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SAMSON GIDEON AND THE REDUCTION OF INTEREST, 1749-50¹

By L. S. SUTHERLAND

IN 1758 the Jewish financier Samson Gideon, the most famous stock-jobber at Jonathan's Coffee-house in the first half of the eighteenth century, presented a paper to the Newcastle ministry in which he pushed his claims to a peerage.² He had been advancing these claims since at least 1757³ and he urged in their support the ennoblement of others of his race by various monarchs of Europe:

Antonio Lopez Suasso Native of Holland professing the Jewish religion was in a Catholick Country Created a Baron by the King of Spain and the Patent sets forth, that the Title shall descend [*sic*] to Male or Faemale notwithstanding their professing Themselves to be Jews.

The Emperor of Germany Confirmed the above, and Granted him a New Patent by the title of Antonio Lopez Suasso de Avernes Le Gross.⁴

Mr Diego Periera de Aguilar a merchant and Native of Portugal and Free Denison in England Professing the Jewish Religion and Educating all his Children in the Faith he Embraced some years Since, was made very lately a Baron of the Empire.⁵

Whereas Samson the Son of Rowland Gideon⁶ (a West India Merchant and a free and Livery Man of London) was born in England, married an English Protestant,⁷ his Sons and Daughters were all Baptized by the Sub Dean of St Paul's, few days after their birth, were Strictly Educated and so many of them that are Living Continu [*sic*] to Profess Christianity.

His plea was not granted, but a compromise was offered and accepted. In May 1759 his school-boy son, so providently baptized by the Sub-Dean of St Paul's, was made a baronet in his stead. For on one side stood the anti-semitism of English society and of George II, but on the other the desire of the ministry to serve a most useful man.

Of more interest than the ambitions of the financier (which were fulfilled when his son was created Baron Eardley by the younger Pitt in 1789) are the services for which he demanded payment. He lays them out himself in his application.

¹ Since the Manuscript Room of the British Museum is still closed, it has not been possible to check most of the manuscript references in this article.

² Brit. Mus. Add. MS. 33055, ff. 219 seq. Date clear from internal evidence.

³ Letter quoted in 'Memoir of the Life of Sampson Gideon Esq. of Spalding, Co. Lincoln and Belvedere, Kent. by J. E. Wilmot Esq.', in J. Nichols, *Illustrations of the Literary History of the Eighteenth Century* (1817-58), vi, 277-84.

⁴ In 1676. The title was really Avernas de Gras. *Jewish Encyclopaedia*.

⁵ In 1747. *Ibid.*

⁶ A Portuguese Jew who had changed his name from Abudiente.

⁷ Jane, daughter of Charles Ermell.

- Anno 1742. After a declaration of War with Spain Mr Gideon delivered a Scheme for raising of Three Millions at Three p. cent. and made himself answerable for the first payment upon upwards of £600,000, and otherwise assisted to Compleat the Whole; as can be Testified by the Rt. Honble Lord Sandys Then Chancellor of the Exchequer.¹
1743. Delivered a Scheme to the Rt. Honble Henry Pelham Esq. Chancellor of the Exchequer and, as above, Subscribed and otherwise made himself liable for a much larger Sum than the preceding year . . . well known to Mr West.²
1744. Performed the Same when the French Fleets were in the British Channel and the Publick Funds daily sinking.³
1745. In times of great distress proposed by a New method how to raise the Supplies and as before constantly attended the progress thereof.⁴
1746. A scheme was delivered by Messrs Jno Bristow and Gerard Van Neck just befor the Battle of Culloden. Mr Pelham in Order to be Secure of part of the sum proposed to be raised, Took Mr Gideon's Note annexed to a list to be collected by him and by the Chancellor's order, to be answerable for the first payment of £1,070,000 which was all distributed among the People as may now be made appear by the said list and obligation at that time deposited with the Directors of the Bank.⁵
- 1746[5]. Proposed the Subscription for Circulating of Bank Notes and restoring their Credit, and was one of the four persons that Carried on that Association, and there is now in Mr Gideon's hands the Original Papers and the Signatures of above thirteen hundred merchants and others who signed in little more than one Day which had that good Effect that shou'd be remembered.⁶
1746. Contributed and promoted the Subscription to the Land Tax, etc.⁷ and during the Rebellion Constantly attended the comee for Supplying the Soldiers in the North with Necessaries.⁸
1747. Subscribed largely for himself and friends to the Schemes

¹ 15 Geo II, c. 19.

