the Bank on their head, this letter noted how the 'Bank system,' originally designed by the 'mischievously-prolific brain… of Pitt,' was, twenty years later, '*devouring his unhappy offspring*.' [emphasis in original] Having acknowledged this turnaround the letter proceeded to note how the Bank had gone from an '*instrument*' of the state to its '*master*' with Vansittart's role being reduced to little more than the 'messenger of their highnesses in Threadneedle Street.' [emphasis in original] The key to this power was simple, the Bank could 'make money' and then lend it on 'their own terms.' Without the obligation of convertibility the '*sovereign authority*' of the Bank was without limit as the Bank could 'manufacture wealth to any amount' whilst a supine government '*forc[ed]* the people to take… [Bank of England]… *paper* as a legal coin.'[55] [emphasis in original]

The paradoxical origins of this immense power was addressed several months later by *The Black Dwarf* (26 May 1819) in another 'letter' to the Bank's Directors. This letter noted how the Bank's power to make money was buttressed by the further circumstance, namely that it was a monopoly protected by law. As a consequence of this 'monopoly power' the Bank enjoyed unprecedented influence over 'all commerce' as both agriculture and manufacturers were in the Bank's hands. Crucially, this letter noted the paradoxical circumstance whereby the font of this power was the fact that twenty years previously the Bank 'could not pay its debts.'[56] Building upon this paradoxical observation *The Black Dwarf*, in common with earlier observers such as Howison, questioned the assumption of the wealth of the Bank when it asked 'upon what basis do you issue your notes? Where are your means of redemption?'[57] In making observations such as these, regarding the means at the disposal of the Bank to meet their financial obligations, *The Black Dwarf* was echoing arguments made by previous radical critics that stretched all the way back to Paine's observations in the 1790s.

Cobbett also built upon Paine's critique. Indeed, arguments regarding the symbiosis between the Bank and the government had been a common trope adopted by Cobbett since he first read the *Decline and Fall of the English System of Finance* in 1803.[58] Cobbett's *Political Register* (September 1818), in characteristic fashion, cut straight to the heart of the matter when the issue of the resumption of cash payments again came up for debate in 1818. Cobbett, not unreasonably, argued that the fact that the suspension had been extended to 1818 and beyond was 'proof' that the Bank could not honour its note issue, otherwise why ask for an extension? The reason for the Bank's predicament was not an uncommon one observed Cobbett, 'why cannot [the Bank] pay now? For the same reason that many other people cannot pay their bills; namely, because it has not money enough to pay with.[59]

Several months after Cobbett made these observations, SPR (29 May 1819), attempted to chronicle for its readers the circumstances that had surrounded the various renewals of the suspension. In common with earlier observers, such as Howison and Morgan, SPR was keen to highlight the delusions that the paper-money system had imposed upon the British public. In direct contradiction to statements regarding the independence of the Bank from the government SPR was keen to emphasize that there was 'no real difference between the Government and the Bank.' The reason for this convergence was ascribed primarily to the profits that the suspension continued to make available to both parties, with SPR noting that it was necessary for the 'Borough robbers' and the 'Bank swindlers' to 'act in concert' in order to gain such profits. Bearing this circumstance in mind the SPR noted that any genuine difference of opinion between them would 'be tantamount to a dissolution of the system.' SPR, in tracing the development of this system, observed how it began on 26 February 1797, when the Bank became bankrupt. Following this 'the *Restriction* [*Act*], or as it may more truly be denominated, the *Swindling Act*, [was] passed into law on [3 May 1797].'[60] It was here that the long chronicle towards the resumption of payments began. Noting how the suspension was initially intended to last until 24 June 1797, SPR observed that it had been renewed a further five times throughout the war in 1797, 1798, 1801, 1803 and finally in 1814. More invidiously, the 'swindling law' had continued to be renewed even during peace-time, SPR noting how a sixth renewal (intended to last for one year) had been passed in 1815. Following this a seventh extension was granted in 1816 (intended to last for a further two years). Writing at the expiration of this period SPR noted how an eighth extension was looming, stating 'at this present time [1819] propositions have been submitted to both Houses for continuing it four years more!' SPR noted how (understandably) the reasons given for these extensions had varied throughout the preceding two decades, 'in war, war was the cause' in times of peace other issues such as the 'unfavourable state of exchange' and 'foreign loans' being proffered as 'reasons for its continuance.'[61]

SPR was not alone in lamenting these circumstances. An edition of *The Black Dwarf* (19 May 1819) also noted how, with the suspension of payments once again being up for renewal, 'the veil' had finally been 'torn aside… [with]… the real state of the Bank… now becoming apparent to all.' In common with SPR *The Black Dwarf* was also keen to emphasize the symbiotic relationship between the Bank and the government that the suspension had fostered. Questioning the public benefit of the continuation of the suspension *The Black Dwarf* claimed that the Bank's profits had been enjoyed 'at the expense of the wealth… of the country' and that the Bank's Directors had only their 'own interests' in view. *The Black Dwarf* was also keen to draw its reader's attention to the highly paradoxical circumstances surrounding such profits, by noting how this system depended upon un-backed paper-money for its functioning. Under these circumstances *The Black Dwarf* claimed that Vansittart was a 'beggar at the doors of the Bank – a mere mendicant for the charity of an insolvent corporation.' Crucially, it was argued, despite such huge profits the Bank's apparent wealth could not 'secure it from bankruptcy, if it… [were to]… be compelled to redeem its notes [in cash].' In order to prevent this circumstance from arising *The Black Dwarf* conjectured that Bank's Directors would need to employ all their 'cunning and powers of persuasion.'[62]

The Black Dwarf also noted how in addition to such subtle methods more blunt tools could also be applied. Referencing correspondence between the Bank and the government *The Black Dwarf* noted how the Bank had urged the government to 'prosecute… persons, who by their writings are endeavouring to decry the *public credit of the country*! And to vilify those persons whose duty it is to maintain it!" [emphasis in original] Bearing this request in mind *The Black Dwarf* noted, with a degree of trepidation, how both themselves and other writers such as 'Mr. Cobbett, no doubt,… [were]… "persons" whom the Bank wished the government to prosecute' for their writings.[63] Such trepidation was far from idle conjecture, as the imposition of the

Six Acts several months after the above edition of *The Black Dwarf* was published demonstrated.[64]

Prior to the imposition of the Six Acts an editorial in *The Gorgon* (13 February 1819), published three years to the day from Grenfell's statement to Parliament discussed above, questioned the degree of government 'compulsion' in the continuation of the suspension. Echoing statements made previously by Horner in Parliament (and often repeated in the ensuing three years) *The Gorgon* noted how the Bank had continually stated that it was 'not its fault' that the suspension had been continued and that the primary 'obstacle to cash payments was more on the part of the Government than the Bank.' *The Gorgon*, however, noted that circumstances outside of the Bank's control had led to the tables being 'completely turned' on such arguments. These circumstances were intimately tied to the loans to continental governments by Barings Bank and the House of Rothschild, loans that were causing an 'exodus' of gold from London (discussed below chapter 6). Commenting on the difficulties these developments posed to the Bank *The Gorgon* observed how Vansittart had announced that the suspension would end 'definitively' in March 1820. Following this announcement *The Gorgon* noted how the Bank's Directors had become alarmed and had informed Vansittart and Liverpool that it 'would be a delusion to imagine that cash payments could be resumed in so short a period.' Referencing a 'debate on the appointment of the Bank Committee' *The Gorgon* claimed that the Bank's Directors had requested instead that a Secret Committee… be appointed to examine into the state of their affairs.'[65]

The 'Dual Role' of the Bank of England

The alarm expressed by the Bank's Directors, referred to above, was well founded and was due primarily to the contradictions and uncertainty that the Bank faced owing to its 'dual role' in the British financial system. This dual role necessitated a delicate balance between the Bank's duties as a public bank (with responsibility for managing the national debt etc.) and a private bank whose primary aim was profit made via loans and commercial discounting.

The blurring of roles at the Bank between its public and private duties was the cause of much consternation to supporters and critics alike. This situation was not helped by reluctance on the part of the Bank to admit openly that it even occupied the role of a 'state bank.' A statement made to the House of Lords (21 May 1819), consisting of a 'Representation' agreed upon by the Bank's Directors (20 May 1819) to be 'laid before the Chancellor of the Exchequer,' stated that the Bank's 'peculiar and appropriate duty' was simply that of meeting interest payments on the national debt along with the making of 'ordinary advances' to the government.[66] This statement succinctly highlighted the equivocation that lay at the heart of the 'dual role' occupied by the Bank. Indeed, by omitting the Bank's role as repository of the nation's gold reserves, its pivotal role in the cashing of government Exchequer Bills and the fact that the majority of its private business was secured on government loans and deposits this appraisal evinces a rather attenuated view of the Bank's responsibilities.

The Gorgon (13 February 1819), appreciating the inherent contradictions and difficulties of the dual role occupied by the Bank, noted how a partial resumption of payments had been attempted in 1816 but had ended in failure. The reason for this failure was owing to the Bank cashing 'nearly six millions of coin… [that had]… instantly disappeared [from] circulation.'[67] Where this coin had gone no-one knew as it ‘passed over the country like water over a thirsty desert… absorbed without leaving a trace.’[68] The difficulties faced by the Bank in 1816 with this ‘partial resumption’ were only compounded as time wore on. As the deadline for the resumption of cash payments loomed once again in July 1818, and having (once again) assiduously built up their reserves of gold throughout 1817, these reserves were hit with a double blow. The government’s decision to increase borrowing and drop the Income Tax in 1816 (discussed below) saw Exchequer Bills (Bills that the Bank would be obliged to ‘cash’ post-resumption) increase from £19,400,000 in February 1816 to £27,300,000 in August 1818.[69] In addition to this domestic issue the House of Rothschild loan to Prussia, £5,000,000 in 1818, along with the loans to France undertaken by Barings Bank, in 1817, (discussed below chapter 6) led to a further drain of specie from London, making any attempt at resuming cash payments at the Bank a highly dangerous proposition.[70]

Irrespective of the financial difficulties that surrounded the Bank as it attempted to navigate its way through the uncharted waters it had embarked upon as the world’s first central bank, the system of which it formed the centre-piece still needed to be paid for. The vast expense that this necessitated, even in a time of peace, drawing a great deal of attention and criticism from both inside and outside of Parliament.

Parliamentary Objections to Taxation

It has already been discussed above (chapter 4) how levels of taxation in Britain had increased dramatically between 1793 and 1815. Bearing this circumstance in mind a reduction in the levels of such excessive taxation (in particular the Income

Tax) was viewed by many contemporaries as being the most pressing issue facing Britain with the coming of peace.

These sentiments can be gleaned from statements made to Parliament (27 February 1816) when the repeal of the Income Tax was debated. Mr. Brand was unequivocal in placing the blame for the 'great distress' prevalent throughout the nation upon taxation, in particular the 'odious, inquisitorial and detestable' Income Tax. The first step in resolving this circumstance was simple, reduce taxation and end the Income Tax 'a measure so destructive of [the] constitution which… [our]… forefathers had bled to maintain.'[71] This parliamentary debate also focused around the government's proposal not to repeal the Income Tax, as many in Parliament felt they had been led to believe would be the case upon the resumption of peace, but to reduce it from 10% to 5%.[72] Sir Samuel Romily stated that, given the state of 'distress' in the country proposals to continue the Income Tax would only 'excite the greatest alarm,' this was especially so as the 'faith of Parliament was pledged to the continuance of the tax only during the war.[73] Similarly, Mr. Ponsonby noted how an 'explicit promise' had been given that the Income Tax would be removed upon the coming of peace. Mr. Ponsonby was deeply suspicious of the motives behind any continuation of this tax stating that, if it was continued, it would be less for the revenue it would provide 'than for the purpose of keeping in the hands of ministers the machinery of oppression.[74]

Despite the vehemence with which the Income Tax was resisted the vote for its repeal was a relatively close run affair (238 to 201), demonstrating that there was a significant minority who felt that there was a need to make some attempt to balance the government's books. The fact that, upon its repeal, all records of the Income Tax were destroyed gives, however, some sense of imposition that this tax was felt to imbue as contemporaries sought to permanently remove any evidence of its deeply intrusive existence. [75]

The situation facing Vansittart in 1816 did indeed border on the impossible. The Income Tax had been re-imposed in 1803 under circumstances of dire necessity on the strict understanding that, with the coming of peace, it would be repealed. Arguments that favoured the continuation of the Income Tax in order to maintain budget-surpluses and facilitate debt redemption (by avoiding budget deficits) paled when weighed against the open hostility that the Income Tax roused amongst many citizens.[76] The repeal of the Income Tax was not the only major reduction in government income as, in view of the agricultural distress that prevailed in 1816, the duty on malt was also considerably diminished.[77] The combination of these reductions; the Income Tax generated around £14,320,000 and the malt duties around £2,790,000, combined with other minor adjustments, represented a total loss to the government's income of around £18,000,000.[78] In a vain attempt to mitigate for these losses Vansittart actually increased the duty on soap in the budget of 1816, an item that even Pitt had been loath to meddle with out of consideration for the poor. Not surprisingly these drastic cuts to the government's income (despite the increase in soap duty) had devastating consequences for its finances, striking as they did from the government's finances taxes that raised over £18,000,000 in revenue, a move that Dowell (1888) described as 'shattering' the British financial system.[79]

The most troubling aspect of this situation for the British government was the fact that the advent of peace had done little to alleviate the immediate pressures on their expenditure. Interest payments alone on the national debt were over £30,000,000 in 1815, a figure put into perspective when it is considered that the total level of government expenditure in 1793 stood at £19,600,000.[80] The only solution available to the government under these circumstances was further borrowing in order to make up for this deficit, a situation that threw the Treasury (once again) into the hands of the Bank and the loan-contractors.[81]

Radical Objections to Taxation: The Effects of Taxation

Unsurprisingly, resistance to the damaging effects of the unprecedented levels of taxation that were required to service the interest payments on the national debt were not limited to debates in Parliament. Indeed, the importance of the issue of taxation to radicals advocating for a reform of Parliament can be gleaned from the prominence it was given in the first edition of their publications.

Issue No.1 of SPR (5 April 1817) was unequivocal in directing its readers attention to the cause of their present distress stating, 'forty-four millions of taxes are the principal cause of all our sufferings.' Acknowledging the regressive nature of this taxation SPR noted how this taxation had 'weakened society… plunder[ed] us of our comforts… [and left]… us desolate and hopeless.'[82]

In a similar fashion Issue No.1 of *The Gorgon* (23 May 1818), whose intention was to educate the poor about the 'iron hand' that was currently 'crushing them to earth' identified, in common with SPR, the 'enormous burdens under which the people currently groan' as holding them in 'misery, poverty and embarrassment'[83]

The damaging effects of such pervasive taxation was also addressed by *The Black Dwarf* (9 April 1817) in an article entitled 'Direct and Indirect Taxation.' This article began by noting, with only a hint of hyperbole, how 'every thing in this country is taxed.' In support of this conjecture *The Black Dwarf* stated that it would be difficult to imagine 'any produce of the earth' or 'any species of manufacture' that is not ‘compelled to bear an impost from the state.’ This article was also keen to challenge the notion that poor people did not pay ‘direct’ taxation. In order to do this *The Black Dwarf* shifted tack by attempting to dissolve the largely semantic difference between direct and indirect taxation towards what it labelled as ‘compulsory’ taxation. Referring to the impact that taxation had on the price of necessities *The Black Dwarf* noted how if a person is obliged to ‘pay a penny for a half-penny worth of bread’ and this additional half-penny goes direct to the Treasury then such taxation ‘is not merely direct, but *compulsory* taxation.’ [emphasis in original] *The Black Dwarf* observed how, in spite of this fact, the government had the ‘impudence’ to label this mode of taxation ‘from which a man cannot escape, and to which he must daily submit… indirect taxation.’ Taxation of this description had increased to such an extent by 1817, *The Black Dwarf* argued, that there were none who could escape its grasp, even ‘a child cannot purchase a rattle, or a farthing’s worth of gingerbread, without giving one half of the purchase-money towards the maintenance of [the state].’[84]

In order to highlight the detrimental effects of the funding-system (and the taxation that it fed off) many radicals pointed to the returns of the ‘Poor Rates Receipts’ between 1783 and 1818; these receipts had trebled from approx. £2,168,000 in 1783 to £6,937,000 in 1816, increasing to a record high of £9,320,000 in 1818.[85] This trope was a common one adopted by Cobbett who viewed an intimate (and regressive) connection between the funding-system, warfare, taxation and poverty. Cobbett’s *Political Register* (21 December 1816) urged his readers to contrast the ‘glittering chariots’ of the metropolis with the deserted hamlets that were once inhabited by ‘happy people.’ If more tangible ‘proof’ was needed, Cobbett argued, the ‘poor-books’ could be consulted; ‘fifty years back’ there was ‘but one pauper for every hundred paupers that are now upon these books.' The reason for this 'disgrace' was the regressive workings of the funding-system that had concentrated 'property into great masses, by the means of taxes and loans.'[86] Cobbett was also keen to challenge the notion that the ability of British taxpayers to meet the ever-increasing governmental demands for taxation necessarily reflected a commensurate increase in national prosperity. Specifically, Cobbett (1817) challenged the criteria by which such national prosperity was measured. In Cobbett's view, the increase in chariots and 'fine dressed people' surrounding the court was redolent not of 'national prosperity' but, rather, the iniquity of the current system of taxation. Rather than looking with admiration at the signs of national prosperity evinced by such 'conspicuous consumption' Cobbett, instead, urged his readers to take into account the ease and comfort of the poorer elements of society. As Cobbett explained, the prosperity of the nation could be measured in many different ways, not least 'in the plentiful meal, the comfortable dwelling, the decent furniture and dress, the healthy and happy countenances… of *the labouring classes of the people*. [emphasis in original] In support of his claim that the government's taxation policy, rather than being a sign of prosperity in fact tended to aggravate social inequality, Cobbett referenced Parliamentary accounts that revealed that in 1784 taxation stood at £13,300,921 with Poor Rates at £2,105,623; in 1803 taxation stood at £41,931,747 with Poor Rates increasing to £5,246,506. Faced with these figures Cobbett concluded 'here then we have a pretty good proof that taxation and pauperism go hand in hand.[87]

Cobbett was not alone in this contention. SPR (30 August 1817), having also noted these increases in the Poor Rates, viewed (in common with Cobbett) this increase as being directly correlated to the national debt, paper money and the increases in taxation that backed the entire system. SPR noted how 'the poor rates have increased in proportion to the quantity of paper money that has been issued.' SPR was also keen to highlight the regressive nature of this system by contrasting a 'Court revelling in splendour' with 'a People driven to desperation.'[88]

Almost two years later *The Gorgon* (2 January 1819) lamented that little had changed. Whilst discussing a 'Committee' that had been set up in London to examine better ways of 'employing the poor' *The Gorgon* observed how such efforts would be largely futile as long as the purchasing power of wages continued to decrease whilst prices continued to increase. The reason for this circumstance was not difficult to intuit and *The Gorgon* laid the blame squarely at the door of the workings of the 'taxing and funding system.'[89]

Subsequent research on this topic has revealed that there were (understandably) many other contributing factors, not directly connected to taxation, such as the nascent industrialization of British society, the increased levels of enclosures throughout this period and the subsequent rise of the Speenhamland System that also contributed towards the rise in Poor Rates.[90] However, while it is true that the factors mentioned above all contributed towards an increase in the Poor Rates, few would argue that the increased levels of taxation post-1793 were anything but regressive upon the standard of living of the average worker during the Wars against France and their aftermath.

