TABLE 26

The redeemable National Debt, 29 September 1749

No.	Category	At 3% £	At 4% £	Sub-totals £	Totals £
1	*Due to companies corporately*				
	(a) Bank of England . .	3,200,000	8,486,800	11,686,800	
	(b) East India Company .	1,000,000	3,200,000	4,200,000	
	(c) South Sea Company .	..	3,662,784	3,662,784	
					19,549,584
2	*Stock managed by companies*				
	(a) Government stock managed by Bank of England . . .	7,200,000	18,402,472	25,602,472	
	(b) South Sea Old Annuities . . .	..	13,651,100	13,651,100	
	(c) South Sea New Annuities . . .	..	9,988,319	9,988,319	
					49,241,891
3	*Managed at the Exchequer*				
	(a) $3\frac{1}{2}$%s (1731) . .				400,000
	(b) Loans of 1736 and 1739	900,000	..	900,000	
	(c) St. Kitts–Nevis debentures	37,821	..	37,821	
	(d) Loan of 1720 charged on duties on Wrought Plate . . .	..	312,000	312,000	1,249,821
	TOTALS . . .	12,337,821	57,703,475	70,041,296	70,441,296

Source: Tables 22 and 25 (above, pp. 206–18) and *BPP* (1898), lii, esp. ff. 326 ff. on the debts owed to the monied companies.

soon as ever it should be found practicable, to ease the nation of its great debts, by consulting with persons of skill, and those of great property in the funds, and publishing the method, for general approbation ... That, as within three years the 3 per cents had risen gradually from 75, and now were at 101, he thought it a demonstration of the rise of public credit; and as an instance of the flourishing condition of commerce, the duties on imports had added to the sinking fund one million in about nine months; and at the same time, for the great quantity of grain exported, there had been paid for bounties 221,000*l*.[1]

[1] Ibid. 575, from *Gent. Mag.*, November 1749, p. 1.

He convincingly repudiated Lord Egmont's fatuous argument that unless a reduction of interest were kept secret until the last minute the monied interests would sabotage it.[1] He then outlined his proposals. The interest on the debt which carried 4% was to be reduced after a year to $3\frac{1}{2}$%. It was to remain at this rate for seven years, and then to fall to 3%.[2] Pelham had, probably correctly, rejected the sudden reduction to 3% contemplated in 1737, but had at the same time avoided committing the government to a payment of $3\frac{1}{2}$% for more than seven years.[3]

On 29 November 1749 Francis Fane, the chairman of the Committee of the Whole House, reported that it had considered and accepted Pelham's plan.[4] The 4% debt was to be reduced to $3\frac{1}{2}$% from Christmas 1750. At the end of seven years it was to fall to 3%, but during this period was to be irredeemable. On amendment, the capital of the East India Company was exempted from this last provision; this later proved a very useful stick with which to beat the company.[5] The public creditors were given until 28 February 1750 to agree to the government's proposals, but no provision was made at this stage to pay them off if they dissented. The Commons ordered a Bill to embody their resolutions. It was introduced on 4 December 1749, and received the royal assent on 20th. It was, commented a writer, 'hurried through both Houses with the greatest Expedition possible even after two great Companies had shewed a dislike to it'.[6]

Parliament's complaisance was perhaps rather due to its social structure, for landed men had a keen interest in reducing the burden of taxes.[7] The public creditors, especially the stockholders of the monied companies, were less docile. It soon became apparent that the conversion would be won or lost in the companies' General Courts, to which the mass of holders of government stock, and the numerous foreign owners, looked for a lead. The

[1] Ibid.

[2] Ibid.

[3] The proposals of 1737 envisaged a fixed period at 3% of fourteen years, see above, p. 213.

[4] *HCJ* xxv. 903–4.

[5] Ibid. For the coercion of the East India Company see below, p. 238.

[6] *Annotations on a late pamphlet intituled Considerations on the Proposal for reducing the Interest on the National Debt* (1750), p. 15. The Reduction Act was 23 Geo. II, c. 1.