² 16 Geo. II, c. 13.

³ 17 Geo. II, c. 18. The *Gentleman's Magazine* (1744), p. 225, gives the 'lists' of subscribers to the loan of that year. The 'Treasury's list' (i.e. the subscriptions made through the three Monied Companies) was £600,000; Gideon's £300,000; J. Gore, J. Bristow, G. Van Neck £150,000 each; R. Drake, R. Jackson, J. Edwards, P. Burrell and Henry Lascelles £90,000 each.

⁴ 18 Geo. II, c. 9. The 'new method' was presumably the attachment of small life annuities as 'douceurs' to the lottery tickets, a feature which recurs in 1746 in a scheme in which he was much concerned. On this later occasion it was much criticized.

⁵ 19 Geo. II, c. 12. Gideon is incorrect in dating it 'just before the battle of Culloden'. The battle took place in April, and the scheme appears to have been agreed on at the end of December or beginning of January after the defeat at Falkirk and before the success at Stirling.

⁶ Sir Theodore Janssen (Brit. Mus. Add. MS. 32862, ff. 69 seq.) and Sir John Barnard appear to be two of the 'four persons'. I have not been able to trace the fourth.

⁷ See below, p. 22.

⁸ With Sir Theodore Janssen the initiator of the Committee (Brit. Mus. Add. MS. 32862, ff. 69 seq.).

1748. delivered by Sir Jno Barnard.¹
1749. Was Employed by the Right Honble Mr Pelham (as will appear by the Letters now in the hands of Mr Roberts)² to bring about the reduction of Interest upon the Funds, subscribed all his own property in them Immediately.
1749. Seconded the Motion at the Bank and debates arising by arguments contributed to Convince the Proprietors, at their General Court, that it was prudent and Right for that Corporation to accept of Mr Pelham's proposal, notwithstanding they had rejected the same at a former Genl Court. The Earl of Winchilsea was present and has often mentioned Since, that Mr Gideon was Serviceable upon that Occasion.
1751. The Chancellor of the Exchequer proposed to raise One million at three per cent and the Gentleman that undertook to Compleat the Same delivered a list for only £40,000, and declared he could do no more as the Three per cent annuities were sold at a Discount at Market. Mr Gideon sent for by Mr Pelham subscribed upwards of £100,000 and declared he would take more if necessary, and the whole was subscribed for by the Chancellors friends in two days which brought the Foreigners and almost all the Outstanders into the Second reduction.³
1756. Mr Gideon Subscribed for £107,000 for his own account and begs leave to appeal to the Duke of Newcastle with what difficulty his Grace raised the Supplies that Year.⁴
1757. Was the first private person that Published to pay a bounty for Recruiting his Majesty's army, which Example was followed by Many not without Success and had the Honor to meet with Royal applause.
1757. Attended his Grace the Duke of Devonshire to raise the Supplies.⁵
1758. Mr Gideon had the honor to Attend the Duke of Newcastle and will be glad if his Grace thinks that he was in any way assistant in raising of two Loans for his Majesty's Service in his Ellectoral Capacity.⁶
- Mr Gideon never Asked or had from the Government any Gratuity, fee or Commission, nor will he Accept of any Pecuniary reward.

¹ See below, p. 24.

² Pelham's papers were left after his death in the keeping of his former secretary Roberts, whose widow appears to have destroyed them. Wm. Coxe, *Pelham Administration* (1829), I, ix.

³ See below, pp. 29.