Radical Objections to Taxation: Taxation and Reform of Parliament

The radical critics of the British government were not content merely to catalogue the errors of Britain's ruling elite. They were determined to challenge their power via a reform of Parliament; a move they hoped would make the government more responsive to their complaints and give them a greater say in how taxation was raised and spent. In order to further this endeavour, arguments around taxation and the 'rights' that the payment of taxation granted to citizens formed a crucial cornerstone in the radical's calls for reform. Such arguments were bolstered by the fact that although taxation was ostensibly 'framed in order to minimize incidence on the poor' taxation on 'necessities' had (despite this laudable aim) nevertheless increased dramatically between 1793 and 1815.[91]

The background to these debates had a long lineage. It was by appealing to this rich historical debate that linked taxation with 'Rights,' property and representation that radical writers attempted to make their case for reform.

The 'Source' of Sovereignty

SPR (12 April 1817) appealed to history in order to support their contention that the 'people' were the font of sovereignty in the nation. Specifically, SPR referred to the trial of Charles I (January 1649) when Parliament had declared '*that the People were the origins of all just power*.' [emphasis in original] If this was indeed correct, SPR argued, 'it followed as a matter of course' that any power that 'did not derive its authority from the People was *unjust*.' [emphasis in original] SPR then proceeded to note how it was upon this basis that Parliament had tried and executed Charles I on 30 January 1649. Having made this observation, SPR noted how Charles I had been regarded as making himself a 'complete Despot' by his attempts to 'tax the People against their will.' Crucially, SPR likened the behaviour of the current Liverpool administration with that of Charles I, who, by also refusing to listen to the people, had similarly insulted and deceived the nation. This point was highly apposite to SPR as it was the 'sweating and toiling' of the people that provided the basis for the tax system. As such, those who claimed the right to decide how this taxation was gathered and spent must do so with the consent of those who formed the foundation of this system. Building their argument from Locke's (1689) famous concept of property, SPR proceeded to note how it was tyranny for the government to say 'this portion of your property is mine' not on the basis of mutual 'consent' but on the 'dictates of [their] own arbitrary inclination.'[92]

This issue was also addressed in the second edition of *The Black Dwarf* (5 February 1817) which, in common with SPR, attempted to use prior arguments around the source of the government's authority to bolster their case for reform. In common with SPR above *The Black Dwarf* noted how there were few people who currently contested the notion that 'the true source of authority is to be looked for in the people.' The real question was, therefore, who, specifically, constituted 'the people'? Challenging the notion that the limited franchise currently in existence constituted a true representation of the people *The Black Dwarf* argued that it was 'seditious' for the government to attempt to 'prevent the expression of the general will… [by]… imposing their prejudices, and interests upon society.' The consequences of this 'seditious imposition' were clear for all to see. Those who currently enjoyed the franchise had looked after their own interests at the expense of the nation as a whole; 'war and famine' had fed their 'luxury and vice,' whilst their system had enabled them to amass great wealth at the expense of the poor.[93]

Taxation and Representation

The importance of the vexed issue of taxation and representation to radical critics can be gleaned from the fact that the first edition of *The Black Dwarf* (20 February 1817) commenced with a discussion that attempted to place this issue in its 'true light.' Once again history provided the foundation for these arguments. Following an exposition of British history from William the Conqueror to the present *The Black Dwarf* noted how, despite the efforts of our ancestors to fight tyranny, the 'temple of civil liberty' remained far from complete. The situation, by 1817, had reached critical proportions. The reason for this circumstance was not difficult to intuit; the wars against France had allowed 'abuse… [to be]… piled upon abuse' and the political system to be loaded with the weight of corruption.'[94]

Reform, therefore, was desperately needed and those (men) who were paying for this system through their taxes were entitled by 'Right' to a say in how such taxes were raised and spent. In support of this conjecture *The Black Dwarf* quoted the words of Lord Camden, speaking during a debate on the taxation of the American colonies in the House of Lords (10 February 1766), where he stated that 'taxation and representation are inseparable.' *The Black Dwarf* noted how Lord Camden's position was not premised on a legalistic definition of the constitution but, rather, it was premised upon what he considered a 'law of nature.' This law was easily understood and stood at the heart of the relationship between governors and the governed, 'whatever is a man's own is absolutely his own; no man has a right to take it from him without his consent,' anyone who attempted to take a man's property without such consent or 'representation' was committing '*robbery.*' [emphasis in original] *The Black Dwarf* noted how, in Camden's opinion, consent was crucial, as robbery of this description shattered the distinction between 'liberty and slavery.' In a direct challenge to the intransigence of the Liverpool administration, when faced with a highly volatile social and economic situation, *The Black Dwarf* also noted how Lord Camden had referenced a 'maxim of Machiavel (sic)' that stated how 'abuses' and 'defects' in a constitution needed 'restoring' at certain periods of time as circumstances changed. This point was particularly apposite to *The Black Dwarf* as the wars against France and the nascent industrialization of Britain had, over the previous two decades, changed (and were continuing to change) the British financial and social landscape beyond recognition.[95]

A year later (18 February 1818), and with calls for reform having fallen on deaf ears, *The Black Dwarf* once again took up the issue of 'taxation and representation.' This edition of *The Black Dwarf* challenging the oft-repeated notion that all British taxpayers, irrespective of their social standing, already enjoyed adequate representation in Parliament. In response to such claims *The Black Dwarf* argued that 'misrepresentation' was as bad as (or even worse than) no representation at all. The distinction was largely moot as, either way, Parliament was currently ruling 'against the interests… [and]… without the consent of a great portion of the people.' Appealing once again to history *The Black Dwarf* noted how it was an 'irrevocable principle of our ancestors, that TAXATION and REPRESENTATION should go together.[96]

The changing nature of taxation over the previous century, from a system predominantly paid for via direct taxation on land to one paid for predominantly by indirect taxation on consumption was also used to bolstered the radical's call for reform. This shift in taxation had been noted decades earlier by Paine (1792) and radicals, building from his critique, framed their arguments upon these facts.

SPR (26 April 1817) began by observing how a labourer had to 'pay away above half his wages in taxes.' A labourer's salt, soap candles and shoes are all taxed 'before he can use them, or put them on… He is forced to do this; he cannot elude it.'

SPR contested that even the most 'despotic government' in the world had never previously imagined that it could tax their citizen's in the way the British government was currently doing. The reason for this invidious situation was crucial to the arguments raised by SPR; the necessity to meet interest payments on an immense national debt. As this debt had been raised by a Parliament with limited notions of representation SPR questioned the responsibility the people had towards paying it.[97] This line of argument was a common one adopted in the post-war years (and decades) and is discussed below (chapter 6).

Several months later *The Black Dwarf* (4 February 1818) featured a piece by the veteran reformer Major John Cartwright who contended that the remedy for the 'despotism' outlined by SPR above was a constitution whereby a free people would agree to '*govern themselves*… through the medium of [parliamentary] representation.'[98] [emphasis in original] Such 'constitutionally based' reform was crucial as, by allowing the people a say in both the raising and dispensation of taxes, 'the community's liberty and… well being' could be promoted.[99]

Cobbett's *Political Register* (1 February 1817) whilst also calling for parliamentary reform enunciated what he believed to be the primary cause of the 'ruin and starvation' that had engulfed Britain following Waterloo; the continuation of the 'war system' of 'paper-money and debts and Funds and Standing Armies' in the time of peace. Taking credit for the 'adoption' by '*more than a hundred newspapers'* of his ideas on the ruin that the funding-system and taxation had wrought throughout the country over the previous thirteen years Cobbett claimed that 'a wonderful change…[and]… a complete revolution… [was]… in the mind of the nation.' [emphasis in original] Cobbett regarded this 'revolution' as being far more significant than that of 1688, which merely 'expelled one Royal Family and introduced another,' as it involved the dissolution of the funding-system. Cobbett was certain that there were currently ‘two points’ on politics upon which men were ‘unanimous.’ ‘*first, that taxation produces misery*… and *second*, that the only effectual remedy for the… dreadful evils under which the nation is now smarting, writhing and groaning, is, *a radical Reform in the Commons, or People’s House of Parliament.*’[100] [emphasis in original]

The Resumption of Payments at the Bank of England

The difficulties faced by the Bank as they attempted to resume cash payments were compounded by the fact that debate on this topic, in addition to highly complex practical questions regarding the workings of high-finance, also encompassed moral questions. The practical question as to when cash payments could be resumed at the Bank had to take into account the increasingly pivotal role that the Bank played in the British financial system. This role had been greatly augmented as a consequence of the suspension itself and, in addition to domestic issues such as levels of merchant discounting, domestic gold deposits and the management of the national debt, also encompassed highly technical international issues such as international exchange rates and the convertibility ratios of sterling to gold.

The moral question although technically less complex was, nevertheless, a highly vexed issue to many. The reason for this centred around the question as to whether loans that had been contracted and raised in debased paper since 1797 should be honoured by British taxpayers post-resumption in a considerably more valuable gold-backed currency. The fundamental injustice of this arrangement caused a great deal of resentment and was pointed out frequently and trenchantly by many critics of the British government.

This issue received scathing treatment at the hands of Cobbett's *Political Register* (March 1817), who, when discussing the conflation of 'national faith' with the 'national debt,' observed that national faith appeared to be demanding the payment of double that which was borrowed. The suspension and the funding-system were entirely to blame for this highly novel circumstance. The 'paper-money men,' having obtained from Pitt legal protection to debase the currency via the issuance of immense quantities of paper-money, had subsequently used this paper to fund government loans that had added over £600,000,000 to the permanent national debt. Cobbett also noted the power that had been granted to the Bank's Directors as, having lent this debased currency to the government, the paper-money men were subsequently free to 'arbitrarily' raise the value of money, by diminishing its quantity as they attempted to go back to a gold backed currency.[101] This circumstance would mean that the repayment of these loans (along with the interest payments on the national debt) would have to be made in a considerably more valuable currency.[102]

As this unprecedented situation continued even in peace-time Cobbett's *Political Register* (November 1816) attempted to outline for his readers (to many of whom paper-money was a wartime novelty) the paradoxical (and costly) nature of the relationship between money, value, price inflation and goods. Cobbett, through the use of practical examples, attempted to expose to his readers the 'slight-of-hand' that paper-money had subjected people to. Cobbett began by noting how if 'four years ago [1812], [you] had 100 pounds to pay in taxes, then 130 bushels of wheat would have paid [your] share.' Following this, Cobbett then observed how if (in 1816) you had '75 pounds to pay in taxes, it will require 190 bushels of wheat to pay [your] share of taxes.' As a consequence, Cobbett noted, although 'taxes are nominally reduced, they are, in reality, greatly augmented.' How had this situation been achieved? The answer to Cobbett was simple and had 'been done by the legerdemain of paper-money.' In support of this conjecture Cobbett noted how in '1812, the pound-note was worth only thirteen shillings in silver. It is now worth twenty shillings. Therefore, when we now pay a pound-note to the tax gatherer, we really pay him twenty shillings where we before paid him thirteen shillings.' The beneficiaries of this system were easily discovered, namely 'the fund holders who [having] lent pound-notes worth thirteen shillings each, are now paid their interest in pounds worth twenty shillings each.[103]

Writing several years later, and with the resumption of payments still two years away, *The Gorgon* (9 January 1819) also noted the asymmetry of interests in this circumstance when they observed how as a 'preliminary step to Cash-payments the Bank must… draw in its paper.' This action would be 'felt from one end of the country to the other' in a depression of prices and wages brought on by a 'scarcity of money.' There would, however, be some who would gain from this circumstance as 'the *real* incomes of the fund-holder… and the servants of Government, would be *proportionally increased*' as the 'useful classes of the community' would be 'plung[ed] into pauperism and bankruptcy' in order to fund such profits. [emphasis in original] Interestingly, *The Gorgon,* whilst acknowledging that the resumption of payments at the Bank would most likely lead to the regressive situation they described above, regarded this circumstance as preferable in 'a choice of evils.'[104] The reason for this was simple and neatly highlights the evil that contemporaries of all political persuasions had viewed in the suspension from it outset: namely, that the Bank's note issue must be backed by gold and under no circumstances should it be permitted to 'make' (and lend) money that had no tangible backing.

Undeterred by the objections raised above, the need to re-establish the foundations of a 'sound money' system, whereby sterling could be exchanged for gold at the rate established by Newton in 1711 of £3 17*s* 10.5*d* an ounce, was viewed as being of paramount importance by both the Bank and the British government. Their opinion on this issue was unequivocal; restoration of the standard of value prior to 1797. This point was made explicitly by the *Report from the Secret Committee on the Expediency of the Bank Resuming Cash Payments;…* (1819) when it noted that whilst difficulties would arise when preparing for resumption of payments these were 'outweighed by the important and permanent benefit of restoring the standard, by which, previously to the year 1797, the value of commodities was measured.'[105]

The devaluation of the pound throughout the period of the suspension had been the subject of much debate and many parliamentary enquiries, most famously the 'Bullion Committee' of 1810. Indeed, despite repeated denials from the British government regarding the depreciation of the currency, by 1815 even Vansittart had conceded that there had been some depreciation in the pound.[106] Irrespective of such depreciation the desire to protect 'public credit' and 'keep faith' with the fund holder, an attitude that had been sacrosanct in the minds of British politicians since the financial revolution, was paramount and trumped all other considerations.

SPR (26 April 1817) attempted to highlight the dangers of this arrangement to its readers by describing how paper-money and the funding-system had allowed the 'money-mongers' to appropriate their property. Having noted how, contrary to all hopes, the advent of peace had made things 'infinitely worse than [they] were before' the SPR noted how one explanation for this circumstance was the fact that a 'great portion' of the national debt had been lent to the government when a 'pound note was worth but thirteen shillings.' Following peace, and the Bank's attempts to restrict their note circulation in order to resume cash payments, such notes were now worth twenty shillings. SPR lamented how the British government, not wanting to break faith with their creditors, was paying interest 'in real money' for a debt 'borrowed only in words, and figures and rags.' The SPR noted how none were exempt from this system as even 'the poorest labourer' must pay 'a portion of his earnings to glut the avarice of money dealers.' The obvious asymmetry of interest inherent in this circumstance led the SPR to question how it could 'be justified, because every principle of justice rises up against it.'[107] A subsequent edition of SPR (30 August 1817) took the notion of 'justice' further when it observed how a recent clause in the Loan Act had declared that dividends should be free of 'all taxes, charges and impositions.' The spectacle of the government not wanting to break faith with its creditors (by reducing their interest payments via taxation) whilst, simultaneously, paying this interest in a currency considerably more valuable than the one with which it was lent, led the SPR to note how 'it is ludicrous to observe a set of men who have been accessories to every species of bribery, perjury and wickedness' to talk in sententious tones of '*justice and good faith*.'[108] [emphasis in original]

The advantage that creditors, who had lent the government paper-money and would have their interest paid in gold, would reap from this decision was not limited to radical critics. Thomas Malthus (1815) noted how the loans made throughout the war would 'on average' have to be redeemed at a rate of interest 'very much higher' that that with which they were contracted. Malthus also noted the regressive nature of this obvious fact when he noted how these additional interest payments could 'only be furnished by the industrious classes of society.'[109]

Despite the numerous difficulties faced by the Bank cash payments were finally resumed on 1 May 1821, over 24 years after its initial 'temporary' imposition.

The suspension had proved to be a remarkably resilient fiat money system and had permanently altered the British financial landscape. The influence and impact of the suspension, however, went far deeper. The raising of a permanent national debt that by 1815 stood at over 200% of GDP left an indelible mark on British society. Similarly, the exportation of the funding-system to the governments of Europe (and later the world) in the wake of British victory could never have occurred without the suspension being in place. It is to these circumstances that our attention must now turn.

[1] B.R. Mitchell, *British Historical Statistics* (Cambridge, 1988), p. 587. & p. 601.

[2] For a discussion of the post-war adjustments in the British economy see J. H. Clapham, 'The Economic Condition of Europe after the Napoleonic War', *The Scientific Monthly* 11:4 (1920), 320-325 (p. 323 & passim), John D. Post 'The Economic Crisis of 1816-1817 and its Social and Political Consequences', *The Journal of Economic History* 30:1 (1970), 248-250 (p. 248 & passim), M. C. Buer 'The Trade Depression following the Napoleonic Wars', *Economica* 2 (1921), 159-179 (pp. 163-164 & passim) & Robert Poole, *Peterloo, The English Uprising* (Oxford, 2019), pp. 7-22.

[3] W. W. Rostow, 'Adjustment and Maladjustments after the Napoleonic Wars', *The American Economic Review* 32:1 (1942), 13-23 (p. 13).

[4] The Bank Act of 1844 formalized many of the 'public duties' of the Bank of England and its relationship with the government as well as beginning the process of granting the Bank of England monopoly rights over note issue in Britain. Existing banks could retain the notes they had issued prior to 1844 but new banks were forbidden from issuing their own notes.

[5] Grenfell, in addition to featuring on Boyd's list for his 1796 loan also held between £2,000 and £3,000 of Bank stock, enough to qualify him for the directorate. Sir John Clapham, *The Bank of England: A History, Volume II* (Cambridge, 1944), p. 54.

[6] Pascoe Grenfell (1761-1838), ODNB. G. C. Boase.

[7] *Hansard,* ser. 1, HC Deb., XXXII, cols 458-459 13 February 1816

[8] Clapham noted how 'Even… the most loyal historian of the Bank may permit himself to sympathize with Pascoe Grenfell.' Clapham, *The Bank of England: A History, Volume II,* p. 57.

[9] For instance, Kynsaton, after noting Grenfell's objections and discussing the road to the resumption of payments concludes, 'the moment was now at hand for the Bank to prove itself 'the great Steam Engine of the State.' David Kynaston, *Till Time's Last Stand. A History of the Bank of England 1694-2013* (London, 2017), pp. 107-114.

[10] See for instance, Kynaston, *Till Time's Last Stand,* pp. 108-109 & chapter 6 'All the Obloquy' passim.