[7] This was argued by the author of *A Dispassionate Remonstrance of the Nature and Tendency of the Laws now in Force for the Reduction of Interest* (1751), pp. 8–9. Cf. also above, p. 29.

omens were unfavourable from the start.[1] On 7 December 1749 the directors of the South Sea Company put the government's plan before their General Court.[2] The Sub-Governor explained that the company's assent or dissent must be a corporate decision, unlike that of the holders of ordinary government stock or South Sea annuities, who could decide individually. The South Sea proprietors, angered by the long-drawn-out dispute with the government in Madrid about compensation for war damage, and acutely aware of the unpromising future of the South Sea trade, were in a hostile mood.[3] They asked whether the company could be heard by counsel against the Bill, and in the end the meeting adjourned without reaching a decision, the directors noting that

> the General Court, as it appeared from their debates, were of opinion, it was at present too early to come to any Determination with Regard to the Resolution of the Honble. House of Commons.[4]

They instructed Mr. North, their solicitor, to find out whether legal representation could be made against the proposals. North's inquiry, however, ran into sand.[5]

On 13 December 1749 the General Court of the East India Company gave the government's plan an equally cold reception.[6] The directors recommended its acceptance, provided the government allowed the company to raise a loan to discharge part of its bond debt. The court, however, merely resolved that the directors' recommendation should be printed, and adjourned until 19 December. When it reassembled there was 'a very large Appearance of the Generality', whose dislike of the government's plan must have deepened when one of the directors, Sir James Creed, openly proclaimed

[1] Cf. van Hemert & Co. in London to J. I. de Neufville in Amsterdam, 15 December 1749 (in Dutch): 'The reduction of the 4% Annuities will certainly take place.' The Bank has not yet held a meeting, but will certainly assent, 'as all these things have had its approval'. On 22 December 1749, however, they write that the Reduction Act has passed Parliament this week, that large sums are still unsubscribed, and that some ask 'what one can lose by not subscribing on these terms' (Amsterdam, Archief Brants, 1344.)

[2] Add MS. 25545, f. 129, South Sea G. Ct. Bk., 7 December 1749.

[3] The company claimed £1,367,387 from Spain; it eventually received only £100,000 and had to give up its trade, see below p. 240.

[4] Add. MS. 25512, f. 71, South Sea D. Ct. Bk., 7 December 1749.

[5] Ibid., f. 73, 14 December 1749, North's report. He had asked Speaker Onslow about the point. Onslow said that the matter was difficult, and that he would search for precedents and consult with the South Sea directors who were M.P.s. He subsequently said he could not answer the question at all.

[6] East India G. Ct. Bk. ii, ff. 129–33, 13 December 1749.

dissent from his colleagues' views.[1] A motion to accept the directors' proposal was then read and carried, a counter-motion to adjourn being rejected. A group of nine influential proprietors at once asked that the issue be decided by ballot.[2] This was held on 3 January 1750, and was carried against the directors by 296 votes to 209.[3] When the reduction proposals were laid before the General Court of the Bank of England on 31 January 1750, therefore, the two other monied companies had already rejected them. It was hardly to be expected that the Bank's proprietors would refrain from following suit. Their restless mood is indicated by the Governor's plea that

> their Debates on the Proposals be carried on with Calmness of Temper and Respect to One another as becomes Gentlemen who have but one View as design which is the Prosperity and Safety of this Corporation.[4]

The gentlemen evidently considered that their own prosperity counted for something too. They summarily rejected the government's plan.[5]

At this stage the success of Pelham's conversion seemed doubtful. If the rank and file of stockholders followed the companies' lead, and the evidence is that they were doing so, the government would either have to withdraw its proposal altogether or borrow over £60m. at $3\frac{1}{2}\%$ to pay off the dissentients.[6] The first course would be politically disastrous, and might well imperil government credit for years ahead. The second was economically impossible. It is difficult not to criticize Pelham's handling of this part of the operation. He had started well, and at the right point, the market in short-term securities. But he had made no provision for the repayment of dissentients in his parliamentary Bill, and had allowed his plan to come up first for discussion in the South Sea Company, whose proprietors were already in a bitter mood. If the Bank, with which the Treasury had such close contacts, could have been persuaded to give a favourable lead instead of being

[1] Ibid., ff. 133–4, 19 December 1749.

[2] Ibid., f. 135. The nine were Abraham Atkins, Joseph Gulston, Sir Thomas Hankey, Richard Holland, John Legg, Moses Mendes jun., Charles Savage, William Sloane and Pinckney Wilkinson. Atkins was a prominent East India jobber, Gulston a former contractor for remittances with the Treasury, Hankey the head of a banking house with a European reputation, Savage a director of the Bank of England who had been Governor in 1745–47, Wilkinson a rich merchant and loan jobber.