⁴ 29 Geo. II, c. 7. For difficulties see Brit. Mus. Add. MS. 32862, ff. 204-365 passim.

⁵ The list of subscribers to this loan (30 Geo. II, c. 19) is preserved in the Exchequer Papers (P.R.O. E. 401, 2598), *Subscribers to the £3,000,000 loan for 1757*. Gideon was the largest of the very numerous subscribers, his list standing at £100,000.

⁶ Wilmot, *op. cit.* p. 278, mentions that in 1753 Gideon combined with Bristow and Boehm to lend £90,000 to the City of Danzig, so that he had earlier experience of contributing to loans raised by foreign governments.

The services set out in this list are substantial and all are of some interest to the historian of eighteenth-century public finance. This article is, however, concerned primarily with those entered under the years 1749 and 1751 in connexion with the conversion operation undertaken by Henry Pelham when he was First Lord of the Treasury and from which there emerged the original 3 % Consols.

Little attention has been paid by historians to the means by which this transaction, the most important in Pelham's financial career, was carried out. Some circulation has indeed been given to a facile account of it by Richard ('Leonidas') Glover, a City politician and poet, in his *Memoirs of a Late Literary Character*, in which he attributes the success of the enterprise entirely to Sir John Barnard, the well-known independent City Member, and to himself.¹ It does not require much knowledge of the machinery of eighteenth-century public credit to refute the account of this always unreliable witness. Gideon's claims fall into quite a different class. Both he and Sir John Barnard were in fact, in their different ways, closely connected with the transaction for which, however, the chief credit must go to Pelham himself. All, moreover, played their part within the framework of a credit organization which had gradually been built up during the preceding years and which must be kept clearly in mind if the success of the transaction is to be understood.

Eighteenth-century administrations relied for their fiscal requirements partly on a system of taxation that was from the modern point of view both rigid and unproductive and partly on short- and long-term loans.² In raising both they depended on the growing London money market, with the Bank of England rising to a central position in it,³ and (where long-term loans were concerned) on the power of the London market to mobilize the funds of the *rentier* class, not only in the British Isles but in various Continental countries, particularly in Holland.⁴

As Sir John Clapham has shown,⁵ governments throughout this period were relying to an increasing extent on the Bank of England for their short-term credit. For the most part Gideon's services consisted in his assistance in the raising of long-term loans in time of war and in his help, both financial and moral, in bringing to a successful conclusion Pelham's conversion scheme.

The normal Treasury procedure when floating a long-term loan was as follows: applications were invited from individuals with whom the Treasury was in touch. These applicants were drawn from a narrower or wider circle according to the contacts of the Treasury in the City at the time. It was understood that each applicant spoke for a considerable body of would-be subscribers as well as himself; certain of them represented the

¹ Edited and published after his death by R. Duppa (1813), p. 38.

² E. L. Hargreaves, *The National Debt* (1930).

³ J. H. Clapham, *The Bank of England: A History*, vol. 1 (Cambridge, 1944).

⁴ C. Wilson, *Anglo-Dutch Commerce and Finance in the Eighteenth Century* (Cambridge, 1941).

⁵ *Op. cit.*

foreign subscribers whose importance in the fund-holding body caused from time to time so much public disquiet;¹ prominent government contractors, usually themselves Members of Parliament, had a number of M.P.s among the names on their list;² and at this time Samson Gideon's list brought in a Jewish financial element likely otherwise to be omitted. While these proposals were being formulated there was a period of active discussion behind the scenes between the Treasury and the more important of these applicants, in which the First Lord of the Treasury, the Chancellor of the Exchequer and other ministers joined. A meeting was then arranged between the Treasury officials and the applicants, after which no further application was considered. Contemporary references confirm Lord North's description to the House in 1781 of what happened at such a meeting.