[11] *Hansard,* ser. 1, HC Deb., XXXII, col 460 13 February 1816

[12] Clapham, *The Bank of England: A History Volume II*, p. 50.

[13] *Hansard,* ser. 1, HC Deb., XXXII, col 463 13 February 1816

[14] Ibid. col. 465.

[15] Ibid. col. 467.

[16] Ibid. col. 467. The fact that this loan was carried out in Bank of England notes, the value of which was completely dependent upon a law (enforced by the borrower) that prevented them from honoring their note issue in specie, is also not without relevance.

[17] Ibid. col. 468.

[18] Ibid. cols. 469-470. Regarding the corruption 'stalking' the British war effort, the memoir of John Herries, Commissary in Chief of the British Army from 1811-1816 stated, 'I have lately seen enough of Commissariat accounts and conduct to make me shudder at the old system (if roguery and carelessness could be called a system), and wonder at John Bull for having endured it so long.' Edward Herries, *Memoir of the Public Life of the Right Hon. John Charles Herries in the Reigns of George III., George IV., William IV. and Victoria, Volume I* (London, 1880), p. 27.

[19] *Hansard,* ser. 1, HC Deb., XXXII, cols 469-470 13 February 1816

[20] Ibid. cols. 470-471.

[21] Others conducted between 1808-1814 and costing the public between £300,000- £4,2500,000 a year are also discussed. See for instance Ibid. cols. 475-476.

[22] Ibid. col. 471.

[23] Ibid. col. 476.

[24] The National Debt in 1786 stood at £224,000,000, meaning the charge amounted to £108,000. Ibid. col. 479.

[25] Ibid. cols. 479-480.

[26] Ibid. cols. 481-484.

[27] Anonymous, *The Bank-The Stock Exchange-The Bankers-The Bankers' Clearing House-The Minister, and the Public. An Exposé Touching Their Various Mysteries from the Times of Boyd, the Martyred Goldschmidt, &c. to those of Bowles and Aslett* (London, 1821), p. 53.

[28] *Hansard,* ser. 1, HC Deb., XXXII, cols 484-486 13 February 1816

[29] Ibid. col. 488.

[30] Ibid. col. 477.

[31] See, for instance, Pulteney's comments in chapter 2 above.

[32] *Hansard,* ser. 1, HC Deb., XXXII, cols 494-502 13 February 1816

[33] Ibid. col. 504.

[34] Pascoe Grenfell (1761-1838), ODNB. G. C. Boase.

[35] *Hansard,* ser. 1, HC Deb., XXIX, cols 1180-1181 2 March 1815

[36] *Hansard,* ser. 1, HC Deb., XXXIV, col 139 1 May 1816

[37] *Hansard,* ser. 1, HC Deb., XXXII, col 494 13 February 1816

[38] *Hansard,* ser. 1, HC Deb., XXXIV, col 140 1 May 1816

[39] Ibid. col 152

[40] Ibid. col 155.

[41] In addition to the pamphlets discussed in this thesis other radical publications include *The Cap of Liberty, Democratic Recorder, The Medusa, The Radical, Reformer, The White Hat* and *The Yellow Dwarf.* Kevin Gilmartin, *Print Politics The press and radical opposition in early nineteenth-century England* (Cambridge, 1996), pp. xiii-xiv.

[42] A. Aspinall, *Politics and the Press c.1780-1850* (London, 1949), p. 29.

[43] Ibid. pp. 29-30. & Ian Heywood, *The Revolution in Popular Literature Print, Politics and the People, 1790-1860* (Cambridge, 2004), pp. 86-88.

[44] Aspinall, *Politics and the Press,* p. 57.

[45] The Peterloo Massacre involved the Manchester Yeomanry killing over a dozen people and injuring hundreds more when they charged a peaceful protest calling for parliamentary reform that had gathered in St. Peter's Fields Manchester. Robert Reid, *The Peterloo Massacre* (London, 1989), pp. 249-268 &

pp. 278-282 & Robert Poole, *Peterloo, The English Uprising* (Oxford, 2019), pp. 293-325. The Six Acts comprised; The Unlawful Drilling Act 1819 (60 Geo. III & 1 Geo. IV c. 1), The Seizure of Arms Act (60 Geo. III & 1 Geo. IV c. 2), The Misdemeanours Act (60 Geo. III & 1 Geo. IV c. 4), The Seditious Meetings Act (60 Geo. III & 1 Geo. IV c. 6), The Blasphemous and Seditious Libels Act (60 Geo. III & 1 Geo. IV c. 8) & The Newspaper and Stamp Duties Act (60 Geo. III & 1 Geo. IV c. 9).

[46] Aspinall, *Politics and the Press,* pp. 57-60 & Heywood, *The Revolution in Popular Literature*, p. 100.

[47] Thomas Jonathan Wooler (1786-1853), ODNB. James Epstein.

[48] *The Gorgon; A Weekly Political Publication. Volumes 1 & II* (London, 1819) p. 10.

[49] John Wade (1788-1875), ODNB. Philip Harling.

[50] *Sherwin's Weekly Political Register, from May 8th 1819 to August 21st 1819. Vol. V* (London, 1819), p. 237.

[51] Richard Carlile (1790-1843), ODNB. Philip W. Martin.

[52] Thompson (1963) noted that 'although he was scarcely eighteen, [Sherwins's] *Register* was (next to the *Gorgon*) perhaps the most cogent and well written of the periodicals.' E. P. Thompson, *The Making of the English Working Class* (London, 1963), p. 741.

[53] *The Black Dwarf, A London Weekly Publication. Volume I* (London, 1817) pp. 759-760.

[54] *The Gorgon Volumes I & II*, p. 266.

[55] *The Black Dwarf, A London Weekly Publication. Volume III* (London, 1819), pp. 193-194.

[56] Ibid. pp. 321-322.

[57] Ibid. p. 323.

[58] Wilson, David A. *Paine and Cobbett The Transatlantic Connection* (Canada, 1988), pp. 154-155.

[59] William Cobbett, (John M. Cobbett & James P. Cobbett eds.) *Selections from Cobbett's Political Works: Being a complete abridgement of the 100 volumes which comprise the writings of "Porcupine" and the "Weekly Political Register" Volume V* [1816-1820] (London, 1837), p. 345.

[60] *Sherwin's Weekly Political Register Volume V*, p. 45.

[61] Ibid. pp. 45- 46.

[62] *The Black Dwarf Volume III*, pp. 309-310.

[63] Ibid. pp. 309-310.

[64] Prior to the arrest of Wooler and Carlile in 1819 Cobbett had fled to America in 1817 in order to 'escape the crack-down by Lord Sidmouth.' Wilson, *Paine and Cobbett The Transatlantic Connection,* p. 5.

[65] *The Gorgon Volumes I & II,* pp. 308-309.

[66] *Hansard,* ser. 1, HL Deb., XL, cols 601-602 21 May 1819

[67] *The Gorgon Volumes I & II,* pp. 308-309. This 'partial resumption' is discussed by Clapham (1944) whose dates differ. Clapham places the dates of this venture between April 1817 and 'the first quarter of 1818.' Clapham also had more information than *The Gorgon* concerning the 'mystery' of where this

gold went, ascribing the failure of this 'resumption' to 'remittance[s] abroad.' Clapham, *The Bank of England: A History, Volume II*, p. 63.

[68] *The Gorgon Volumes I & II,* p. 308-309.

[69] Ibid. p. 64.

[70] Niall Ferguson, *The House of Rothschild Money's Prophets 1798-1848* (New York, 1998), p. 113.

[71] *Hansard,* ser. 1, HC Deb., XXXII, col 875 27 February 1816

[72] Stephen Dowell, *A History of Taxation and Taxes in England From the Earliest Times to the Year 1885 Volume II, Taxation from the Civil War to the present day* (London, 1888), pp. 262-263.

[73] *Hansard,* ser. 1, HC Deb., XXXII, col 881 27 February 1816

[74] Ibid. col. 884.

[75] Clapham, *The Bank of England: A History, Volume II,* p. 55.

[76] E. L. Hargreaves, *The National Debt* (London, 1930), p. 131.

[77] Dowell, *A History of Taxation… Volume II*, p. 262.

[78] Ibid. pp. 262-263.

[79] Ibid. p. 264.

[80] Mitchell, *British Historical Statistics,* p. 580 & p. 587.

[81] Clapham, *The Bank of England: A History, Volume II,* p. 55.

[82] *Sherwin's Weekly Political Register, from April 5th to September 27th 1817. Vol. I* (London, 1817), p. 2.

[83] *The Gorgon Volumes I & II,* pp.1-2.

[84] *The Black Dwarf Volume I*, pp. 171-172.

[85] Poor Rates were a local tax on property used for the relief of poverty in the parish where they were collected. Statistics for the 'Poor Rates' taken from Mitchell, *British Historical Statistics*, p. 605.

[86] William Cobbett, *The Last Nine Months of Cobbett's Political Register, Written in England, before his departure for America, on account of the suspension of the act of Habeas Corpus, 1817* (London, 1817), p. 776.

[87] William Cobbett, *Paper Against Gold, or the history and mystery of the Bank of England, of the debt, of the stocks, of the sinking-fund, and of all the other tricks and contrivances, carried on by the means of paper money* (London, 1817), pp. 35-36.

[88] *Sherwin's Weekly Political Register Volume I,* pp. 328-329.

[89] *The Gorgon Volumes I & II*, pp. 263-264.

[90] For a discussion of this see Glenn Hueckel, 'War and the British Economy, 1793-1815 a General Equilibrium Analysis', *Explorations in Economic History* 10:4 (1973), 365-396 (p. 372).

[91] Discussed above (chapter 4). See also Patrick K. O'Brien, 'The Political Economy of British Taxation, 1660-1815', *The Economic History Review New Series* 41:1 (1988), 1-32 (p. 20). See also a comparison of Table. 5 & Table. 9 in chapter 4.

[92] *Sherwin's Weekly Political Register Volume I,* p. 23. For Locke's (1689) discussion on these issues see John Locke, *Two Treatises of Government* [1689] (Cambridge, 1960), pp. 285-302 & pp. 350-353.

[93] *The Black Dwarf Volume I,* p. 21.

[94] Ibid. pp. 1-3.

[95] Ibid. pp. 1-3. Born Charles Pratt First Earl Camden (1714) he became a Lord in 1765 having worked as a lawyer and MP. The American *Stamp Act* Crisis (1766) saw Camden arguing that taxation was based upon consent and therefore necessitated representation. Prior to this Camden had also helped free the British parliamentary reformer John Wilkes following his arrest (1763) for seditious libel after the publication of issue 45 of the *North Briton*. Charles Pratt first Earl Camden (1714-1794), ODNB. Peter D. G. Thomas. For Lord Camden's speech see, Earl Charles Pratt Camden, *A Serious address to the inhabitants of the colony of New-York, containing a full and minute survey of the Boston-Port Act, calculated to excite our inhabitants to conspire, with the other colonies on this continent, in extricating that unhappy town from its unparalleled distresses, and for the actual redemption, and security of our general rights and liberties.* (New York, 1774), Appendix II, *Lord Camden's speech on the Declaratory Bill of the Sovereignty of Great Britain over the Colonies.* The passage by Machiavelli referred to by Lord Camden states 'It can also be observed that with two circumspect men, one will achieve his end, the other not… This results from nothing else except the extent to which their methods are not suited to the nature of the times… If time and circumstances change [and he does not] he will be ruined because he does not change his policy.' Niccollò Machiavelli, *The Prince* [1532] (London, 1961), p. 79.

[96] *The Black Dwarf, A London Weekly Publication. Volume II* (London, 1818), p. 102.

[97] *Sherwin's Weekly Political Register Volume I,* p. 57

[98] *The Black Dwarf Volume II*, p. 74. Major John Cartwright was a parliamentary reformer known by some as the 'Father of Reform' who published over eighty works on political issues between 1774 and 1824. John Cartwright, (1740-1824), ODNB. Rory T. Cornish.

[99] *The Black Dwarf Volume II*, pp. 74-75.

[100] William Cobbett, *Cobbett's Weekly Political Register Volume XXXII: Of which the former part was written in England, and the latter in America. In the whole thirty-eight numbers, being all that were published in the year 1817* (London, 1817), pp. 133-134.

[101] William Cobbett, (John M. Cobbett & James P. Cobbett eds.) *Selections from Cobbett's Political Works: Being a complete abridgement of the 100 volumes which comprise the writings of "Porcupine" and the "Weekly Political Register" Volume V* [1816-1820] (London, 1837), p. 185.

[102] Ibid. p. 185. See also Hargreaves, *The National Debt*, pp. 130-131.

[103] Cobbett, (John M. Cobbett & James P. Cobbett eds.) *Selections from Cobbett's Political Works:… Volume V*, p. 3.

[104] *The Gorgon Volumes I & II,* pp. 267-268.

[105] *Report from the Secret Committee on the Expediency of the Bank Resuming Cash Payments; with the minutes of evidence of George Dorrien, Esq. Charles Pole, Esq. Jeremiah Harman, Esq. William Haldiman, Esq. William Ward, Esq. Samuel Thornton, Esq. John Gladstone, Esq. Swinton Colthurst Holland Esq. Thomas Tooke, Esq. David Ricardo, Esq. Hieronimus Burmester, Esq. Nathan Myers Rothschild, Esq. Lewis Lloyd, Esq. Samuel Gurney, Esq. Alexander Baring, Esq. Ebenezer Gilchrist, Esq. John Smith, Esq. Robert Mushett, Esq. John Ward, Esq. Vincent Stuckey, Esq. Hudson Gurney, Esq. Thomas Smith, Esq.* (London, 1819), p. 18.

[106] Cecil C. Carpenter, 'The English Specie Resumption of 1821', *Southern Economic Journal* 5:1 (1938), 45-54 (p. 46).

[107] *Sherwin's Weekly Political Register Volume I,* pp. 55-56.

[108] Ibid. p. 331.

[109] Thomas Robert Malthus, *The Grounds of an Opinion on the Policy of Restricting the Importation of Foreign Corn Intended as an Appendix to Observations on the Corn Laws* (London, 1815), p. 41.

Chapter 6

Peace and its Consequences 1815-1821
(Foreign Loans and the Legacy of the National Debt)

The Suspension and Foreign Loans: Barings Bank and the House of Rothschild

The very public difficulties faced by the Bank as it attempted to resume cash payments brought this institution under ever-greater parliamentary scrutiny. This scrutiny, whether in the form of critics such as Grenfell or reformers such as Peel, led to the Bank's actions becoming ever more circumscribed. Parliamentary scrutiny of the dealings between influential financiers and the government didn't, however, mean that such dealings stopped. Instead, such activities were increasingly adopted by private banking houses, such as the House of Rothschild or Barings Bank, who didn't even have the pretence of a public duty to attend to and were, therefore, even less accountable (and subject to even less scrutiny) than the Bank. Such freedom from parliamentary scrutiny or the lack of a public role did not, however, mean that these institutions were in any way less reliant on the British government (and the taxes they could command) for protection. Indeed, without assistance from the British government and the Bank the lucrative foreign loans carried out by these financial houses would never have been possible.

It is to these financial houses, whose operations were shrouded in secrecy and fuelled by deception and corruption on an institutional scale, that we must now turn our attention.

The Bank was not the only financial institution to benefit from the continued issuing of un-backed paper money until 1821. The continuation of the suspension also greatly facilitated the ability of banking houses, such as Barings Bank and the House of Rothschild, to float loans for both the British and, with the coming of peace, continental governments. Even before these loans were raised the wars against France had already opened the door to considerable financial dealings with continental governments. Between 1793 and 1815 British subsidies (to over 30 allies) totalled £65,830,228, almost half of this figure coming between 1810 and 1815.[1] An examination of the circumstances surrounding the loans to continental powers in the aftermath of the Napoleonic Wars provides a window into how the essence of the British funding-system, having triumphed over Napoleonic France, was exported abroad.

Nathan Rothschild, when giving evidence before the parliamentary *Committee on… the Bank Resuming Cash Payments…* (1819), was unequivocal regarding the assistance that the suspension lent to financiers interested in floating foreign loans. After stating that a resumption of payments in 1820 could not be undertaken 'without very great distress to this country' he had the following to say regarding how the suspension facilitated the ability of financiers to carry out foreign loans.[2]

Committee: Do you think [continental] loans could have been made… if the Bank of England had been paying in cash?

Rothschild: Certainly they could not have been made.

Committee: Supposing an application was made by a foreign power for the purpose of raising a considerable sum… and… you were perfectly certain that at the expiration of a year [1820] the Bank would be under the necessity of paying in cash, would you… embark on such a speculation?

Rothschild: No certainly not.

Committee: Supposing there were no prospect of the Bank's resuming cash payments, until the expiration of five or six years… [would your objection to raising a loan be diminished?]

Rothschild: Certainly I should try it in the market.[3]

As was the case in Britain, and belying the notion of an 'open' system harnessing *laissez faire* principles, these loans by British financiers to continental governments were only possible with the support of the ostensible borrowers in this process. Such a system cemented into place (via bribery and institutional corruption) permanent and largely secret links between powerful financiers and the governments of Europe. Indeed, such was the power and influence that these financiers, in particular the House of Rothschild, gained from this situation, by 1825 they were in a position to rescue the Bank of England when it was feared it would (once again) have to suspend cash payments.[4] In carrying out this action the House of Rothschild was merely repaying previous favours (as well as looking after their own interests) as their precipitous rise to the apex of European high-finance was itself only possible due to the assistance that the House of Rothschild had previously received from both the Bank and the British government.