[3] Ibid., ff. 139, ballot held 3 January 1750, f. 142, 4 January, its result reported. Sir James Creed committed his dissenting views to paper in a pamphlet, *Three Letters to the Proprietors of Stock in the East-India Company, Relative to the Question to be Ballotted for on Wednesday, January 3d., 1749* [i.e. 1750]. *By a Director.*

[4] Bank G. Ct. Bk. iii, f. 164, 31 January 1750.

[5] Ibid.

[6] For the reluctance of the South Sea annuitants to move at this stage see below, p. 237.

left until last, the attitude of the other companies might have been different, while the rank and file of holders of ordinary government stock, both in England and abroad, would have been favourably impressed. Lastly, Pelham seems completely to have neglected the arts of behind-the-scenes influence, coupled with propaganda, for which the situation obviously called.

With disaster staring him in the face he set about repairing his mistakes. His first move seems to have been the difficult but shrewd one of persuading Sir John Barnard to co-operate with the Treasury at the same time that it was using the services of Barnard's *bête noire*, Samson Gideon. Pelham's diagnosis evidently was that Barnard's reputation as the Cato or Brutus of public finance made him the right man to appeal to the public creditors at large, while Gideon, with his vast wealth and many financial contacts, was the right man through whom to work on opinion in the Bank of England. This proved to be correct. On 6 February 1750 Barnard published his *Considerations on the Proposal for Reducing the Interest on the National Debt*. It at once made a great impression.[1] He defended Pelham's aims and tactics, and urged the holders of government stock to subscribe immediately without waiting to see what the three monied companies would do. He argued that the trend of interest rates was downward, and that those who chose to be paid off in cash would have difficulty in reinvesting at even 3%. He added, incorrectly, that the government was unlikely to extend the time for subscribing (the deadline at this stage was still 28 February 1750). Meanwhile, Gideon had been working on important stockholders of the Bank of England with a view to persuading the Old Lady to change her corporate mind.[2] On 22 February 1750 he and twenty-four other proprietors exercised their right to summon a special General Court.[3] When this met on 27 February it asked the directors their views of the government's plan. They recommended its acceptance. The court acquiesced, and asked the directors to notify their assent to Parliament.[4] It would be nice to know what arts Gideon used to turn the lion of January into the lamb of February.

Foreign observers, in close touch with their London correspondents, noted

[1] Barnard's preface is dated 6 February 1750. The effectiveness of his pamphlet is noted in *A Dispassionate Remonstrance of the Nature and Tendency of the Laws now in Force for the Reduction of Interest*, p. 11.

[2] Gideon's memorandum to the Treasury in 1758, printed in *Econ. H.R.* xvi (1946), 17.

[3] Bank D. Ct. Bk. O, f. 531, letter from Samson Gideon, James Colebrooke and twenty-one other proprietors 'having each of us Five Hundred Pounds or more' stock. With the exception of Gideon, Colebrooke and one or two others, the signatories were not well-known names. Some of them were probably Gideon's agents.

[4] Bank G. Ct. Bk. iii, ff. 165–6.

that the financial atmosphere had quite suddenly changed. On 24 February 1750 Gerrit Blauw in Amsterdam wrote to his uncle, David Leeuw, at his country house in Warmond that

> Advice has been received that there has been a considerable change in the subscription. In one or two days 1½ million has been subscribed.... The last day of this month is the last day one can subscribe. People are now beginning to be frightened about the possibility of being left out.[1]

TABLE 27

Subscription of South Sea annuities to Pelham's reduction of interest December 1749 — February 1750

Subscribed by		*South Sea Old Annuities* £	*South Sea New Annuities* £	*Total* £
26 December 1749		68,043	62,311	130,354
31 January 1750		182,133	112,177	294,310
28 February 1750		8,772,711	6,102,769	14,875,480
TOTALS	£	9,022,887	6,277,257	15,300,144

Source: Notes on fly-leaves of Old Annuity ledger T–Z, 1744–51, f. 906, New Annuity ledger T–Z, 1747–51, f. 872, Bank of England Record Office; sums rounded and partly re-arranged. The final figures were slightly different, see below, p. 239.