The rule of that meeting was to convene the monied men who had made applications and offers and to convene the heads of all the great public companies [often called by contemporaries the 'three monied Companies', i.e. the Bank of England, the East India Company and the South Sea Company] who usually assisted the Government with money, but who never made any applications previous to that meeting; by these gentlemen so collected, the terms were settled and it was always usual to expect that the gentlemen who were present were to take a pretty considerable share of the loan among them.³

In fact the loan was nearly always over-subscribed and, after its terms had been passed by parliament, the final list of subscribers was drawn up by the Treasury, who allotted subscriptions at discretion, usually with the advice of some City supporter. The importance of the three monied Companies on the market and the big share usually taken by their representatives made them in many ways the centre of the body negotiating for terms, though they did not subscribe in their corporate capacity.

As soon as the first instalment had been paid and the receipts given out, the 'scrip' began to be the subject of dealings on the market, where it was called 'Light Horse' (fully paid up subscriptions were known as 'Heavy Horse'),⁴ and was considered a highly speculative security. The Treasury were wont to justify their discrimination between subscribers and their use of middlemen on the grounds of the danger to public credit which would follow if subscribers proved financially weak and were obliged to sell out precipitately to avoid the later payments. A closely knit financial system with the three monied Companies at its centre both as corporate creditors of the state and as a focus for the interests of individual creditors arose out of these arrangements.

Whatever its advantages, however, it is easy to see that such a system must give rise to dissatisfaction in the City when terms turned out favourable and when any considerable financial interests had been ignored. The

¹ Wilson, *op. cit.*

² L. B. Namier, *Structure of Politics at the Accession of George III* (1929), I, 68.

³ *Parliamentary History*, xxi, 1355.

⁴ T. Mortimer, *Every Man his own Broker* (2nd (enlarged) ed. 1761), pp. 144 seq.

ill-feeling was moreover exacerbated by the fact that the Treasury's choice was not based solely on financial considerations. Participation in the subscription, like a share in a government contract, was often used as an inducement towards or reward for political services. It is not surprising therefore that the 'monied interest' with the three Companies at its centre was often attacked by their less influential fellow-citizens as a sinister oligarchy bolstered up by the corrupt influence of the administration. This feeling, moreover, had political consequences; it was one of the strongest forces driving the main body of City opinion into the arms of any parliamentary opposition which was prepared to make use of them.

Pelham had inherited a peculiarly difficult position in this respect. Opposition to the government in the City had been strong during the parliamentary struggle which ended in the downfall of Walpole. In the City as in parliament, Pelham was able to reconstruct the strong connexion built up by his predecessor only after slow and anxious work and by establishing it on a 'broad bottom'. In the City this was only achieved in 1747. In the years 1744-5 and the earlier part of 1746 in particular, dissatisfaction continued in the City and was centralized by Sir John Barnard, the independent City Member, in an attack on the administration's financial arrangements and a demand for government loans to be raised by 'open subscription' (that is, for arrangements whereby, once the terms had been agreed on, the books would lie open for anyone who wished to subscribe and whereby, in the event of an over-subscription, subscribers would have their share allotted on a *pro rata* basis), in the place of the 'closed subscription' of normal contemporary practice.

An anonymous pamphleteer took Samson Gideon as typical of the monied interest and Sir John Barnard as typical of its opponents.¹ They had certainly been old enemies representing very different aspects of the City's activities. While Gideon was acknowledged as the greatest of stock-jobbers, Sir John Barnard had in 1734 fathered and pushed through an Act which, if enforced, would have prevented speculative dealing in stocks altogether² and Gideon's activities at the end of 1745 and the beginning of 1746, when he first came strikingly to the fore, were the object of Sir John's most scathing attacks. Gideon was, however, hardly a typical representative of the monied interest. More typical were such men as John Bristow, M.P.³ or Sir William Baker, M.P.,⁴ government contractors, London merchants of good repute and high on the direction of one or other of the three monied Companies. Gideon, on the other hand, stood rather aloof and as late as 1746 was still considered something of an

¹ *An Essay upon Publick Credit, in a Letter to a Friend. Occasioned by the Fall of Stocks* (1748) (Brit. Mus. T. 1143, 11).

² 7 Geo. II, c. 8.