The continuation of the suspension (and the cheap money that it made available) was only one of the means by which loan contractors were able to extend their operations to the continent, without the backing of the British government these loans could never have been made, containing as they did far too much risk. The débâcle of the 'Austrian Loans' of the 1790s highlighted the inherent dangers of such an undertaking and the agreement of the British government to guarantee this loan had proved a costly mistake. From 1794 when the loan was agreed to 1823 when this loan was finally wound up the British taxpayers had paid £23,515,890 interest on the original loan of £6,200,000.[5] With such dangers in mind, when Francis Baring was approached in 1797 to raise a loan of £1,200,000 (secured on diamonds and snuff contracts) for the Prince of Brazil he was interested but (conscious of the risk involved) would not proceed without government backing. Pitt, with the Austrian Loans still fresh in his mind, and with the suspension at the Bank less than a month old, was understandably hesitant and refused to offer governmental backing to such a loan. As a consequence this matter was dropped.[6]

Barings Bank and the French Loans of 1817-1818

The climate in 1815 was, however, much different. With victory assured and the Allies occupying France the French were desirous to pay the war reparations demanded of them by the occupying Allies as rapidly as possible. The quickest way to achieve this end was via extensive borrowing; the French, however, were typically wary of such schemes, a circumstance only aggravated by the fact that the newly restored Bourbon monarchy reigned over a country still under allied occupation. If the allied indemnities were to be paid a large portion the money would need to come from foreign investors.[7] The British financial system came to the rescue of their erstwhile enemies. In 1817 Barings raised 300,000,000 francs (£12,000,000) via a successful loan flotation in Paris, a modest sum by British standards but one that Barings was nevertheless reluctant to take on without the (tacit) support of the British government. This support was duly granted, Wellington writing to London that 'it is my opinion that unless some arrangement of the description proposed [by Baring] is adopted, France will be aground this year, and our settlement of last year [1816] will be entirely destroyed.'[8]

Flushed with the success of this initial loan Barings contracted for a second French loan of 265,000,000 francs (£10,600,000) in May 1818, in order to allow

France to fully pay off her indemnities and rid herself once and for all of the occupying allies. The story of this loan neatly illustrates the notion of circular credit, whereby despite the ostensible situation of the monied-men lending to governments it becomes apparent that, without governmental assistance, the credit-fuelled operations of the lenders could rapidly collapse. The price of this second loan began to fall in the market. As Barings had either borrowed the money they were lending (or simply created it *ex nihilo* in the form of accommodation bills and reciprocal credit arrangements) they could not sell the stock they held at a price that would allow them to make further payments. The only option for Barings was to appeal for government support, support that was duly granted by the Duke of Wellington. The second half of the loan was deferred until 1819, a move that saved Barings from collapse. The Duke of Wellington, unperturbed by allegations of corruption, was under little doubt of the value of the service he had performed; after boasting of saving Barings from 'absolute ruin' he stated that 'neither Castlereagh or I ever thought that we had done more upon that occasion than our Duty to our own Country and the World at large.'[9]

The links between the suspension and these foreign loans was questioned in Parliament by observers who struggled to discern the benefits alluded to by Wellington above. Grenfell (29 January 1818) was keen to obtain from Vansittart a guarantee that the long promised resumption of payments (due on 5 July 1818) would not be postponed yet again. The reason for Grenfell's concern was the increased opportunity for speculation in such loans that the suspension afforded. As Grenfell observed, no one who had practical knowledge of the workings of 'the city, could be ignorant of the very large transactions and speculations of a gambling nature' that had been entered into and were entirely dependent upon the continuation of the suspension.[10] The links between the suspension, gambling and foreign loans were even obliquely acknowledged by Vansittart. In his response, Vansittart, after stating that the Bank had made ‘ample preparation’ to pay in cash, further claimed that he was aware of no reason ‘in the internal state of the country, or in its political relations with foreign powers’ that would make it expedient to continue the suspension. Nevertheless, despite this optimistic appraisal, Vansittart urged caution and stated that the suspension may have to be continued after all. The reason for the continuation was stated by Vansittart thus, ‘pecuniary arrangements of foreign powers were going on, of such an extent, as might probably make it necessary for parliament to continue the restriction, so long as the immediate effects of those arrangements were in operation.’[11]

In this statement the paradoxical workings of the funding-system are again neatly revealed. The ostensible aim of economics premised upon *laissez faire* principles (principles championed by both contemporaries such as Vansittart and subsequent observers) was for minimal government interference in the workings of the economy. Under the suspension, however, such governmental interference takes on a (largely unacknowledged) ‘negative’ aspect. This interference was negative in the sense that, by allowing the suspension to legally remain in place, the British government was undoubtedly ‘interfering’ in the workings of the economy. This interference was considered to be dangerous by many observers as it undoubtedly helped foster and facilitate an artificial situation. Indeed, it was precisely in an attempt to circumscribe this kind of artificial situation (namely government protected monopolies) that Smith (1776) had been led to champion *laissez faire* economics, and the workings of his ‘Invisible Hand,’ in the first place. In this particular circumstance, however, governmental interference was tolerated. The reason for this tolerance was not difficult to intuit, the suspension greatly facilitated the institutional and systematic malfeasance that was the prime mover behind such loans.

Tierney, responding to Vansittart's statement above, expressed surprise that the Bank was apparently prepared to pay in cash. The reason for this surprise being that fact that their note issue had recently been 'materially enlarged, instead of being diminished.' Tierney, cognizant of the financial rewards that these foreign loans offered, declared that the truth was 'there were some persons in this country very much disposed to continue the restriction'[12] Lord King, speaking several days later (3 February 1818), expressed his regret in the Lords that there was such equivocation on the part of Vansittart regarding the continuation of the suspension. This was especially the case as the reason proffered for this delay was, in King's opinion, 'extraordinary in itself,' 'unintelligible to the country' and 'impossible to conceive.' King, expressing a view that encompassed a genuine conception of *laissez faire* economics, was aghast that 'the negotiation of foreign loans' by private banking firms could possibly 'prevent the resumption of cash payments' at the (also private) Bank of England.[13] Lauderdale, speaking later in this debate, noted that if a French minster were to declare that the Bank of France could not pay in cash because of a foreign loan 'would he not be laughed at for giving such a reason?' Lauderdale claimed that this circumstance 'was of so extraordinary nature, that it called for the most serious consideration [of Parliament.]' Indeed, such were Lauderdales's concerns regarding the links between the suspension and these foreign loans he considered 'a full and complete investigation was necessary.' Lauderdale, desperate for the stability that he believed the resumption would bring to British trade, claimed that it was alarming and injurious to the country at large that 'the negotiating of loans… for foreign countries… [appeared to be]… a cause of preventing the Bank of England from paying in cash.' Most troubling to Lauderdale was the fact that if a loan to France had cast doubt on the resumption of payments, 'would not a loan… [to Prussia or Russia not also]…be as good a reason for postponing the day of paying in cash[?]'[14]

The House of Rothschild Loans to Prussia, Russia and Austria

Irrespective of the doubts expressed in Parliament above, and in the wake of Baring's far from auspicious loans to France, it was left to the House of Rothschild to provide the true breakthrough for the exportation of the British funding-system to the continent, with their loans to the 'Holy Alliance' powers Prussia, Russia and Austria.

The success of these loans rested on several highly influential fiscal innovations, namely, these loans were sterling denominated and while being floated primarily in London they were also available (due to the Rothschild's integrated international system) to subscribers from a variety of markets.[15] This arrangement was in contrast to the Baring loans to France that were floated in Paris and were payable in francs. Interest on the Rothschild loans were also made payable in London (in sterling) which made the loans not only convenient for British investors but also went some way to mitigating the risk (and hassle) of investors converting interest payments from thalers to pounds and *vice versa*.[16] In addition, these loans also came with a sinking-fund attached in order to provide extra reassurance to investors.[17] The influence that this process had for European (and later global) 'fiscal integration' is hard to exaggerate. The bond issues undertaken by the House of Rothschild between 1818 and 1821 forming the basis of subsequent sovereign bond issues throughout the nineteenth century, a process that established London as the preeminent capital of global finance.[18]

While these loans were undoubtedly a success for the House of Rothschild their success posed a problem for the Bank of England in that they caused a drain of specie out of the country precisely at a time when they were attempting to bolster their gold reserves in preparation for a resumption of cash payments. By August 1817 the Bank had amassed £11,700,000 worth of gold, by August 1818 this amount had fallen to £6,400,000 and by August 1819 was down to £3,600,000, an amount only slightly above that held by the Bank in 1815.[19] This drain of specie, along with their concomitant inability to resume cash payments, being attributed by the Bank to large financial dealings undertaken by British subjects in Europe.[20] This scenario neatly illustrates how the Bank (an institution becoming increasingly burdened with state responsibilities and subject to ever greater parliamentary scrutiny) was gradually eclipsed by private banking houses with no responsibility to the state and whose actions (despite being reliant on government assistance) were carried out beyond public scrutiny. Viewed in this light the continuation of the suspension until 1821 (precisely as King had warned about) established what was, for the loan-contractors such as Barings and the House of Rothschild, a 'virtuous circle.' Their loans to foreign powers were only possible due to a continuation of the suspension, whilst, concomitantly, these loans themselves caused a drain of specie that made the resumption effectively impossible. This circumstance was explained to the *Committee…* (1819) by Nathan Rothschild thus.

Committee: Have the foreign loans been a great drain for specie

Rothschild: There is no doubt they have.

Committee: Do you know whether a considerable quantity of bullion has gone out of this country on account of foreign loans?

Rothschild: Certainly an immense deal.

…

Committee: Does it not follow then that the present restriction on cash payments is favourable to the speculations and objects of those who are now concerned in the negotiation and in all transactions which have reference to foreign loans?

Rothschild: Yes, certainly it is favourable to the contractors of them; if the bank should pay in cash, it will injure the contractors undoubtedly.[21]

Once again, this situation did not go unremarked upon in Parliament. Grenfell (3 February 1818), echoing the comments made by King and Lauderdale, claimed that 'if the Bank resumed its payments in cash, not one shilling of British capital would go from the country.' Grenfell viewed the continuation of the suspension in order to facilitate loans to foreign powers by the likes of Barings and Rothschild to be the most futile, flimsy and insulting pretence used in order to justify the suspension and the 'evil' effects of its continuation. Grenfell was also keen to point out the 'circular' nature of these foreign loans (acknowledged by Nathan Rothschild above) when he observed that 'it was said, that the state of the exchange was against us, and thus prevented the return to cash payments.' Grenfell argued that the effect here has been mistaken for the cause stating, 'so long as there was a paper currency… the exchange would be against us. The authors of the evil thus attempted, in that very evil, to find a reason for the acts that produced it.'[22] Speaking in Parliament a month later (4 March 1818), as arrangements for the Rothschild's £5,000,000 Prussian loan (May 1818) were being finalized, Grenfell was concerned with the effect that the floating of this loan was having on the much-anticipated resumption of payments at the Bank. In support of this conjecture Grenfell noted that despite the ostensible efforts being made by the Bank to resume cash payments, 'the amount of circulating paper issued by the Bank of England… [has never been]… greater… since 1797.' Grenfell was keen to highlight to Parliament what he considered to be the reason for this issue, the unprecedented levels of 'gambling in the funds.'[23]

Grenfell was not alone in viewing this gambling with disdain. The anonymous author of *The Art of Stock Jobbing…* (1816) questioned whether such financiers had 'the real interest of the country at heart.' If they did, why did their dealings appear to rest upon deceptive schemes and false reports? Crucially, this author (recognizing the power relations latent in this process) noted how the schemes of these men 'who governed all' were intimately tied to their use of credit, noting how 'the immense sums they purchase and sell are mostly fictitious, and there is nothing *real* but the prices they establish in favour of themselves, and to the loss of the community.'[24] [emphasis in original] There is, however, little need to scour the works of critics of this system to elicit evidence of widespread malfeasance. The conduct of Barings and the House of Rothschild throughout this period were, by their own admission, shrouded in secrecy and lubricated by a system of bribery and corruption on an institutional scale. Solomon Rothschild, writing from Paris to his brother Nathan (regarding the Barings loan of 1818 discussed above), noted how Baring was 'quite a crook' and was 'as well versed in the way of influence, as we are.' Cautioning Nathan that he needed to 'watch his step' Solomon noted how 'there is not a single man of importance here who would not work with Baring hand-in-glove.'[25]

Laissez Faire Economics and Foreign Loans

The ability of financial houses such as Barings and the House of Rothschild to lend paper-money (created via credit with what amounted to government protection) was a lucrative business and as a consequence made them incredibly wealthy. It also needs to be considered that this increase in financial power owed nothing whatsoever to the ostensible principles of *laissez faire* economics. Indeed, as has already been noted, such power and influence was only made possible by the direct (and indirect) intervention of the British government in order to protect these financiers; either from bankruptcy, as with the Bank of England (1797) and Barings (1818), or in the form of the tacit backing of the British government to 'underwrite' such undertakings.

Such governmental underwriting can be evinced by the fact that the House of Rothschild, their financial operations stretched to the limit, only avoided bankruptcy in 1815 by issuing over £2,000,000 of accommodation bills.[26] It is highly unlikely that the House of Rothschild could have issued so much fictitious capital into the market without the tacit backing of the British government and the tax revenues it was able to command. Indeed, this link was crucial to contemporaries. A letter (13 November 1815) from Schwinner (an Austrian diplomat) to the Austrian embassy in London made explicit reference to this when he stated how the 'standing of the firm of Rothschild should be sufficient guarantee' for the bills being sent for remittance. If, however, such a guarantee should be insufficient Schwinner noted that 'Baron von Limberger [has] g[iven] a written undertaking on behalf of the English government that that government would in any case indemnify the imperial and royal treasury if any loss whatever were suffered realizing the bills accepted by Rothschild.'[27] Similarly, a report from the Austrian finance minister Count Stadion to the Emperor Francis (July 30 1816) also makes this symbiotic connection clear. Stadion began by stating how The House of Rothschild have 'very large resources and enjoy… an even larger credit.' The reason for this was entirely due to their governmental connections, with Stadion noting how they 'can carry through transactions that appear vast to a private person on the Continent, because the British government employs [them] in the most extensive operations and therefore supports [them] with the necessary funds.'[28]

A speech by Vansittart to Parliament (9 April 1818), arguing for the continuation of the suspension for a further two years, succinctly highlights not only the shroud of confusion and obfuscation that the workings of high-finance operated under, but also the naiveté required in order to see in the financial operations outlined above *laissez faire* principles at work. Addressing the negative effect that the Barings loan to France had had on the Bank's capacity to resume cash payments, Vansittart stated that he was 'very far from wishing to throw any blame on the individuals who had contracted for those loans.' Indeed Vansittart, in order to do them 'justice' stated that he 'firmly believed… [that]… if they [Barings] had thought that by contracting for loans with foreign powers they would do any injury to the country, they would on no account have entered into them.' Following this, Vansittart then proceeded to underscore the importance that *laissez faire* principles had played in his assessment of this situation, counselling his fellow Parliamentarians to remember 'that these were subjects to which government ought not to interfere.' Vansittart similarly urged Parliament to remember that British subjects had the legal right to dispose of their own property however they saw fit, and it would have been both impolitic and unjustifiable for the 'British government to prevent any voluntary transactions of its own subjects.'[29] The partiality (or confusion?) on Vansittart's part in viewing these loans as evincing the *laissez faire* principle of a 'lack of government interference' highlighting precisely the obfuscation and confusion that such transactions were premised upon.

In a further contradiction of the ostensible workings of *laissez faire* economics government loan-contracting was also a business that was, due to their machinations, concentrated in relatively few hands. All the loan-contractors discussed above, from Boyd and the Goldsmid brothers to Barings and the House of Rothschild, attempted, with varying degrees of success, to establish a more or less *de facto* monopoly position in their lending operations. The importance of competition and openness, along with the dangers posed by monopolies, has already been discussed above and was also outlined by the anonymous author of *The Bank-The Stock Exchange-The Bankers…* (1821). Having stated, in common with Smith, the benefits of 'open competition' to all aspects of trade and agriculture, this author then noted the dependence of all those involved in such enterprises on 'the capitalist' who, in their turn, is reliant on 'the Money-Market' that served as 'the pivot of the whole machinery.' The importance of the 'Money-Market' was such that this 'pivot should not be corroded by private interests, influenced by mystery, and impeded by monopoly.' The anonymous author concluding that 'it is the duty… of… minister[s] diligently and vigilantly to prevent [such abuses].[30]

As has been outlined at length above, if protection from such abuse was sought in government ministers it was largely sought in vain. Indeed, it was as a consequence of the unchecked power and influence wielded by 'combinations of capital' in the sphere of government financing that the anonymous author of *The Art of Stock Jobbing…* (1816) sought to place responsibility for the difficult situation faced by Britain in 1816. This author rather than simply viewing taxation as the cause of the current distress (as many MPs were wont to do) also pointed the finger at those whose 'accumulated wealth' had given them immense influence in monetary transactions. These men always stood ready to grant loans and as a consequence were the primary beneficiaries of war taxation and the 'ponderous' increases in the national debt. Crucially, this author worried that the process via which they achieved their aims meant that they needed to both rob and mislead the public. Deception was necessary as privation and poverty constituted the principal effect of the funding-system for the majority of citizens. As a consequence these financiers should be viewed as a 'set of men who have risen upon the ruins of others, and whose fortunes have been made by our vast and terrifying Public debt.[31]

The last point is particularly apposite to the present study as it identifies how the profits enjoyed by the financiers who exported the British financial system abroad, or who financed the British government's loans at home, were premised upon a regressive system of taxation, imposed by a government with only nominal notions of representation for the vast majority of taxpayers.[32]

Responsibility for the "Debt that is Called National"

Understandably, this situation led to objections being raised from those outside of Parliament who felt that their interests were not being considered in this system. In particular, many radical critics challenged the notion that an unreformed Parliament had the right to laden under-represented taxpayers with debts that they had no hand in contracting. In adopting this approach a common trope amongst radical critics was to challenge the 'national' element of what they termed the "so called" national debt. In the process highlighting what they considered to be the asymmetry of the benefits bestowed by the funding-system.