The figures for subscription of South Sea annuities, the largest single government stock, show that February was indeed a decisive month. By the end of February 1750 £38,806,976 of a possible 4% debt of £57,703,475 had been subscribed for conversion.[2] This enabled Pelham to bring the second part of his plan into force, by extending the date for subscription to 30 May 1750, but at the same time stiffening the terms allowed to these

[1] Amsterdam, Archief Brants, 395 (in Dutch). The letter is dated 7 March 1750 (N.S.), i.e. 24 February (O.S.). Similar views are expressed by van Hemert & Co. in a letter to J. I. Neufville & Co. dated 23 March 1750 (Archief Brants, 1344). Professor C. H. Wilson, *Anglo-Dutch Commerce and Finance in the Eighteenth Century* (1941), p. 150, dates this letter in error 23 March 1749.

[2] See Table 29 on p. 239.

subscribers. They were only to have 3½% for five years, after which they were to be reduced to 3%. At the same time the government took powers to repay dissentients at stated times in 1751.[1] The same Act provided that the whole of the £4,200,000 due from the state to the East India Company should be repaid to it in 1751 unless it agreed to the reduction by 30 May 1749. If it did agree, it would be allowed to borrow up to £4·2m. to discharge its bond debt.

Pelham had recovered his touch. These were measures which nicely blended the stick and the carrot, and recovered the government's authority, which had wavered for a long and unpleasant moment. Their effect on foreign opinion can be judged by isolating from the overall figures for subscription of South Sea annuities those for subscription by Dutch proprietors, who were easily the most important foreign holders.

TABLE 28

Dutch subscriptions of South Sea annuities to Pelham's reduction of interest 1750

	Subscribed by 28 February 1750 £	*Subscribed by 30 May 1750* £	*Total* £
South Sea Old Annuities . .	214,175	547,028	761,203
South Sea New Annuities . .	206,365	478,881	685,246
TOTALS	£420,540	£1,025,909	£1,446,449

Source: South Sea annuity ledgers, Bank of England Record Office. Only a minority of foreign holders elected to be paid off, see below Ch. 12.

On 25 April 1750 the East India proprietors, aware that the tide of events was running against them, capitulated — after acrimonious debate — and agreed to the government's terms.[2] By the end of May 1750, therefore, the financial situation had greatly improved, only £7m. of the 4%s remaining unconverted, of which half was due to the unhappy and bitter South Sea Company, still on its lonely pinnacle of resistance.

[1] 23 Geo. II, c. 22. This received the royal assent on 12 April 1750 but its provisions were known earlier. Money to repay dissentients was to be raised at 3½% or less in cash or by creating new Exchequer bills.

[2] East India G. Ct. Bk. ii, ff. 163–71, 25 April 1750.

TABLE 29

Four per cent debts subscribed by 30 May 1750

Type of debt	*Amount* £	*Subscribed by 28 February 1750* £	*Subscribed by 31 May 1750* £	*Total subscribed* £	*Remaining unsub-scribed* £
1. Due to Bank of England	8,486,800	8,486,800	..	8,486,800	..
2. Due to East India Company	3,200,000	..	3,200,000	3,200,000	..
3. Due to South Sea Company	3,662,784	..	..	..	3,662,784
4. South Sea Old Annuities	13,651,100	9,050,911	3,353,359	12,404,270	1,246,830
5. South Sea New Annuities	9,988,319	6,284,809	2,673,446	8,958,255	1,030,064
6. Govt. 4% stock managed by B. of E.	18,402,472	14,857,956	2,713,618	17,571,574	830,898
7. 4% stock managed by Exchequer	312,000	126,500	3,250	129,750	182,250
TOTALS £	57,703,475	38,806,976	11,943,673	50,750,649	6,952,826

Source: BPP (1890–1), xlviii. 665, rearranged, except the sums for Old and New South Sea Annuities, not given there, which are taken from the ledgers, Bank of England Record Office.

Effectively, therefore, 88% of the 4% debt had been reduced to 3½% (with effect from Christmas 1750) and would fall to 3% from Christmas 1757. This reduced the cost of servicing the funded debt as a whole by about 12% initially and nearly 25% from 1757, though by that date the fall had been offset by new borrowing on a large scale.[1] Particularly in contrast to its doubtful prospects earlier, the conversion had been virtually as successful as Walpole's in 1717, a fine achievement considering the increased complexity of the problems involved.

[1] The charge of servicing the former 4% debt fell by £286,654 p.a. 1750–5, £346,372 p.a. 1755–6 and £577,036 p.a. 1757 ff. *BPP* (1890–1), xlviii. 665 makes the first two of these figures £272,067 and £350,101 by taking the South Sea Company's capital as being at 3½% 1750–7 when it was in fact at 4%, see the text.