³ Merchant with big interests in the Portugal trade; government contractor; Director of the South Sea Company for many years, Deputy Governor in 1754 and Sub-Governor in 1759.

⁴ Alderman; West India and America Merchant; Director of the East India Company for many years and Chairman in 1749 and 1752.

interloper.¹ His religion debarred him from rendering the political services that received their reward in profitable government contracts, and made him an object of suspicion. He was also surrounded with the discredit that then attached to the professional stock-jobber.

Wilmot, whose memoir of him was based on the examination of his papers (now lost), claims that in addition to his purely financial activities Gideon could claim the status of a merchant and that he had 'frequently large ventures himself in all parts of the world'.² But while we have evidence that he had been sworn in as a Jew broker in 1729,³ that he dealt in the funds and in the short-term securities of the market, and that he subscribed to the loans raised by his own and other governments, there is no corresponding evidence to suggest that he had any substantial interests as a merchant. There seems no reason to doubt that he was what his contemporaries thought him, a highly skilled jobber and broker and a daring speculator. In 1720, when he was just of age, his father died, leaving him a fortune of £7901. During the South Sea Bubble years he speculated extensively and with success; by 1727 he could give his two sisters portions of £2000 apiece, the dowries of well-to-do girls. By September 1729 his capital had grown to £25,000. In more settled times it took him more than eleven years to double it, but by December 1745 in the depth of the panic induced by the Jacobite Rebellion, it had risen to £82,000 and by 1748 when the depression was over his capital stood at £156,000. From that time on he continued to gain steadily; when he partially retired from business in 1755 he calculated that he was worth £279,000 and £297,000 by July 1759.⁴ It seems clear that he won his way into the 'monied interest' by sheer usefulness in time of financial need.

Such a man was a useful friend and a bad enemy for an eighteenth-century administration in time of war or other stress. It was widely believed that he manipulated stock prices to serve his ends; indeed he boasted that in 1744 he had kept up the price of lottery tickets by artificial means⁵ and in 1746 Sir John Barnard publicly accused him and his friends of manipulating the price of annuities to suit their plans.⁶ In the panic of 1745 when the rebels were marching south, he showed his address and spirit in protecting the joint interest of himself and the public credit. As prices fell he bought openly to the full extent of his resources;⁷ he subscribed to the merchants' address of loyalty to the king which did much to steady public opinion and played a prominent part in the association of London

¹ *Gentleman's Magazine* (1746), pp. 191-2 contrasts those subscribing to the loan of that year with the government's 'old friends'.

² Nichols, *op. cit.* p. 277.

³ Guildhall Records.

⁴ Nichols, *op. cit.* pp. 277-8. He died in 1762 at the age of 63.

⁵ Hist. MSS. Comm. Marquess of Lothian, Sect. III, Correspondence of Sir Thomas Drury, pp. 148-53.

⁶ Sir John Barnard, *A Defence of Several Proposals for Raising of Three Millions for the Service of the Government for the Year 1746, with a Postscript containing some Notions relating to Publick Credit* 31st May 1746.

⁷ Hist. MSS. Comm. *op. cit.* pp. 153 seq.

merchants who pledged themselves to accept bank notes to avert a threatened run on the Bank in September,¹ and was very active in the attempt, when the ordinary lenders in advance of the Land Tax failed, to raise at least half of the credit required by public subscription, an attempt which was only partially successful.²

It was the government loan of 1746, however, that stamped Gideon on the public mind as a leader among the monied interest. In a scheme put forward to the Treasury he says by the well-known contractors Bristow and Vanneck, sometime at the end of December 1745 or early in January 1746 when the outlook was still very threatening, he was the largest subscriber.³ The news of the Pretender's retreat from Stirling came through to the City about 7 February and as confidence returned it began to become apparent that the terms which the Treasury had been glad to accept were likely to prove very favourable to the subscribers. In the debates on the loan in the Committee of Ways and Means in March, Sir John Barnard voiced the jealousy of the City interests not concerned in the loan, attacking it in unmeasured terms, proposing two alternative methods of meeting the needs of the state and demanding, in the interest of equity and national economy, the introduction of 'open' subscription in the raising of government loans.⁴