This trope was a favourite one adopted by SPR. In its first issue (5 April 1817) SPR noted how 'the Debt, which some call *National,*' on account of a lack of representation in Parliament, 'many of the People say is *not National*.'[33] [emphasis in original] Several months later SPR (8 November 1817) devoted the entire issue to this topic under the title “DOWN WITH THE DEBT FALSELY CALLED NATIONAL!” In common with its historically focused approach towards the issue of ‘taxation and representation’ (discussed above) SPR attempted to trace for its readers the origins of the ‘circumstances of what is usually termed the National Debt.’ In particular SPR was interested in using this excursion into history in order to question ‘whether, as a matter of right, the People of England ought to be answerable for the interest of it.’ SPR began by questioning the ‘Glory’ attached to the ‘Glorious Revolution.’ William III, SPR noted, was not only a foreign aristocrat but was also one of the ‘craft[iest] monarchs that ever sat upon the British throne.’[34] In support of this claim SPR referenced Sir John Sinclair’s *The History of the Public Revenue of the British Empire* (1785) that noted how, in addition to the ‘extensive’ costs entailed in the financial revolution itself, over £10,000,000 of public money had been either ‘misplaced or embezzled’ during the reign of William III.[35] SPR also noted the crucial fact that the methods entailed in the financial revolution were considered by many as ‘a very useful scheme for adding stability to the new Government.’ Interestingly, SPR viewed William III’s adoption of the funding-system as being an improvement on the ‘*Divide and conquer’* approach that had been adopted by William the Conqueror and his successors. [emphasis in original] SPR noting that for William III where ‘the application of force’ had failed, finance had succeeded in ‘hold[ing] the Nation in a state of bondage.’ This bondage had been achieved by dividing the interests of one portion of the nation (who could profit from the funding-system) against those who would have to pay for it through increases in taxation. Irrespective of the specific details that surrounded the establishment of the financial revolution SPR reasoned that it was ‘clear’ that the national debt had been ‘incurred for no other objects than those gratifying the ambitions of monarchs.' In the process enabling William III to 'preserv[e] an authority which could not be preserved by any other means.'[36]

SPR regarded those writers who viewed the financial revolution positively as favouring 'despotic principles.' Challenging the 'national' interest in this system SPR stated that it was both false and wicked for writers and politicians to praise a 'corrupt and rotten' system that bound the government and its subjects in an ostensibly 'common cause.' Most troublingly to SPR was their contention that this system had essentially 'engulfed' the British government. As a consequence, the current British government existed primarily for the 'purpose of extorting taxes' from its (largely inadequately represented) citizens. SPR viewed this circumstance as being in direct contradiction to genuine liberty arguing that 'loan-contractors and all their numerous appendages are as unnecessary in a land of liberty as they are necessary in a land of slavery.'[37]

Whilst acknowledging the arguments that had been made for decades by radical critics such as Paine and Horne Tooke, who had argued that the 'excuse for loans and taxes' had always been the ambitions and vanity of monarchs, SPR feared that the situation facing Britain in 1817 was of an entirely different nature. The reason for this difference was simple, the unprecedented addition of over £600,000,000 to the national debt since 1793. Crucially, SPR noted that not only had this debt not been 'contracted for the benefit of the People' it had been raised and spent by people who did so 'without the People's consent.' This point was crucial as, irrespective of the reason for its being raised, the government had 'made a bargain which they had no right to make' and, therefore, 'the Nation, in its collective capacity, has a right to resist.' The authority of those who had 'voted away the People's money, was an *assumed* and not a *delegated* authority.' [emphasis in original] Building their argument from earlier proponents of 'taxation and representation' SPR noted that under these circumstances the British government's authority was a 'usurpation, and their conduct robbery.'[38]

Inquiry into the reason for this expenditure only added to its invidious nature. Questioning the 'right' of the British government to take Britain to war against France in 1793 and the benefits that 'the People' stood to gain from this conflict, SPR claimed that 'it was not in the interest, neither was it the wish of the People that their money should be taken from them, and squandered.' In support of this contention SPR noted how the best reason assigned for the conflict against France had been that it was necessary to 'protect the People from the *gloomy horrors of atheism.*' [emphasis in original] Having acknowledged this, SPR observed sardonically how, with interest payments on the national debt having increased from £9,000,000 in 1793 to over £44,000,000 in 1817, this was a heavy price indeed to pay for such 'protection.'[39]

In summing up their argument SPR claimed that there had been three causes that had led to the current enormous scale of the national debt; the 'covetous disposition of a Dutchman;' the defence of 'the foreign possessions of a German elector;' and, finally, an attempt to 'destroy the liberties of America and France.' Interestingly, having raised the issue of nationality in order to question the actions of successive British monarchs, SPR subsequently attempted to dissolve such national distinctions by linking 'the oppressed' in every country in a common struggle with their 'oppressors.' In order to achieve this aim SPR argued that it was necessary for the oppressed in all nations to resist those who sought to 'exterminate and prevent' the principles of 'republicanism' and 'liberty.'[40]

Several months later (9 May 1818) SPR once again took up this issue claiming that, due to the scope and expense of the funding-system, 'there is not… any subject which ought to be of so much interest to an Englishman.' It was to this system (with only a hint of hyperbole) that SPR 'attributed all the misfortunes which for near a century have happened to this country.' The reason for this was simple and attributed to the corruption and influence that the funding-system fostered. Having made the rather pragmatic observation that 'tyranny and fraud' obviously existed prior to the establishment of the funding-system, SPR argued that such abuses had been more 'visible' and therefore could be 'detected without much difficulty.' Crucially, SPR argued that the abuses fostered by the funding-system were of an entirely different nature. The reason for this being ascribed to the '*complication* of frauds' that the funding-system entailed. [emphasis in original] SPR argued that, as a consequence of the largely hidden and esoteric practices of high-finance and government debt contracting, 'all the parts of Government [were] irresistibly drawn… [into]… a vortex of despotic villainy.' Echoing arguments made decades earlier by Paine *et al*. SPR noted how these complications allowed the 'specious garb of fair dealing' to 'gloss over' institutional corruption. Although the people 'feel the robbery and sink under [its] despotism' they are 'at a loss' as to who (specifically) is to blame for their situation.[41]

The issue of the esoteric and secretive workings of the funding-system was also addressed in *The Black Dwarf* (14 May 1817) in a letter to the editor entitled 'Funded System.' Noting the power that had been bestowed upon financiers as a consequence of the war, this letter advised *The Black Dwarf* to 'suspend' their attacks on the government and, instead, direct their attention to the 'touchstone of the system,' the 'monied tyrants of the stock exchange' who had apparently reduced the government to be their 'willing puppets.' Crucially, this letter noted how the 'heart' of this system was 'unknown' to the people as 'it operates unseen.' As a consequence of this 'complication and secrecy,' this system was little understood. In an attempt to rectify this situation this letter attempted to outline to its readers the novel (and greatly augmented) practices adopted by 'a certain number of men… of immense capital.' The letter began by noting how in order to carry out their business it was necessary for loan-contractors to 'resort to as many schemes as are… resorted to in diplomacy.' The most obvious practice adopted by loan-contractors, this letter observed, was the raising and lowering of 'the funds… by schemes as deep and intricate as their agents can devise' in order to increase their profits at the expense of the public. This letter was keen to highlight to its readers what it regarded as the asymmetrical nature of the 'benefits' afforded by these operations. If the 'chicanery of these preyers upon the public' are successful, they are hailed by ministers as showing evidence of 'confidence' and the 'flourishing' state of financial affairs. In reality, this letter noted, such 'triumphs' were 'only a proof of the success of those… [schemes]… which fatten a few at the expense of the whole.' Acknowledging the obscure nature of these practices this letter stated that increased understanding on this issue was vital if such dealings were to be challenged. Such understanding was important not only on financial grounds but also on moral grounds, this letter stating that 'to attack this infernal system of delusion, to [examine] their vile and diabolical acts is of more importance [at] present than is generally imagined.'[42]

The Gorgon (13 February 1819) also alluded to the complexity and confusion discussed above by SPR and *The Black Dwarf* when it noted how the country was constantly deluded with false statements of the 'flourishing state of… commerce and finances.' In support of this contention *The Gorgon* referred to a statement in

Parliament by Castlereagh that 'the prospect of the future was as cheering… as the retrospect of the past was glorious.' Noting how Britain had a national debt of over £800,000,000, an annual deficit of between £13,000,000-£14,000,000, an increase of over two million paupers and over £28,000,000 of un-backed paper-money still outstanding at the Bank *The Gorgon* regarded Castlereagh's optimistic appraisal as a 'mad and ridiculous rhapsody.' *The Gorgon* further argued that the impudent assertions from Castlereagh and other Parliamentarians highlighted precisely the 'diversity of interest' in the workings of a funding-system that had seen many people 'sink… lower and lower into poverty' whilst their rulers had 'increas[ed] their wealth and comforts' [43]

Whilst SPR and *The Gorgon* were not alone in such contentions, there remained, however, the awkward fact that the government (despite such inequalities) continued to enjoy considerable popular support. *The Black Dwarf* (7 February 1821) whilst acknowledging the fact that the 'boroughmongers,' who raised and 'squandered' the nation's resources incurring 'what is absurdly called the national debt,' enjoyed much popular support, questioned the nature of this 'acquiescence' on behalf of the people. Referring, once again, to the complexity and obfuscation that the raising of the national debt necessitated *The Black Dwarf* argued that 'the people resembled minors in the hands of sharper's, duped into the playing of a game, at which they were sure to be fleeced.' The acquiescence of the people was a consequence of 'systematic delusion' on the part of their leaders and as such they were 'no more responsible for the consequences, than a minor would be bound by his signature to a *fraudulent* deed.'[44] [emphasis in original]

Regardless of the level of consent granted by 'the people' to the vast increases in the national debt, this edition of *The Black Dwarf* also raised another highly vexed question. Namely, the right of the present generation to bind their successors to 'the burden of its folly and extravagance.'[45] This trope, regarding the responsibility of posterity for the national debt, was another common one amongst radical critics in the years following Waterloo. Unsurprisingly, it was also one that was adopted by successive generations who were obliged to pay interest on a debt they had no hand in contracting.

Permanent National Debt: A Burden to Posterity

As it became increasingly apparent to contemporaries that the vastly expanded national debt was likely to become a permanent feature of the British political landscape, many observers viewed with trepidation this legacy that would continue impose financial burdens for generations to come.

MP George Rose, a former Secretary to the Treasury (1783-1801) and Vice President of the Board of Trade (1807-1812), speaking in the (often heated) Parliamentary debates over the repeal of the Income Tax called for cool heads.[46] Rose (27 February 1816) acknowledging the vast governmental expenses that still needed to be met urged caution and, rather than the abolition of the Income Tax, urged instead for its continuation in a 'modified' form. Adopting a more pragmatic approach to this situation than those who railed against the loss of liberty or the deprivations caused by the Income Tax, Rose acknowledged that it was 'perfectly natural' for people to petition against any tax. The awkward fact remained, however, that if the Income Tax was dropped what 'would substitute for it[?]' Bearing this fact in mind it was 'the duty of ministers, for the sake of the real interests of the nation, to act… contrary to the wishes of the people.' Rose urged MPs to wait until 'all the [financial] details which would enable the House to form its judgment' had been 'presented for their consideration,' until that time MPs should 'be patient, and go to the discussion coolly, deliberately, and temperately.'[47]

Rose's pragmatic approach was not shared by many of his contemporaries. Indeed, the vastly increased scale of the permanent national debt (and the need to reduce its size) caused anxiety to contemporaries of all political persuasions. Ricardo, for instance, believed that the national debt, due to its tremendous size, was 'distorting' the workings of the economy.[48] Ricardo was so concerned by these distortions that he advocated for the rather dramatic step of imposing a one time 'Capital Levy' in an effort to pay off a large portion of the national debt once and for all. A proposal he outlined in his entry on the 'Funding System' for the *Encyclopedia Britannica* of 1824.[49] Obviously, Ricardo, despite proposing such a scheme in Parliament in May 1822, was not naïve enough to believe that his proposition would be taken up, especially as Parliament had already demonstrated its reluctance to meet even its current expenditure when it repealed the Income Tax in 1816.[50] Ricardo's observations do, however, reveal that concerns over the dangers and distortions inherent in the paper-money fuelled national debt were not limited to 'uninformed' radical critics but were also shared at the highest levels of economic thinking.

A key factor regarding the urgency of paying off the national debt was its self-perpetuating nature, particularly with regards to the role that interest payments could play in diverting capital from other (more productive) investments. This fact can be appreciated when consideration is given to the circumstance that between 1793 and 1815 £451,246,000 was paid in interest payments by the government to its creditors; more than enough to pay off the entire national debt as it stood in 1793 (£242,900,000). Despite the payment of these huge sums, met via commensurate increases in taxation, the national debt, nevertheless, more than tripled in size throughout this period and by 1815 stood at £744,900,000.[51]

The difficulties faced by any attempts to pay off the national debt can also be gleaned by an examination of the enigmatic workings of the sinking-fund between 1793 and 1821. The ostensible purpose of the sinking-fund was to reduce the national debt, via the Commissioners for the Reduction of the National Debt purchasing (redeeming) government debt on the London money market. More than two decades of warfare, however, had distorted the workings of the sinking-fund beyond recognition. By 1815 it had not yet become apparent to contemporaries that, despite claims of having redeemed over £300,000,000 of debt, this redemption was only possible by borrowing money in order to make these payments; the amount of stock purchased and sold by the Commissioners being almost equal.[52] Despite this apparent failure, the purchasing operations of these Commissioners had, nevertheless, lent considerable assistance to loan-contractors as they attempted to manipulate stock prices in the contractor's favour, discussed above (chapter 3). These actions, along with the purchase of hundreds of millions of pounds worth of government stock with borrowed money also provides a glimpse into how fictitious capital was created, lent, borrowed and redeemed (for profit) by elements of the government and financiers whilst the country paying for these profits (via increased taxation) was left in an increasingly indebted state. As the national debt (or indeed any debt) can only be reduced by committing a genuine surplus of revenue over expenditure towards this purpose the sinking-fund, eventually wound down in 1829, contributed little towards actually reducing the national debt. This circumstance should not, however, detract our attention from the irony that the workings of the sinking-fund in this manner had greatly facilitated the government's ability to *increase* the national debt during the Wars against France.[53]

The Black Dwarf (12 February 1817), acknowledging the financial situation that Britain currently found itself in, stated flatly 'what hope… [is]… there of the principle [of the national debt] ever being repaid[?] Absolutely none.' This was a problem as not only was 'the country… not WORTH the sum for which the guilt and folly of the ministry have mortgaged it,' but the taxation which paid the interest on the debt was having a regressive effect as it was being levied on a 'ruined commerce, and depressed agriculture.'[54] A year later, and with scant evidence of any improvement in this situation, *The Black Dwarf* (11 February 1818) noted how the paradoxical workings of the funding-system, founded upon a 'magical union and separation' between the Bank and the government, meant that the national debt would never be paid off. This circumstance appeared evident by the fact that, following the repeal of the Income Tax and malt duties, the government had been unable to meet its interest payments on the national debt without recourse to more loans; a move that increased both the national debt and future interest payments on this debt.[55]

SPR (26 April 1817) attempted to highlight the asymmetry of interests in a system that had allowed financiers to lend huge sums to the government 'on the condition that interest should be paid thereon out of… public taxes for ever.' As a consequence of this circumstance SPR argued that, in order to pay for a war that was 'neither just nor necessary, we [are] saddled with a burden which all Statesmen tell us must remain… as long as we are a nation.'[56] SPR (31 January 1818), in common with Ricardo above, also feared that due to the immense size of the national debt it was having (and would continue to have) a debilitating effect on British commerce. Echoing argument made almost three decades earlier (above p. 181) SPR worried that excessive levels of taxation would make British exports more expensive and therefore less competitive. SPR lamented how 'the evils which we [have] foster[ed] for ourselves' would also weigh heavily on 'posterity… perpetuating misery to future generations.'[57] Such sentiments were widely held and were highlighted several months later by SPR (21 March 1818) when it featured a petition from the inhabitants of York that protested about the 'fraudulent, impayable bank-paper system' that was 'laying debts to the charge of children not yet born.'[58]

It is not without relevance to consider, briefly at the end of this study, the reason for the expense that led to these increases in the national debt and the concomitant increases in taxation. However one chooses to approach and address the events that unfolded in Europe at this time the fact remains that successive British governments (with only nominal notions of 'representation') added over £100,000,000 (against the American colonists between 1775 and 1783) and £600,000,000 (against the French between 1793 and 1815) in a vain attempt to quash ideas and ideals that would later seem commonplace. It also needs to be acknowledged that this is not a viewpoint predicated on hindsight. It appeared self-apparent to many contemporaries. Cobbett (1816) noted this when he observed how the 'grand result' of over twenty-two years of conflict had been 'the restoration of the Bourbons' to the French throne. Cobbett then, with considerable justification, noted how 'if only 28 years ago, any man in England had said, that the Government of France was one that ought to be suffered to exist, he would have been hooted out of company.' In order to support this conjecture Cobbett noted that the Bourbon monarchy (that had been 'restored' to the throne at the expense of over £600,000,000 to the British public) had been regarded by 'all our forefathers' and 'all our histories' as a ‘cruel despotism’ a description that was also to be found in ‘all our Parliamentary debates’ prior to the war.[59]

In addition, the lack of accountability to, and inadequate representation of, the vast majority of taxpayers is a crucial element to bear in mind when one considers the decisions reached throughout this period. Indeed, the deferred nature of paying for the national debt meant that the notion of a lack of consent regarding how these decisions were reached was an intrinsic feature of this system. Indeed, subsequent generations continued (and continue) to pay a considerable portion of their income on interest payments on the national debt.[60]

This point was made explicitly by SPR (12 April 1817) when it claimed (in common with Cobbett) that if the British government had been more ‘responsive’ to the needs and desires of the people Britain would never have gone to war in 1793. In support of this claim SPR asked ‘of what consequence were the French King… the [French] nobility, or the Priests to us?’ Noting how ploughing, reaping and sowing would all have continued regardless, as would the manufacturers and loom workers, SPR asked would the Revolution in France have done anything ‘that would have contributed to injure, or destroy our happiness?’ The crucial point, however, did not rest on such vague conjectures but was linked to the concrete fact that by ‘fighting to preserve British liberty… Seven hundred Millions… [had been added]… to what they call the National Debt.’ A process that had reduced many who were previously ‘prosperous’ to ‘ruin.’[61]

Decades later W. Cooke Taylor (1842) echoed precisely this point regarding the legacy of the national debt that had successfully preserved British liberty. Cooke Taylor reported a statement from Charles Pownall, a silk weaver from Stockport who addressed the Poor Law Commissioners in 1842; 'it's the national debt; we had no voice in contracting that debt and I don't think we are liable to pay it. That is the opinion of the working men… The working men get together and talk of these things.[62] Cooke Taylor noted that Pownall's view was widely held, with one worker stating his argument in such 'original and forcible' form that he copied it immediately. This worker noted how 'the national debt was contracted to protect property, but the burthen of its payment has been thrown upon industry; now Property has no more right to ask Industry to pay its debts than I have to ask you to pay mine.' After pointing out that Napoleon had been hostile to British trade this worker responded with 'a bitter sneer' that cut straight though any patriotic gloss to the economic consequences of the War, stating 'how much worse the working classes would be off if Napoleon had conquered the country, than they are now?[63]

When all due consideration is given to this situation (and despite teleological views that attempt to assuage such implications, discussed below chapter 7) the fact remains that the increases in the national debt between 1793 and 1821 were contracted by a largely unaccountable Parliament for reasons that had little or no benefit (at least financially) to the majority of those who had to pay for these increases. In addition, the fact that the methods involved in contracting this debt (as the above chapters have demonstrated at length) were themselves based on systemic corruption, credit and fictitious capital only adds more weight to an already egregious situation. Indeed, it has been the object of the above study to demonstrate that, in contrast to Brewer's observation in his influential *Sinews of Power* (1989) that 'what emerged… [between 1688 and 1783]… was a public fiscal military apparatus remarkably untainted by private interests, '[64] the subsequent workings of this funding-system between 1793 and 1821 cemented into place *the very opposite.* Namely, uncountable and secretive financial interests that used this power and influence over government not only to enrich themselves but to protect and further their own self-interested policies and agendas.