The next task for the government was to clear off the 4% debts left unsubscribed. In October 1750 it issued sufficient new Exchequer bills to cancel the unsubscribed stock transferred at the Bank of England and Exchequer, amounting to £1,013,148. The bills were subsequently paid off from the Sinking Fund.[1] This left the much thornier question of the South Sea Company. The government had to sell the company three main propositions. The first was that its trade with the New World, which had been the proximate cause of war in 1739, was no longer a viable proposition, and must be abandoned. The second was that its claims against Spain for war damages, amounting to £1,367,387, were hopelessly unrealistic politically, however just they were as a matter of accountancy, and must be drastically cut down. The third was that it was no longer possible for the company to stand out against the reduction of interest, now that the other monied companies, and nearly everyone else, had agreed to it. The process of bringing the company to see reason was not easy, and argumentative South Sea General Courts debated the issues involved in December 1749, February 1750, January 1751 (twice) and February 1751.[2] But the company had few bargaining-counters, and the proprietors were forced to realize it. In January 1751 they agreed to accept £100,000 in settlement of their claims against Spain, and to give up their trade to the New World.[3] In the next month they reached agreement with the Treasury. The company's capital was to stay at 4% until Christmas 1757, and then to fall to 3% like the state's other debts. It was also to be allowed to borrow £2·1m. at 3% to discharge most of the unsubscribed South Sea annuities, which amounted to £2,276,894. This loan was successfully floated in the same year, £1·4m. by subscription and £700,000 by a lottery whose tickets were funded in the same stock, the South Sea 3%s of 1751.[4] Interest was charged on the Sinking Fund. Effectively, this was the end of the South Sea Company as anything more than a department of the Treasury. It had on at least two occasions (1719–21 and 1737–40) exerted as dramatic an influence on the state as the East India Company was ever to do in the second half of the eighteenth century, but it never had the overseas interests which were to make John

[1] Bank G. Ct. Bk. iii, f. 171, 25 October 1750 and Add. MS. 33038, f. 388.

[2] Add. MS. 25545, ff. 129–47, 7 December 1749, 26 February 1750, 10 and 16 January 1751, 28 February 1751. Other General Courts in this period were held only to declare dividends.

[3] The acceptance of £100,000 was cleared at the General Court on 10 January 1751; the sum was paid over by General Wall on 26 February 1751, Add. MS. 25513, f. 9.

[4] 23 Geo. II, c. 22. The ledgers for this stock in the Bank of England Record Office show that the lottery tickets were not funded until 1752.

Company's politics of such moment for powerful social groups at home. In May 1752 the South Sea directors disconsolately informed the commissioners of the Land Tax that they would no longer pay tax on their personal stock and effects, 'they being no longer a Trading Company'.[1]

V

Pelham's conversion had sailed through rough waters into safe harbour. Pelham, like any administrator of comparable ability, was more concerned with what was wrong than with what was right. The operation had indeed greatly cheapened the servicing of the National Debt, and had in doing so asserted the government's authority against its creditors. But it had left some important problems behind it. Each of the five former 4% stocks administered by the Bank of England was serviced by a separate 'fund' of customs and excise duties. And each set of ledgers for these stocks had had to be broken into two in 1750 in order to record the first (February) and second (May) subscriptions separately.[2] Besides these former 4% (now 3½%) stocks the Bank managed six separate 3% stocks and the Exchequer three others. These were also serviced by different funds, and the transfer books for them opened on different days. Once the reduction of interest was completed, there was therefore a strong case for consolidating all the reduced 4%s into two sets of ledgers, and all the 3%s into another set.[3] Interest could then be met from the Sinking Fund, to which the duties formerly settled to pay interest on the separate stocks could be carried. The Treasury's point of view is set out in a memorandum of 1754 which, though concerned with the 3%s, applies equally cogently to the 'reduced Threes'.

The Annuities at 3 li p. Ct. were transferrable at the Bank, and because the Funds of most of them were deficient and the several Transfer Books open upon different days which was extremely troublesome to the Proprietors, It was therefore thought

[1] Add. MS. 25513, f. 13, South Sea D. Ct. Bk., 14 May 1752. In the following year the number of directors was reduced from thirty to twenty-one.

[2] Ledgers for these stocks, Bank of England Record Office. The stocks were for one loan of 1746, two of 1747, one of 1748 and one of 1749.

[3] 3½%s had to be consolidated in two sets of ledgers, not one, because the subscriptions in February and May 1750 ran for different periods (seven years and five years) before reducing to 3%.