If Gideon was a prominent member though not a typical representative of the monied interest, Sir John Barnard was certainly the leader of the popular opposition in the City to it. He had all the reputation which Gideon lacked, and served the City for fifty years as its example of the just man and upright citizen.⁵ Standing outside the monied interest he represented the outlook of the ordinary City merchant who formed public opinion there.⁶ In the House of Commons he identified himself with all the whiggish doctrines of opposition inherited from the preceding century and which retained their appeal among the political public of the period. He had thus tended to find himself in opposition, though his honesty and independence had prevented his using influence in the City even in the

¹ See above, p. 16.

² See above, p. 16. The names of the subscribers are preserved in a document in the P.R.O. T1/319 (bundle). Sir John Barnard (*Defence of Several Proposals*), trying to explain away the failure of the City to subscribe better to this venture, maintained that the City disliked its sponsors and that a public subscription of that kind should have been undertaken through the Lord Mayor.

³ See above, p. 16.

⁴ Sir John Barnard, *op. cit.*

⁵ The anonymous *Memoirs of the late Sir John Barnard* (1776) takes as its motto the couplet:

'Ages were ransack'd for the good and great
Till Barnard came, and made the group compleat.'

⁶ He was born at Reading in 1685, a Quaker, but received into the Church of England in 1703. He began his business career as a wine-merchant, but soon turned to underwriting. He represented the City in parliament from 1722-61, was Alderman 1728-58, Lord Mayor in 1737, knighted in 1732, died in 1764. Speaker Onslow who knew him well in the House gives an excellent account of his character and outlook. (*Hist. MSS. Comm. Onslow MSS. pp. 469-70.*)

height of the attacks on Walpole for the ends of political faction. Though he was often impracticable in his views on government finance and had a robust dislike of politicians, he had a real interest in good government and was not in the least afraid of unpopularity. It was he who in 1737 had made the first unsuccessful attempt to obtain a reduction in the interest on the national debt.¹ When Pelham turned to the pacification of the City he could hardly have hoped for a better leader of the opposition there with whom to deal.

In conformity with the general lines of his policy, Pelham would undoubtedly have sought to win over the opposition in the City as soon as opportunity arose. The Jacobite Rebellion not only gave him his opportunity, but made it essential for him to grasp it. He was able to take advantage of the fact that the greater part of the City opposition, under Sir John Barnard, rallied to the government in the crisis, and that those under the leadership of Alderman Heathcote, who did not, were discredited.² To keep their support, however, two concessions were necessary: their financial demands must be met and a long-standing grievance about the form of the City government must be redressed. Pelham was prepared to meet the popular party in the City on both counts.

Their constitutional grievance arose from the recognition in the City of London Elections Act of 1725³ of the traditional claim of the Court of Aldermen to veto resolutions of the Common Council, the so-called Aldermanic Negative.⁴ As late as 1745 an attempt by the popular party to get the relevant clauses of the Act repealed had been defeated by the administration. In January 1746, however, on the presentation of a further petition from the Common Council, leave was given for the introduction of a bill to this effect which passed rapidly through both Houses and received the Royal assent on 19 March.⁵

The debates on 14 March on the 1746 Loan showed, however, that this concession was not in itself sufficient to placate them, and on the financial

¹ Hist. MSS. Comm. Earl of Carlisle, p. 182, etc. The feeling against him in the City was so bitter at this time that there was talk of boycotting him as an underwriter.

² G. H. Rose, *Selections from the Papers of the Earls of Marchmont* (1831), II, 341-8.

³ 11 Geo. I, c. 18. For an account of this Act see A. J. Henderson, *London and the National Government* (Durham, North Dakota, 1945), pp. 74-113.