Coda

To conclude, it is apposite to consider one final observation. Cobbett, in his *To The Paper Money Men* (1817), while enumerating the unprecedented costs of the wars against France observed how such 'costs' were not merely financial in nature, they also contained social and political resonances. Referring to a recent speech made by Lord Harrowby in Parliament, Cobbett noted how Harrowby claimed that the funding-system 'had *saved* the *country*.' [emphasis in original] Observing how the 'press [was] under the superintendence of the Magistrates; with a new treason bill revived; with the Habeas Corpus Act suspended in time of profound peace; with millions in a state of starvation; with a ruined commerce, manufactures and agriculture!' Cobbett questioned 'with all these notoriously existing, can the *country* be said to be *saved?*[emphasis in original] Having listed these highly questionable developments Cobbett enumerated what he considered had, indeed, been saved; 'the sinecures have… been saved; the Pensions and Grants have been saved; and the *Boroughs* have been *saved*… Old Sarum, Gatton, have been *saved*: but to such a degree has the nation been ruined, that one half of the people, in many places have become paupers.' [emphasis in original] Despite this, Cobbett noted, Lord Harrowby, from the lofty confines of Parliament, considered that 'the paper-money system has saved the country.' Cobbett concluded by noting how 'His Lordship's notions about the *country* are very different from mine.'[65] [emphasis in original]

From the vantage point of the early twenty-first century it is edifying to note how the grievances raised above by Cobbett, such as rotten boroughs, sinecures, abject poverty and the suspension of Habeas Corpus, have been either mitigated or swept away in subsequent reforms.

All that is bar one.

Significantly, the ‘paper-money system’ not only remained in place but, throughout the ensuing two centuries, vastly expanded in scope, influence and power.

[1] J.M. Sherwig, *Guineas and Gunpowder: British Foreign Aid in the Wars with France, 1793-1815* (Harvard, 1974), p. 345.

[2] *Report from the Secret Committee on the Expediency of the Bank Resuming Cash Payments; with the minutes of evidence of George Dorrien, Esq. Charles Pole, Esq. Jeremiah Harman, Esq. William Haldiman, Esq. William Ward, Esq. Samuel Thornton, Esq. John Gladstone, Esq. Swinton Colthurst Holland Esq. Thomas Tooke, Esq. David Ricardo, Esq. Hieronimus Burmester, Esq. Nathan Myers Rothschild, Esq. Lewis Lloyd, Esq. Samuel Gurney, Esq. Alexander Baring, Esq. Ebenezer Gilchrist, Esq. John Smith, Esq. Robert Mushett, Esq. John Ward, Esq. Vincent Stuckey, Esq. Hudson Gurney, Esq. Thomas Smith, Esq.* (London, 1819) p. 230.

[3] Ibid. p. 231-232.

[4] Niall Ferguson, *The House of Rothschild Money's Prophets 1798-1848* (New York, 1998), pp. 135-136.

[5] Sherwig, *Guineas and Gunpowder,* p. 343.

[6] Philip Ziegler, *The Sixth Great Power A history of one of the greatest of all banking families, the House of Barings 1762-1929* (New York, 1988), p. 55.

[7] Ibid. p. 78.

[8] Letter quoted in ibid. pp. 80-81.

[9] Letter quoted in ibid. pp. 84-85.

[10] *Hansard,* ser. 1, HC Deb., XXXVII, cols 113-114 29 January 1818

[11] Ibid. col. 115.

[12] Ibid. cols. 115-116

[13] *Hansard,* ser. 1, HL Deb., XXXVII, col. 120 3 February 1818

[14] Ibid. cols. 122-123.

[15] Niall Ferguson, The First "Eurobonds" The Rothschilds and the Financing of the Holy Alliance, 1818-1822 in William N. Goetzmann & K. Geert Rouwenhorst (eds.) *The Origins of Value the Financial Innovations that Created Modern Capital Markets* (Oxford, 2005), pp. 314-321. The 'integrated international system' was due to the various cities where the House of Rothschild established their business; Nathan in London, Amschel in Frankfurt, Carl in Naples, James in Paris and Solomon in Vienna. Ferguson, *The House of Rothschild Money's Prophets 1798-1848*, p. 15.

[16] The Russian loan of 1822 was also made payable in roubles if the investor so desired. Ferguson, The First "Eurobonds" The Rothschilds and the Financing of the Holy Alliance, 1818-1822 p. 323 & pp. 314-321.

[17] Ibid. pp. 318-319.

[18] Ibid. p. 314.

[19] Sir John Clapham, *The Bank of England: A History, Volume II* (Cambridge, 1944), p. 62.

[20] Ibid. p. 70.

[21] *Report from the Secret Committee on the Expediency of the Bank Resuming Cash Payments;…* pp. 237-238.

[22] *Hansard,* ser. 1, HC Deb., XXXVII, cols 132-133 3 February 1818

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[23] *Hansard,* ser. 1, HL Deb., XXXVII, col 785 4 March 1818

[24] Anonymous, *The Art of Stock Jobbing Explained. Exposing the secret manoeuvers, tricks and contrivances, and the cause of the rise and fall of the funds: With useful Hints on the Proper Time to Buy and Sell. To which is added, some serious advice to fundholders on the Operation of the Sinking Fund, and the value of funded property, as affected by the capricious issue of Bank of England notes, shewing, That the Debt, from its own Extent, by an Issue of Paper Currency, equal to the Magnitude of the National Debt, and Amount of Taxation, might be made to reduce itself. With annotations and a glossary* (London, 1816), pp. ii-iii.

[25] Letter quoted in Ziegler, *The Sixth Great Power,* p. 82.

[26] Ferguson, *The House of Rothschild Money's Prophets*, pp. 101-102 & p. 104. Regarding the potential bankruptcy of the House of Rothschild Ferguson notes two letters sent from Solomon (in Vienna) to Nathan (in London) in 1815. 'You must have all our money over there with you. We are stinking poor. We haven't a penny to spare. Amschel [in Frankfurt] has less than a million left and therefore the whole lot must be with you, including what we owe… Work out where the family money is, my good Nathan. I don't know… Where is our money?' Letter quoted in ibid. p. 102. 'Dear Nathan, you write that you have one million or two million over there [London]. Well you really must have, because our brother Amschel [Frankfurt] is bust. We [Venice] are bust. Carl [Naples] is bust. So one of us must have the money.' Letter quoted in ibid. p. 102.

[27] Letter quoted in Count Egon Caesar Corti, *The Rise of the House of Rothschild 1770-1830* (Vienna, 1927), p. 161.

[28] Letter quoted in ibid. pp. 172-173.

[29] Hansard, ser. 1, HC Deb., XXXVII, cols 1234-1235 9 April 1818

[30] Anonymous, *The Bank-The Stock Exchange-The Bankers-The Bankers' Clearing House-The Minister, and the Public. An Exposé Touching Their Various Mysteries from the Times of Boyd, the Martyred Goldschmidt, &c. to those of Bowles and Aslett* (London, 1821) p. 3.

[31] Anonymous, *The Art of Stock Jobbing Explained,* pp. 67-70.

[32] For the regressive nature of British taxation see Patrick K. O'Brien & Peter Mathias, 'Taxation in Britain and France 1715-1810: a comparison of the social and economic incidence of taxes collected for the central governments' *Journal of European Economic History* 5:3 (1976), 601-650. (pp. 634-635). Around 3% of the British population held the right to vote in the 'un-reformed' Parliament. Antonia Fraser, *Perilous Question The Drama of the Great Reform Bill 1832* (London, 2013), p. 15.

[33] *Sherwin's Weekly Political Register, from April 5th to September 27th 1817. Vol. I* (London, 1817), p. 12.

[34] *Sherwin's Weekly Political Register, from October 4th 1817 to May 9th 1818. Vol. II* (London, 1818), pp. 29-30.

[35] Ibid. pp. 29-30. Sinclair (1785) noted that 'the abuses and fraudulent practices which took place… during the reign of William [III], were very great… It is asserted, by an anonymous author, that, in the place of five years, the immense sum of 10,864,873*l.* 17*s.* 4*d.* had been actually misapplied or embezzled.' Sir John Sinclair, *The History of the Public Revenue of the British Empire* (1785) pp. 357-358.

[36] *Sherwin's Weekly Political Register Volume II,* p. 30.

[37] Ibid. pp. 30-31.

[38] Ibid. p. 31.

[39] Ibid. pp. 31-32.

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[40] Ibid. pp. 31-32.

[41] Ibid. p. 387.

[42] *The Black Dwarf, A London Weekly Publication. Volume I* (London, 1817), pp. 247-248.

[43] *The Gorgon; A Weekly Political Publication. Volumes I & II* (London, 1819), p. 310.

[44] *The Black Dwarf, A London Weekly Publication. Volume VI,* (London, 1821) p. 208.

[45] Ibid. p. 208.

[46] An example of the 'heated' nature of the debate can be glimpsed by Mr. Preston's address to Vansittart where he stated that 'It was a mistake to say that he [Mr. Preston] thought the distresses of the country were occasioned by its resources being impaired… He thought that the present distresses were occasioned by our having a miserable, miscalculating, puny chancellor of the exchequer who did not know the resources of the country, owing to the ignorance and want of power of his little mind… He did not mean to retract what he had said, his opinion was justified by the ignorance and total inefficiency of that minister.' *Hansard,* ser. 1, HC Deb., XXXII col 894 27 February 1816

[47] Ibid. cols. 897-898.

[48] David Ricardo, *The Principles of Political Economy and Taxation* (London, 1817), p. 163.

[49] As Ricardo explains 'The sinking fund, then, has instead of diminishing the debt, greatly increased it. The sinking fund has encouraged expenditure…To pay off the whole, or a great portion of our debt, is, in our estimation, a more desirable object… [than the maintenance of the sinking fund]… if… we acknowledge the evils of the funding system… [If] the debt were paid by a tax on property, once for all, it would effect its object. Its operation might be completed in two or three years during peace; and if we mean honestly to discharge the debt, we do not see any other mode of accomplishing it… Thus, by one great effort, we should get rid of one of the most terrible scourges which was ever invented to afflict a nation.. [and]… which our present artificial system imposes upon it.' *Encyclopedia Britannica* (London, 1824), pp. 424-425.

[50] Ricardo proposed a 25% capital levy on all forms of capital which he calculated would raise £488,000,000 as well as a 25% levy on 'the funds' which he calculated would raise a further £162,000,000. The levy would take place monthly over a five year period. John E. King, *David Ricard*o (New York, 2013), p. 141.

[51] B.R. Mitchell, *British Historical Statistics* (Cambridge, 1988), pp. 580, p. 587 & p. 601.

[52] E. L. Hargreaves, *The National Debt* (London, 1930), p. 133.

[53] Ibid. p. 155.

[54] *The Black Dwarf Volume I,* pp. 33-34.

[55] *The Black Dwarf, A London Weekly Publication. Volume II* (London, 1818), pp. 83-84.

[56] *Sherwin's Weekly Political Register Volume I,* p. 53.

[57] *Sherwin's Weekly Political Register Volume II,* p. 160.

[58] Ibid. pp. 279-280.

[59] William Cobbett, (John M. Cobbett & James P. Cobbett eds.) *Selections from Cobbett's Political Works: Being a complete abridgement of the 100 volumes which comprise the writings of "Porcupine" and the "Weekly Political Register" Volume V* [1816-1820] (London, 1837), p. 4.

[60] In 1840 (a generation after Waterloo) indirect taxation (customs and excise duties) on items of consumption stood at £37,800,000 a figure only slightly reduced from the £44,300,000 collected in

1815. Mitchell, *British Historical Statistics,* pp. 581-582. For a modern perspective, following the 2008 'bailout' annual interest payments on the UK national debt increased from £28.8 billion (2006/07) to £48.1 billion (2019/20). House of Commons Library Briefing Paper No. 05745 (May 2021), *Government borrowing, debt and debt interest: historical statistics and forecasts,* Table. 2 p. 6.

[61] *Sherwin's Weekly Political Register Volume I,* p. 29.

[62] W. Cooke Taylor, *Notes of a Tour in the Manufacturing districts of Lancashire: In a series of letters to his Grace The Archbishop of Dublin* (London, 1842), pp. 209-210.

[63] Ibid. pp. 209-210.

[64] John Brewer, *The Sinews of Power: War, Money and the English State 1688-1783* (London, 1989), p. 139.

[65] William Cobbett, *Cobbett's Weekly Political Register Volume XXXII: Of which the former part was written in England, and the latter in America. In the whole thirty-eight numbers, being all that were published in the year 1817* (London, 1817) p. 387.

Chapter 7

Conclusion

The aim of the preceding chapters has been to view the objections raised towards the workings of the British funding-system between 1793 and 1821 from a previously overlooked perspective. A perspective centred around the paradoxical fact that the creditor-debtor relationship between the British government and their principal creditors was not grounded upon the common sense notion that they were lending spare capital. Rather, to paraphrase Cobbett the government's principle creditors often 'made' the thing they lent.

Indeed, one of the most important observations made by these critics focused precisely upon the paradox that without the protection of the ostensible borrower in this process, the British government, the lending operations of their creditors would simply not have been possible. The power over the government that the loan-contractors ostensibly enjoyed, as the holders of the purse strings, was, in essence, a convenient (and highly profitable) illusion. The legal protection provided by the British government to the (private) Bank of England between 1797 and 1821; the fact that, irrespective of the suspension, the private dealings of the Bank were grounded upon prior loans to the government in its own paper; the bankruptcy of the loan-contractors Boyd, Benfield & Co. (1798) and Goldsmid brothers (1810), circumstances that categorically demonstrate the role that fictitious capital played in this process; along with government protection of Barings when its French loan collapsed in 1818 are only the most egregious manifestations of a system of essentially 'circular credit' in action. In addition it has also been demonstrated how underpinning the entire system (indeed the only thing that gave the paper loans floated on the London money market value) was a bitterly resented and regressive system of taxation that enabled the British government to extract unprecedented sums of money from its citizens.

It has been demonstrated how the novelty and unprecedented scale of financial developments between 1793 and 1821 led critics to raise objections to the British funding-system on both economic and moral grounds. In addition, it has also been demonstrated how these objections also encompassed a critique of the *power relations* latent in these developments. In particular the power granted to financiers to regulate and control the money supply, via the extension and restriction of credit.

Irrespective of the accuracy or pertinence of these objections the fact remains, however, that these critics represent the losers in history. Their arguments and protests were rarely taken up by subsequent reformers and have been typically either ignored or denigrated by subsequent economic historians.

There are numerous overlapping reasons why this occurred and their broad outlines can only be sketched here. The most obvious reason was the end of the Napoleonic Wars. The coming of peace, along with the gradual retrenchment of government finances, meant that government borrowing (and their reliance upon loan-contractors) inevitably decreased. In addition, the deliberate suppression of dissenting voices (via the Six Acts) also contributed significantly towards blunting the message of the government's critics. More tellingly, the end of the Napoleonic Wars coincided with two hugely influential developments, the increased professionalization of the workings of the British government and the increased industrialization of the British economy. These developments ushered in profound changes and permanently altered the British economic, political and social landscape.[1] Unsurprisingly, as circumstances changed in such a dramatic fashion, the arguments and objections raised by the critics of the funding-system struggled to maintain traction. In essence they were too dependent on a particular set of circumstances, namely the War and the suspension of payments at the Bank. In addition to these changing material circumstances the intellectual environment also witnessed profound changes. As the nineteenth century progressed the understanding of (and discussion around) economic issues became increasingly professionalized. The intellectual triumph of a liberal conception of economics increasingly meant that critics such as Cobbett, whose predictions of imminent economic collapse and calls for a return to a 'golden age,' appeared to be increasingly anachronistic and out of touch with the mood of the times.[2]

The effect that these changed circumstances had on resistance towards the funding-system and calls for parliamentary reform can be evinced by a brief examination of how these issues were treated by the Chartists in the decades after Waterloo. Although the issue of paper-money and Cobbett's broader critique of 'Old Corruption' was a feature of Chartism throughout the 1830s, the changing circumstances alluded to above increasingly diluted this influence, particularly with regards to issues of finance.[3] Indeed, the call for an increase in paper-money by Chartists such as Thomas Attwood (as opposed to its abolition) demonstrates just how dramatically the economic situation had altered from Cobbett's time. Indeed, by 1840 challenges towards paper-money and the funding-system (Cobbett's 'Old Corruption') had largely vanished from radical discourse.[4]

The fact that circumstances constantly change is, however, both a blessing and a curse to the ideas and arguments of any period. Indeed, arguments that in one period of history can appear inadequate and hopelessly outdated can, under changed circumstances, appear to have far more to offer. In this respect one aspect of the objections raised towards workings of the British funding-system between 1793 and 1821 seems particularly pertinent in the early twenty-first century. Namely, that that funding-system was an artificial creation grounded upon a loose alliance of elements of the government, powerful financiers and a strong central bank able to issue fiat money at their discretion under government protection. By placing *power relations* at the centre of their critique of who (if anyone) should control the money supply of a nation state the critics highlighted above raised profound questions, the importance of which is belied by their lack of critical attention in much subsequent economic history.

Control Over the Money Supply

As the nineteenth century progressed, and aided by a great many technological developments in communications and economic developments in production, financiers were (thanks to their effective monopoly over the money supply) in a position to wield a power that observers from the eighteenth century, such as Adam Smith, would have recoiled from in horror. Quigley (1966) noted how such concentrated fiscal power evolved between 1810 and 1850, as the Bank of England and the various financiers who made up the London money market were moulded by powerful merchant bankers (such as the House of Rothschild and Barings Bank) into a nexus of financial power centred in London. Crucial to these developments was the power granted to financiers to manipulate the flow of money in the financial system in an attempt to influence and control both governments and industry.[5]

Lacking the kind of government protection (highlighted in the chapters above) it is highly questionable whether such huge concentrations of fiscal power could have formed. Indeed, it has been observed above how the power and influence enjoyed by the Bank of England (and subsequently Rothschild and Barings) was only possible with government support and protection. As the nineteenth century progressed the most obvious example of this continued symbiosis was the ability of financiers to use government debt as collateral for their public and private loans. The importance of this circumstance, along with the benefits it bestowed to financiers was noted by O'Brien (2016), when discussing the ostensible limitations on note issue that the gold-standard (and the 1844 Bank charter) placed upon the Bank of England.

> While convertibility [of Bank of England notes for gold] was restored in 1821, and Peel's Act of 1844… curtailed the liberties of the Bank in terms of issuing paper money, the restriction that the Bank's issues had to be fully backed… was less of a constraint… than it may at first appear. Reserves could be in the form of either bullion or public securities… and the latter were available elastically.[6]

Given that the economic developments of the nineteenth-century occurred under the auspices of a *laissez-faire* system, where it was ostensibly desirable to keep government involvement and interference to a minimum, the extent to which lending to the government (via the purchase of bonds subsequently used as collateral for other loans) played in the workings of financiers is worthy of further detailed investigation. This is especially the case as it has been demonstrated at length above how the foundations of this system were grounded in the ability to create (and lend) money via credit under *de facto* government protection. Of crucial importance in this regard is the *specific* nature of the capital that these financiers initially lent to the government, a question that takes on an almost risible aspect when (critical) consideration is given to the fact that even the Bank of England's initial 1694 loan was made not in gold but in their own notes.[7] Was the capital in the innumerable subsequent loans to governments across the globe backed by tangible assets, or were they simply created via reciprocal credit arrangements? This question is especially important given the centrality that ‘property rights’ played, and continue to play, in most legal systems. The extent to which ‘property’ was (is) created via credit then used to gain control of tangible property is so far unknown but has undoubtedly had a profound impact on shaping the world we live in.[8]

Making Money

One of the most striking consequences of the lack of critical historical interest in the power relations latent in the subject of credit and money creation (relations highlighted at length by critics such as Cobbett and Howison *et al.*) is the fact that despite the ubiquitous role that credit and money have played (and continue to play) in shaping our society, few people understand what these things are and how they work. Thankfully, the Bank of England was able to assist in this regard. Indeed, any doubts or confusion regarding the role played by banks in money creation were helpfully cleared up by the Bank of England in 2014, with the publication of a paper that succinctly wrapped up a great deal of doubt and conjecture on this topic.