⁴ For the attacks on this claim in the first half of the seventeenth century, see A. Beaven, *Aldermen of London* (1913), II, xlvii and M. James, *Social Policy during the Puritan Revolution* (1930), pp. 224 seq. In 1674-8 the Aldermen obtained strong legal support for their claim (R. Sharpe, *London and the Kingdom* (1894), II, 448). In consequence Walpole had a good case for recognizing it in his Bill. The clause was violently opposed in the City and in both Houses, where the cause of the Common Council was taken up by the opposition. Though the Act went through unchanged, agitation against it continued in the City, rising to unusual heights in e.g. 1739, 1744 and 1745. (Wm. Maitland, *History of London* (1756), I, 536 seq. and Guildhall Records, Journal of the Common Council, vols. 58 and 59).

⁵ 19 Geo. II, c. 8.

issue too Pelham was prepared to meet them. Though he stood firm on the arrangements for the current year,¹ in the following December when a further loan was under discussion, it was agreed that this should be raised by the 'open' subscription advocated by Sir John Barnard, and that Sir John himself should be the chief organizer of that section of would-be subscribers who had hitherto been excluded. From this time on Barnard became the financial supporter of this and the succeeding administration.

Pelham's diplomatic revolution in the City was thus entirely successful. He had destroyed the opposition there which had become endemic in the preceding years and he did so without detriment to his immediate financial needs. In 1747 the open subscription, carefully guided by Barnard (who took in a quantity of subscriptions at his own house) and supported by the monied interest including Gideon, was an overwhelming success. That the similar subscription of 1748 was not also a success and that the closing dates for the later instalments of the subscriptions had to be extended, does not seem to be due to the method by which it was raised (though pamphleteers accused Barnard of muddling it and Gideon of maliciously undermining it),² so much as to the financial difficulties which hastened the negotiations for the peace of Aix-la-Chapelle rather precipitately concluded that year.

Even before the peace was concluded Pelham had made it clear to those in close touch with him that he meant to use his strengthened position in the City as a means to achieving an end and not merely as a relief from embarrassment. In August he told his brother the Duke of Newcastle:

I have one selfish ambition. I was in hopes, by a Peace being soon made, and by proper economy in the administration of Government afterwards, to have been the author of such a plan as might in time to come, have relieved the nation from the vast load of debt they now labour under; and even in my own time had the satisfaction of demonstrating to the knowing part of the world, that the thing was not impossible; here I own lay my ambition, but a very little more delay will render it impracticable; for me I am sure it will; and I am apt to fear no one will be better able to bring it about.³

In other words he had already determined on the coming of peace to do what Walpole had not dared to do, and to undertake the conversion operation which brought the 4 % debts down to 3½ and then to 3 %. Despite the temporary embarrassment in which the government found itself in the spring of 1748, the financial obstacles to such a course were by no means insuperable. 3 % stock, down to 76 when the peace negotiations began in April 1748, had risen almost to 95 in the following February, four months after the definitive peace was signed, and were up

¹ An administration pamphleteer replied to Sir John Barnard's *Defence of Certain Proposals in A Letter to Sir John Barnard, upon his Proposals for raising three Millions of Money for the Year 1746, from a Member of the House of Commons*.

² *An Essay upon Public Credit*, op. cit. Gideon was also attacked in *A Winter Evening's Conversation in a Club of Jews, Dutchmen, French Refugees and English Stock-Jobbers at a noted Coffee-House in Change Alley* (1748).

³ Brit. Mus. Add. MS. 32716, f. 13-13v. 4-15 Aug. 1748. Quoted with verbal inaccuracies in Coxe, op. cit. II, 15.