> **[A] common misconception is that banks act simply as intermediaries, lending out the deposits that savers place with them**… [In fact]… when a bank makes a loan, for example to someone taking out a mortgage… it credits their bank account with a bank deposit of the size of the mortgage. **At that moment new money is created.**[9] (emphasis in original)

Despite such candour from the Bank, economic textbooks continue to repeat the disingenuous notion that bank loans are linked to deposits in a ‘fractional reserve’ system.[10] Compounding the confusion that surrounds this issue is the surprising fact that the nature of money (along with the role that banks play as the arbiters of credit) is not considered an important issue in the way economics is currently taught and understood. The lack of emphasis that modern economic theory places on the issue of money, along with the role that banks play in creating it, was noted by Mervyn King, Governor of the Bank of England (2003-2013), in 2012. King, in his speech, *Twenty Years of Inflation Targeting* noted how the 'New Keynesian' model (the dominant school of modern monetary policy theory) lacks an account of the role of banks as financial intermediaries. Therefore, money, credit and banking play no meaningful role in this model.[11] Whatever may be the situation in economics, there is no reason whatsoever for historians to agree with modern economists that the issue of money creation plays no 'meaningful role' in the economy. Indeed, as this largely unexamined power has fundamentally shaped the world we live in it is vital that attempts are made to examine not only how this power functions but also how it has been used historically. It is in this regard that the objections raised to this system in its nascent form can be particularly useful. Unlike contemporary observers, inured to (or unaware of) the workings of this system, critics such as Ricardo and Cobbett were keen to highlight the unprecedented power that had been placed in private hands. It is ironic indeed that the issue towards which Cobbett devoted so much attention in his *Political Register* has (conversely) received so little subsequent detailed attention from historians.[12] Is it obvious that unaccountable, undemocratic private institutions, enabled to 'make' money via credit, are the best custodians of such a power? And that in reaching the decisions they do they have the best interests of wider society at heart? Is this an issue that doesn't deserve critical scrutiny? In this regard Paine's observation, in the introduction of his *Common Sense* (1776), that 'a long habit of not thinking a thing *wrong*, gives it a superficial appearance of being *right*' is particularly apposite.[13]

The consequences of this fundamental misunderstanding regarding what money is, how it is created and who benefits from a global financial system based entirely on bank-created fictitious capital are truly staggering. To take only one modern example, since the passing of the 2015 Paris Agreement on climate control unaccountable financial institutions (whose solvency is entirely a consequence of the 2008 taxpayer backed 'bailouts') increased year on year (in flagrant disregard for public opinion) their investments in fossil fuels, investing almost $3,000,000,000,000 (trillion) in this industry between 2016-2019.[14] In addition to this, and despite the Bank of England's example of banks lending (creating) money for mortgages, the vast majority of the money thus created (in the deregulated global economy) is used for what is in essence speculative gambling on derivatives in the 'shadow banking' sector.[15] The implications and consequences of the huge speculative financial bubbles created by this entirely unprecedented situation are profound. Under such circumstances a clearer understanding of the process involved in credit and money creation, one that gets behind the 'mystique' of finance and acknowledges the power dimensions that are latent in them is sorely needed. Indeed, the objections raised by Paine, Cobbett *et al.,* who placed power relations at the heart of their critique, point precisely as to how this can be done.

Several areas of research are highlighted below where a more critical approach to the use of credit, as outlined in the thesis above, can be of use and lead to a clearer understanding of these historical and economic developments.

Foreign Loans

The exportation of the British funding-system to Europe in the immediate aftermath of Napoleon's defeat has been examined above. Such developments were, however, only the first tottering steps of a system whose methods would eventually take on global proportions. The reliance of such an expansion upon credit, along with the ability of financiers to use Exchequer Bills and prior loans to the British and other European governments to form the collateral for subsequent loans to governments further afield deserves much more critical scrutiny. A better understanding of the workings of the system of 'circular credit' could allow us to question what *specifically* was the nature of the capital underpinning such loans? How dependent was the capital that constituted these loans based upon credit, stock market manipulation and the use of bonds issued by the British government, bonds that could then by used by financiers to constitute the basis of subsequent loans? The system of circular credit outlined above casts doubt on the notion that such capital movements, in the form of loans to foreign governments emanating from British financial institutions, loans that eventually formed a nexus of credit and debt centred on London throughout the nineteenth century, was simply the exportation of spare capital seeking returns. Viewed from this critical perspective, the contention of Giorgio Fodor (2000), when discussing European loans to South America in the 1820s, that not only was very little money received by the recipients of these loans but very little money was actually involved (or needed) in the raising of them, is given a great deal of support.[16]

Research in this area is of particular interest as the loans taken out to resource rich countries in South America during the 1820s, to India during the 1850s and Africa during the twentieth century succeeded in embroiling the successive governments of these areas into a vast web of credit, debt and dependence that continues to be felt today.

Government Protection

One of the principle objections raised towards the workings of the British funding-system between 1793 and 1821 was that it was an 'unnatural' combination of political and financial power. Indeed, it has been demonstrated above how (paradoxically) the British funding-system could only function with government support and protection. The most obvious examples of this being the suspension of payments and the use by financiers of government Exchequer Bills and consols as collateral for both their public and private loans. A critical examination of this process, examining the effects of tacit public backing for private enterprise, and the uses to which this support was used subsequently, is certainly worthy of further investigation.[17]

Such government support is not, however, limited to 'behind the scenes' financial dealings. Indeed, the fragile nature of the highly profitable credit operations of the government's major creditors, along with the ultimate reliance of this system on government protection, is best revealed when this system is subjected to large exogenous shocks.

In this regard, the circumstances surrounding the banking collapse of 1914 are worthy of serious investigation. This collapse (an event that was understandably overshadowed by the War that precipitated it) starkly reveals the chimerical nature of much of the power and influence that had accrued to London's financiers in the century following Waterloo. The financial crisis of 1914 allows us to observe the collapse of a complex and integrated financial system that was both heavily reliant upon credit and highly profitable to those involved. The world's most powerful financiers, concentrated in the City of London, who had made a vast fortune (and enjoyed immense prestige and influence) as the arbiters of credit and defenders of the global gold-standard could, in 1914, (ironically) back less than 5% of their liabilities with gold. The vast majority of their assets being entirely reliant upon their ability to use credit as money in a closed system where a select few financiers could exert what amounted to monopoly control over the supply of money and credit.[18] Following this collapse (and with fears that customers demanding gold for their money would cause a run on banks), the British government stepped in to protect financial interests from the consequences of their actions, namely, an overextension of credit that their 'real' assets could not support. This support was achieved via the offer of state backed (taxpayer) guarantees, an act diametrically opposed to even the most nominal notion of *laissez-faire* and the workings of a 'free-market.'

As with the suspension of 1797, such fragility did nothing whatsoever to dent the power of financiers. Indeed, having received government protection from bankruptcy, these financiers were subsequently in a position to commence lending to the government. Modelling their actions on the methods used to finance the Napoleonic Wars, the Bank of England secretly subscribed £200,000,000 to the initial 1914 War Loan. This deception was necessary in order to prevent this loan from collapse and was subsequently described by John Maynard Keynes as a 'masterly manipulation.'[19] Given the huge disparity in the fiscal rewards that such 'manipulations' led to, Keynes' equanimity was not shared by other observers. Johnston (1934), for instance, described these actions in withering terms.

> The Cunliffe Committee (1927)[20]… [contains]… no reference to or hint of the magical process by which… our banking fraternities continued to create for themselves a great volume of new credit and to lend that credit to us at interest, and indeed at progressively increased interest; no reference to the fact that… debt, was simply fabricated for private ends and was not a bona-fide loan of real wealth… Professor Soddy has estimated that bankers… created £2,000,000,000… of bank credit, and lent it out to us at 5 per cent… £100,000,000 a year upon nothing.[21]

Despite (because of?) these implications few modern historians have investigated this situation and even fewer have adopted a critical stance.[22] Further questions also follow, in a situation highly reminiscent to that of 1816 (described above) following peace in 1918 a retrenchment of government finances (going back onto the gold-standard) once again necessitated the paying back of loans made in a debased currency in one considerably more valuable. A move, as was the case in 1816, that was both highly profitable to the government's creditors and injurious to the public.

Secrecy Anti-Democratic

Perhaps the most important and influential aspect of the system objected to above (and lamented over by its critics) was the secrecy and mystery that surrounds its workings. Quigley (1966) observed this phenomena when commenting upon the obfuscation that financiers felt was necessary as the credit system evolved throughout the nineteenth century. Quigley notes how during the nineteenth century both government and business had to be persuaded (by financiers and international bankers) to accept certain 'axioms' of their ideology. This ideology was premised on the notion that politicians were too 'weak' and subject to too many 'temporary popular pressures' to be trusted with control over the money system. Under these conditions, and in order to protect the 'sanctity of all values,' money should be (ostensibly at least) based on gold and financiers should exercise control over the supply of money. In order to do this Quigley notes that 'it was necessary to conceal, or even to mislead, both governments and people about the nature of money and its methods of operation.'[23]

In ostensibly democratic societies this situation is problematic, as immense power has been effectively devolved into private unaccountable hands. For democracy to function properly (and not be a mere ‘spectator sport’ we are allowed to participate in every four years or so) it is (ideally) necessary for ‘active’ citizens to make informed decisions regarding issues presented for their consideration.

Where the subject of money is concerned none of these things occur.

Despite the tremendous wealth and influence that financiers enjoyed (and continue to enjoy) it is a curious fact that even in ostensibly democratic countries the source of this power (the ability to create money) has received little public scrutiny and is rarely seriously discussed or challenged by any senior politician. As a consequence of these circumstances it is fair to say that the majority of the population (along with many politicians, historians and commentators) have little or no idea of how the monetary system (a system that wields an immense amount of power and influence over their lives) works.[24] One consequence of the lack of discussion around such issues is that to imagine an alternative to bank-created credit and money is not only regarded as ‘heretical’ but to many people (literally) inconceivable. Such thoughts being safely consigned as the ‘idealistic’ ravings of delusional, utopian crack-pots.[25] Myopia on this issue from the powerful and influential economists who run the world’s central banks in the twenty-first century has led the global economy into dangerous and unprecedented territory.

The actions of the European Central Bank (ECB) offer an instructive contemporary case of such thinking in action. In four years (2014- 2018) the ECB, via its Asset Purchase Programme (APP), pumped over 2,500,000,000,000 (trillion) Euros (created *ex nihilo*) into the financial system, via the purchasing of bonds (debt) from a variety of public and private institutions.[26] To put such actions into perspective this amount of money is (adjusted for inflation) almost *twenty times* greater than the total amount of money involved in the Marshall Plan (1947-1951) whose aim was to re-build Western Europe following the devastation of World War II.[27] What has been the consequence of these actions on the part of the ECB? Stubbornly low levels of growth (1.2% in 2019) combined with enormous levels of corporate and governmental debt.[28] Is this the only way to deal with the issues facing the Eurozone? What if this money had been spent on tangible infrastructure projects (such as those undertaken by the Marshall Plan) as opposed to propping up bloated corporations by allowing them to issue more debt in order to keep functioning? To what extent are the public (in whose name such actions are carried out) made aware of these issues? And, most tellingly in ostensibly democratic societies, what *choice* is on offer?

It is hoped that when more historical attention is devoted to how the credit and monetary systems function a more informed and useful debate on who should exercise this power and in whose interests it is (and has been) used can be carried out.

Coda: Objectivity and the Contemporary context

To conclude (and bearing in mind the 'subjective' stance taken above) it may be instructive to address the issue of objectivity. It has long been recognized that as well as describing events and characters of the past historians, by favouring a certain approach towards their subject (over other possible approaches) and, indeed, by choosing to examine a certain subject (out of the seemingly limitless array of potential topics available) they are inevitably (to a greater or lesser extent) influenced by the milieu that surrounds their research.

Consider, for instance, Clapham's approach to the objections raised by Grenfell (discussed above in chapter 6) and my own treatment of the same topic. Clapham wrote his erudite and detailed history of the Bank in the 1940s, when Britain was at war with Nazi Germany and when the Bank, with German bombs falling all around it, found itself, once again, having to lend its financial expertise to the Allied war effort. My research (in contrast) was undertaken between 2016 and 2020, in circumstances where the Bank (among other things) had facilitated the doubling of the National Debt in 2008 (by creating £800,000,000,000) in order to prop up a bankrupt financial system, along with keeping interest rates at almost 0% for over a decade. Actions that have, both directly and indirectly, led to increases in social inequality and ever-greater concentrations of financial wealth and power.[29] Clearly, given these differing circumstances, Grenfell's revelations of a *systemically* corrupt system of back-room deals involving elements of the British government, the Bank of England and select financiers, takes on a different hue.

It is my contention that 'objectivity' on a topic such as this is not only impossible but when it is attempted errors often occur. One of the reasons for this being that the economic and political issues discussed above involve those describing them to adopt (either implicitly or explicitly) judgments over power relations that encompass both economic and moral considerations. It is a mistake to believe that by avoiding (or sidestepping) judgments on these issues (a tactic borrowed from economists) a more objective picture is created.

One way to achieve such objectivity is to adopt a longer-term detached teleological approach to these circumstances. Daunton (2001), for instance, when discussing the British funding-system and the taxation it necessitated observes;

> The external threat from French absolutism and Catholicism, succeeded by the dangers of revolutionary ideology and Napoleonic ambition, justified a fiscal-military state as a means of sustaining the social hierarchy, preserving English liberty, and securing commercial hegemony.[30]

Whilst this is clearly a valid perspective, the paradox inherent in Daunton seeing Britain under the 'Two Acts' as fighting to 'preserve liberty' is only possible if the interests of those whose actions were curtailed and intimidated by such laws are subsumed under a teleological approach that (with hindsight) sees the situation (eventually) improving. To be sure this is a point of view, but such an attitude would, to many contemporaries, have been simply unintelligible. Was it clear that Britain under the 'Two Acts' was fighting to 'preserve liberty?' This picture is complicated further when consideration is given to the fact that with 'liberty' preserved, four years after victory over Napoleon the 'Six Act's were imposed. The express purpose of these 'Acts' being to stymie calls for a more representative system of government. To whom were such actions 'justified?' The fact that it took over a century from the end of the Napoleonic Wars for Parliament to grant universal (male) suffrage and the opportunity to have a meaningful say in how taxes were raised and spent demonstrating just how long Daunton's 'long-term' view needs to be.[31]

Similarly, O'Brien (1989) when discussing differing historical perspectives towards the post-war readjustments detailed in chapters 5 and 6 above notes,

> Some neoclassical economic historians are… inclined to counterbalance [the] "deplorable" social effects connected to postwar [1816] financial and fiscal policies with the argument that regressive redistribution of income raised rates of saving and investment – which in time made everyone better off. Such a detached and Ricardian focus on the long run… [could]… be quantified [and] has numbers on its side.[32]

While the above adoption of a pseudo-scientific approach towards this issue, with its focus on 'hard facts' such as statistics about saving and investment, may tell us something useful about what certain individuals did with their money, we must be careful not to mistake this approach as an objective analysis. The apparent acceptance of consigning entire generations of poor human beings to "deplorable" conditions, on the basis that 'things eventually got better,' is only possible if the moral element of this situation is either played down ("deplorable") or subsumed entirely in a teleological viewpoint. The connections made above between a system of admittedly regressive taxation and (eventual) improvement owes as much to an act of faith in an economic system than to any observable reality. Any attempt to be more 'scientific' on this topic would necessitate much more specific research into the causal link between regressive taxation and social improvement. Was this the only causal factor in the (eventual) social improvements identified or one of many? Did those in a position to benefit from such 'regressive redistribution' gladly see the fruits of their increased wealth (eventually) showered on the 'lower levels' of society? Did they resent and contest such challenges to their position? What role, for instance, did bottom up collective organization against this system (bitterly resisted by many in positions of power) play in making people (eventually) better off?

It is not that the above approaches are 'wrong,' only that to apparently justify consigning people to "depravity" for the benefit of future generations (via the use of statistics) evinces a pseudo-scientific bias, that, while providing us with useful statistical data, allows us to sidestep the morality of such a situation. Similarly, the absence of any (critical) recognition, in the vast majority of works on this topic, of the power relations latent in the ability of allowing financiers to create money via credit (one of the principle complaints of Ricardo and Cobbett *et al.*) is a truly startling omission of the historical record of this period.

This mentality is only possible in a society deeply steeped in a pseudo-scientific approach to economics that sees statistics and 'facts' as the supreme arbiter of judgment. By taking their lead from economic analysis, where people are happily abstracted to statistics, economic historians are in danger of losing a vital element of the historians' function; namely, the recognition that there is a human element to these circumstances and that great care should be taken when abstracting people to numbers. Such an approach (by favouring statistics) is therefore not an objective recounting of these events as it leaves unchallenged not only the moral dimension but, just as importantly, the issue of power.

The notion of 'improvement' is crucial to the approach adopted by many observers of these developments. Indeed, the assumptions underlying the teleological approach of many modern historians is only possible because they feel that they are commenting on an economic system that (despite its faults) nevertheless continued to provide a better (material) standard of life for citizens living in industrialized nations as the nineteenth and twentieth centuries progressed.

What if these assumptions are incorrect?

We are now facing a situation whereby the thinking that underpinned the teleological assumptions of observers such as Daunton *et al.*, namely that economic conditions have (and will) continue to improve, is incorrect. The economic conditions for many (post-2008) have not only deteriorated but are continuing to deteriorate. The economic crisis of 2007 and 2008 has permanently shattered the illusion of a gradually improving economic situation, whilst simultaneously calling into question many of the assumptions upon which teleological approaches towards this topic have been based.

The spectacle of U.S. Treasury Secretary Hank Paulson, former C.E.O. of merchant bank Goldman Sachs, presiding over a $700,000,000,000 tax-payer funded bailout of financial institutions, including his former employer, is only the most egregious example of the modern day 'monied men's' dealings with government.[33] This transaction, in which Paulson was ostensibly representing the public, was, however, only the beginning of a process that saw the Federal Reserve (a private non-accountable institution) pump at least $3,000,000,000,000 (trillion) into global financial markets.[34] How much money exactly the Fed printed, who got this money and what they did with it are unknown as the Fed jealously guards its 'independence' (accountability and oversight) from elected government. In the decade that has followed these actions, debt (much of it owed to many of the institutions that were bailed out in 2008) has increased dramatically. Global debt currently stands at around $244,000,000,000,000 (trillion), over 300% of global GDP.[35] This debt, along with increases since 2008, are laid out in Table. 10 below.[36]

Table 10: Increases of Global Debt (approx.) 2008-2018

	2008	**2018**	**Increase**	**Debt as % of Global GDP (approx.)**
Governmental Debt	$37 trillion	$67 trillion	$30 trillion	86%
Financial Corporations	$58 trillion	$61 trillion	$3 trillion	80%
Non-Financial Corporations	$48 trillion	$74 trillion	$26 trillion	92%
Personal-Household	$37 trillion	$47 trillion	$10 trillion	60%

As was the case in 1797 and 1914, technically bankrupt financial corporations having received tax-payer backed support were subsequently in a position to 'lend' (for profit) over $70,000,000,000,000 to the rest of society. As a consequence of such unprecedented actions, levels of inequality have greatly increased, as those who have been able to profit from the taxpayer-backed actions taken by governments across the globe since 2008 have appropriated an ever-greater share of global wealth.[37] Politicians and economists, while acknowledging this fact, appear powerless (despite their rhetoric) to do anything about it.

How is this so?

One answer is the uncritical acceptance, by the most influential economists and politicians, of a very narrow set of ideologically driven economic ideas and principles. These ideas, along with the (incorrect) assumption that these are the only way that the economy works, have led to a kind of 'ideological paralysis' on economic issues. Despite the fact that these assumptions and ideas have led to (among other things) the largest financial collapse in history, this collapse did nothing whatsoever to dent its acceptance and perpetuation in influential academic and political circles. The 'explanation' of David Viniar (CFO of Goldman Sachs) that the 2008 crash was equivalent to 25 standard deviation moves several days in a row (odds that are equivalent to winning the lottery 42 times consecutively) succinctly revealing the disconnect from reality that ideologically driven ideas (when they are reinforced by all around you) can lead to.[38]

As a consequence of such ideological capture very little has changed post-2008. The same economists in prestigious universities that advocated financial deregulation and the extension of derivatives markets (key factors in the crash of

2008) still occupy much the same positions, teach the same syllabus and offer academic protection against attempts at reform.[39] A further consequence of this narrow economic education is that many politicians and economists have become little more than 'systems-men/women' trained not to question (or think independently) but to protect the economic system that surrounds them. The fact that their remedy to the crash, doubling the global money supply and keeping interest rates between 0% and 1% for over a decade has only exacerbated the problems faced by the global economy is an issue with severe ramifications and implications.

This thesis has highlighted the objections raised to the paradoxical workings of this system in its nascent form. A system that cemented into place links between financiers, an ostensibly 'independent' central bank, and a strong centralized government able to fund the whole process via increases in taxation. Who benefitted from this system? Who lost out? How was the ability to create (via credit) fictitious capital and lend to governments used? How has the ability (using government bonds as collateral) of financiers to extend credit and contract credit (causing booms and slumps) been used? How has this largely overlooked power been used to shape subsequent economic and social developments? The full extent to which this system allowed elite financiers to control the money supply, dictate where credit would be granted and withheld, influence the decisions of government and attempt to mould the global economic system to their benefit has yet to be fully investigated.

The critics of these developments, whose arguments have been discussed at length above, appreciated both their novelty and, most importantly, the power relations latent in them. As a consequence of this appreciation they attempted educate and inform their readers in a clear and lucid fashion of the workings of this system. Their attempts to shine a light into areas often cast in deep shadow demonstrate the importance that these writers felt such issues contained. The importance of such issues is once again becoming apparent. Indeed, clarity and understanding – as opposed to obfuscation and deception - are crucial in this regard. The writings of Paine, Cobbett *et al.* highlighted above point the way to how such an endeavour can be achieved, by enabling a genuinely informed and democratic discussion over issues that should under no circumstances be left to secretive, unaccountable, institutions.

[1] For the increased professionalization of the workings of the British government as the nineteenth century progressed see Peter J. Jupp, 'The Landed Elite and Political Authority in Britain, ca. 1760-1850', *Journal of British Studies* 29:1 (1990), 53-79 (pp. 58-61 & pp. 63-65) & Philip Harling & Peter Mandler 'From "Fiscal-Military" State to Laissez-Faire state, 1760-1850', *Journal of British Studies* 31:1 (1993), 44-70 (p. 53, p. 60 & pp. 69-70). For the increased industrialization of the British economy throughout the nineteenth century see Peter Mathias *The First Industrial Nation, An Economic History of Britain 1700-1914* (London, 1969), chapters 8 & 12. For the impact of changes in the social and economic conditions on the radical critique of 'Old Corruption' see Philip Harling, 'Rethinking "Old Corruption"', *Past & Present* 147 (1995), 127-158 (pp. 131-132 & Ibid).

[2] The increased professionalization of economics was heavily influenced by David Ricardo who, via his *Principles of Political Economy and Taxation* (1817), was keen to present economics as a 'science.' John E. King, *David Ricardo* (New York, 2013), pp. 34-35 & Mary Poovey, *Genres of the Credit Economy Mediating Value in Eighteenth- and Nineteenth-Century Britain* (Chicage, 2008) pp. 223-225. Although Britain had to wait until the 1890s for specialized journals on economics to appear (such as the *Economic Review* and *Economic Journal*) the discussion of economic matters in *The Edinburgh Review* did much to promote Ricardo's ideas on economics. Frank Whitson Fetter, 'The Authorship of Economic Articles in the Edinburgh Review, 1802-47', *Journal of Political Economy* 61:3 (1953), 232-259 (p. 234) & A. W. "Bob" Coats, 'British Nineteenth Century Economic Periodicals', *History of Economic Ideas* 4:3 (1996), 63-75 (p. 63). The 1844 Bank Charter Act was also influential as it formalised the arrangements that established the bank of England as the world's first 'modern' central bank, as well as helping to lay the foundations for the international 'gold standard.' P. Barrett Whale, 'A Retrospective View of the Bank Charter Act 1844', *Economica New Series* 11:43 (1944), 109-111 (Ibid) & Samuel Knafo, 'The Gold Standard and the Origins of the Modern International Monetary System', *Review of International Political Economy* 13:1 (2006), 78-102 (p. 90).

[3] Matthew Roberts *'The Feast of the Gridiron is at Hand': Chartism, Cobbett and Currency* in James Grande & John Stevenson (eds.) *William Cobbett, Romanticism and the Enlightenment: Contexts and Legacy* (London, 2015), pp. 110-112.

[4] Ibid. pp.118-119.

[5] Carroll Quigley, *Tragedy and Hope A History of the World in Our Time* (New York, 1966), p. 51.

[6] Patrick K. O'Brien & Nuno Palma, 'Danger to the Old Lady of Threadneedle Street? The Bank Restriction Act and the Regime Shift to Paper Money, 1797-1821', *CGR Working Paper* 67 (2016), 1-47 (p. 28).

[7] On the first page of chapter 1 'Services to the Nation' Kynaston (2017) notes phlegmatically how, 'Crucially, the £1.2 million loan promised to the Treasury was paid not in coin, but in paper – at first in the form of so called 'sealed bills', then in the form of 'running cash notes' issued by the Bank.' David Kynaston, *Till Times Last Stand, A History of the Bank of England 1694-2013* (London, 2017), p. 11

[8] Bazelon (1959) noted the secretive nature of much of this type of financial 'property' when he observed how there have been few court decisions regarding the specific legal nature of the billions of dollars worth of convertible securities that make up the property of the stock market; leading him to conclude that such securities are indeed 'private property.' David T. Bazelon, *The Paper Economy* (New York, 1959), pp. 64-65.

[9] Michael McLeay, Amar Radia and Thomas Ryland, 'Money Creation in the Modern Economy', *Bank of England Quarterly Bulletin*', Q1 (2014), 14-27 (pp. 15-16).

[10] Money created in the fashion described by the Bank of England (footnote 9 above) is called 'Bank Credit.'The crucial aspect of this situation to bear in mind is that while banks are ostensibly limited to the amount of money they can 'create' this can be easily circumvented by additional lending to the government, actions made easier via bond purchases facilitated by (mutually beneficial) reciprocal loans between financiers. The obscurity of this process is revealed when consideration is given to the fact that in the following textbooks the workings of 'Bank Credit' (the method outlined above by the Bank of England) is not explained or even indexed. Moore McDowell, Rodney Thom, Ivan Pastine,

Robert Frank & Ben Bernanke, *Principles of Economics* (Third Edition), (Maidenhead, 2012). Jack Harvey & Ernie Jowsey, *Modern Economics* (Eighth Edition), (Houndshill, 2007). John Sloman & Dean Garratt *Essentials of Economics* (Fifth edition) (Harlow, 2010). Instead these books refer to 'fractional reserve' banking when discussing 'where money comes from.' The key point to emphasize is that despite what is taught in these textbooks banks do not loan out money they hold as deposits, they create new money with each new loan. The closest a textbook comes to describing (albeit in a less succinct way) the process outlined above by the Bank of England is in Richard G. Lipset & K. Alec Chrystal *Economics* (Tenth Edition) (Oxford, 2004).

[11] Anne Pettifore, *The Production of Money: How to Break the Power of Bankers* (London, 2017), p. 77. Quoting Mervyn King (9 October 2012) *Twenty Years of Inflation Targeting* p. 5.

[12] Osborne (1966) notes how, 'No other topic was the subject of as many [*Political*] *Register* articles as public finance.' John W. Osborne, *William Cobbett: his thought and his times* (New York, 1966), p. 131.

[13] Thomas Paine, *The Rights of Man, Common Sense and Other Political Writings* (Oxford, 1995), p. 3.

[14] See for instance, CNBC (24 March 2021) 60 largest banks in the world have invested $3.8 trillion in fossil fuels since the Paris Agreement. https://www.cnbc.com/2021/03/24/how-much-the-largest-banks-have-invested-in-fossil-fuel-report.html The Guardian (24 March 2021) Big banks' trillion-dollar finance for fossil fuels 'shocking,' says report. Coal, oil and gas firms have received $3.8tn in finance since the Paris climate deal in 2015. https://www.theguardian.com/environment/2021/mar/24/big-banks-trillion-dollar-finance-for-fossil-fuels-shocking-says-report

[15] Cedric Durand, *Fictitious Capital: How Finance is Appropriating Our Future* (London, 2014), p. 70.

[16] Giorgio Fodor, 'The Boom That Never Was? Latin American Loans In London 1822-1825', Paper presented at the Conference *'Crisis: from the real economy to the financial system'* (November 2000), 1-45 (p. 11, p. 20 & passim).

[17] A particularly high profile example of such practices is the creation of the United States Steel Corporation in 1901 by a consortium of financiers and industrialists headed by the financier J. P. Morgan. Allen (1935) notes how, in order to carry out this operation, over $1,400,000,000 worth of stock was needed. Allen then asks 'how much of this immense figure represented the actual value of the steel factories and other properties taken over by United States Steel? Ten years later the Commissioner of Corporations issued a report in which this question was very carefully answered… The Commissioner decided that the fair market value of the properties of the Steel Corporation in 1901 was in the neighbourhood of 700 millions. And the bonds and stock issued amounted to 1402 millions!' Frederick Lewis Allen, *The Lords of Creation: The History of America's 1 Percent*, (New York, 1935), pp 26-27. The only reason Morgan and his associates could issue such vast amounts of 'watered' stock was that they enjoyed immense power over the creation of money and credit. Holding the general public, and even nominal notions of democracy, with barely disguised contempt Morgan and his associated used this power over money and credit again and again to further their own personal financial goals and ambitions. Lewis Corey, *The House of Morgan A Social Biography of the Masters of Money*, (New York, 1930), pp. 367-368 & p. 401.

[18] For the amount of gold held by the Bank of England and British banks see Richard Roberts, *Saving the City: The Great Financial Crisis of 1914* (Oxford, 2013), p. 86. For the power and influence to which the use of credit could be put see ibid pp. 29-30.

[19] This loan is discussed by Bloomberg (8 August 2017) The Bank of England, 1914 War Loans and a patriotic cover-up. https://www.bloomberg.com/news/articles/2017-08-08/the-bank-of-england-1914-war-loans-and-a-patriotic-cover-up

[20] The Cunliffe Committee, headed by Walter Cunliffe Governor of the Bank of England (1913-1918), was established to oversee the transition of the British economy from war to peace following World War I.

[21] Thomas Johnston, *The Financiers and the Nation* (London, 1934), pp. 48-49.

[22] An exception is Peters (1993) who in response to Daunton's (1989) contention that there was no 'precise example' of the City's influence over the government pointed out how the British government's protection from bankruptcy of the leading financiers of London in 1914 was indeed such a 'precise example.' John Peters, 'The British Government and the City-Industry Divide', *Twentieth Century British History* 4:2 (1993), 126-148 (p. 133, p. 135, p. 139 & p. 142). For Daunton's article see M. J. Daunton, '"Gentlemanly Capitalism" and British Industry, 1820-1914', *Past & Present* 122 (1989), 119-158

[23] Quigley, *Tragedy and Hope A History of the World in Our Time,* p. 53.

[24] An example of this confusion is the fact that George Osborne (Chancellor of the Exchequer 2010-2016) despite *doubling* the national debt (adding more to the national debt than all his predecessors combined) not only apparently considers himself a 'fiscal hawk' but is regarded as such in the media. In 2009 the National Debt stood at £822,026,000,000 in 2016 it had reached £1,652,262,000,000, data from Office for National Statistics Government Deficit and Debt Return. https://www.ons.gov.uk/economy/governmentpublicsectorandtaxes/publicsectorfinance/datasets/governmentdeficitanddebtreturn. For media treatment of Osborne as a 'fiscal hawk' see, BBC News (3 October 2016) Tory economic policy: Out with the hawks, https://www.bbc.co.uk/news/uk-politics-37540795.

[25] See for Instance Lawrence H. Summers and his article, 'The left's embrace of modern monetary theory is a recipe for disaster.' The Washington Post (5 March 2019). In this article Summers discusses the dangers of Modern Monetary Theory (MMT). The fact that the policies espoused by Summers when U.S. Secretary of the Treasury between 1999-2001 (and continued by his successors) led to the largest financial collapse in history apparently doing little to dent his confidence.

[26] BBC News (13 December 2018) ECB ends €2.5tn eurozone QE stimulus programme, https://www.bbc.co.uk/news/business-46552147

[27] This figure is approximate and is based on the estimate that 'a Marshall Plan at the beginning of the twenty-first century would cost about $201 billion.' Tony Judt, *Postwar A History of Europe Since 1945* (London, 2005), p. 91.

[28] For Eurozone growth see Trading Economics, https://tradingeconomics.com/euro-area/gdp-growth-annual. For Eurozone government debt levels (in 2019, €10,000,000,000,000 (86.4%) of GDP see CBS (30 December 2019) Eurozone debts still exceeding pre-crisis levels, https://www.cbs.nl/en-gb/news/2019/52/eurozone-debts-still-exceeding-pre-crisis-level. For corporate debt levels (in 2018, 96.5% of GDP) see Eurostat statistics explained, https://ec.europa.eu/eurostat/statistics-explained/index.php/Non-financial_corporations_-_statistics_on_financial_assets_and_liabilities

[29] See for instance The Guardian (5 September 2018) How Unequal is Britain… https://www.theguardian.com/inequality/2018/sep/05/qa-how-unequal-is-britain-and-are-the-poor-getting-poorer

[30] Martin Daunton, *Trusting Leviathan: The Politics of Taxation in Britain, 1799-1914* (Cambridge, 2001), p. 45.

[31] The Representation of the People Act 1884 continued to leave approximately 40% of males and all females disenfranchised. The Representation of the People Act 1918 saw all males over 21 eligible to vote along with women over 30 who met the property qualification. Source: UK Parliament Website. For 1884 see, https://www.parliament.uk/about/living-heritage/evolutionofparliament/houseofcommons/reformacts/overview/one-man-one-vote/ For 1918 see,https://www.parliament.uk/about/livingheritage/transformingsociety/electionsvoting/womenvote/ca

se-study-the-right-to-vote/the-right-to-vote/birmingham-and-the-equal-franchise/1918-representation-of-the-people-act/

[32] Patrick. K. O'Brien, 'The Impact of the Revolutionary and Napoleonic Wars, 1793-1815, on the Long-Run Growth of the British Economy', *Fernand Braudel Center* 12:3 (1989), 335-395 (p. 376).

[33] BBC News (14 October 2008) Q&A: US $700bn bail-out plan, **http://news.bbc.co.uk/1/hi/business/7631321.stm**

[34] The Federal Reserve increased its 'asset' holdings from $900,000,000 in 2008 to $4,000,000,000,000 in 2018. Source Federal Reserve Website, https://www.federalreserve.gov/monetarypolicy/bst_recenttrends.htm

[35] Bloomberg (15 January 2019) Global Debt of $244 Trillion Nears Record Despite Faster Growth, https://www.bloomberg.com/news/articles/2019-01-15/global-debt-of-244-trillion-nears-record-despite-faster-growth

[36] Bloomberg (13 September 2018) $250 Trillion in Debt: The World's Post-Lehman Legacy,https://www.bloomberg.com/graphics/2018-lehman-debt/?srnd=premium

[37] Although specific figures vary all observers have noted a sharp rise in inequality since 2008. See for instance, Facts: Global Inequality https://inequality.org/facts/global-inequality/ Oxfam 5 shocking facts about extreme global inequality and how to even it up https://www.oxfam.org/en/even-it/5-shocking-facts-about-extreme-global-inequality-and-how-even-it-davos World Inequality Report 2018 https://wir2018.wid.world. For political 'admission' of this see BBC News (27 May 2014) IMF's Christine Lagarde: 'Inequality is rising' https://www.bbc.co.uk/news/av/business-27595151/imf-s-christine-lagarde-inequality-is-rising

[38] Financial Times (13 August 2007) Goldman pays the price of being big. https://www.ft.com/content/d2121cb6-49cb-11dc-9ffe-0000779fd2ac For the math see Daily Salty (22 April 2011) Just what is a 25 Standard Deviation Move? http://dailysalty.blogspot.com/2011/04/just-what-is-25-standard-deviation-move.html

[39] The 2010 film Inside Job (2010) directed by Charles Ferguson also provides and accessible and informative look at how little (no) difference the collapse of 2008 had on the way economics is studied and taught.

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