to par by the following June. The political difficulties were, however, redoubtable. A combination among the fund-holders could defeat the government's plans and this was the more probable since the loans from the Bank, the East India Company and the South Sea Company in their corporate capacities were included in the stock affected and might well prove a focus of resistance for the individual fund-holders. It was, moreover, well known that Walpole would have liked to support Barnard's motion for a reduction of interest in 1737, but found it politically impracticable to do so.¹ Pelham, however, felt that the risk could be taken. Fortified by the conviction that 3 % was a rate appropriate to the market and that only a confederacy among the creditors of the state could prevent the success of the operation, he seems to have felt convinced that his powers of negotiation with the Corporations concerned, and the influence which the administration could exert on individuals, would be sufficient to prevent such a confederacy becoming effective. It was of high value in this connexion to be able to call on the services of the two powerful men standing outside the main body of the monied interest, Sir John Barnard with his following among the merchants of moderate means and men of good will, and Samson Gideon with his skill in the manoeuvres of the market, the two men of which it was said they were 'a man with as much integrity and...another with as much ability in the Funds as this country has ever produced'.² He was prepared to use each of them in the appropriate manner.

Pelham made his preparations systematically. His first care in the spring of 1749 was to maintain taxation for another year at its war-time level, and to fund the greater part of the departmental advances that made up the floating debt.³ It was, however, useless to reduce the size of and interest on the government's unfunded debt without also taking into account another short-term security, at that time as popular on the market as the government securities themselves, the East India Bonds issued by the East India Company in anticipation of their sales. It is not surprising, therefore, to find on 16 August the Chairman of the East India Company, Sir William Baker, informing the Directors that it would be beneficial to reduce the interest on their bonds,⁴ and the next day Samson Gideon and some friends coming forward with a fully worked-out scheme in which they undertook the risk of the transaction on reasonable terms. The offer was at once accepted.⁵ At the same time Pelham rigidly refused to consider the demands of the King of Poland (strongly backed by the King, and the Duke of Newcastle) to be permitted to raise a loan on the London market,

¹ E.g. Hist. MSS. Comm. Earl of Carlisle, p. 183. Col. C. Howard to Lord Carlisle, 21 April 1737.

² Brit. Mus. Add. MS. 32862, f. 204. J. West to Newcastle. 24 Jan. 1756.

³ 22 Geo. II, c. 23.

⁴ India Office MSS. East India Company Court Books, vol. 63, f. 419.

⁵ Ibid. f. 427. They offered to be bound for £1,500,000 to facilitate the conversion at 10 %. Individual directors added a further £500,000 to the offer. On 8 Nov. 1749 (f. 503) it was decided that no call need be made on this capital.

on the grounds that it would check the rise in the price of English government securities which was necessary for the success of his plans.¹

The stage was now set for his great attempt, in which he seems to have had little encouragement from his colleagues. When parliament met in November he announced his intention of introducing a bill, in the preparation of which Sir John Barnard was to be associated, to reduce the interest on the 4 % Funds (the total nominal value of which was £58,703,405) to 3½ % from 1750 to December 1757 and then to 3 %. The bill was introduced in the House and met with little opposition, the landed interest being in general favourable and the monied interest holding their fire.² It received the royal assent on 20 December and the fund-holders were given until 28 February 1750 to signify their consent to the reduction of interest by enrolling their names and the particulars of their stock in the books opened for the purpose.

Everyone was aware that the struggle was to come. Though the stock of the three monied Companies affected represented in all only some 26 % of the 4 % stock, the individual fund-holders naturally looked to the Companies for a lead. On 22 November, for instance, the firm of Van Hemerts advised their Dutch correspondents to await the action of the Bank and the East India Company before taking a line.³ General Courts of the three companies were called for various dates in December and January, and when they met it was clear both that the administration had been seeking to come to terms with their Directors, and that they had only partially succeeded. Even where they had done so, moreover, there was reason to doubt whether the Directors would succeed in carrying the Proprietors with them.

The South Sea Company's General Court was the first to be held on 7 December. The Company not only believed that the government were precluded by the terms of previous statutes from the compulsory redemption of their trading stock, but were also deeply concerned in the result of certain trade negotiations in process with the Court of Spain, and saw no reason to be accommodating to the administration. After a long debate, in which Gideon took an active part, the best result that could be achieved was the postponement of a decision. In the East India Company, things went even worse. At a General Court on 13 December the Directors (with only one dissentient) advised the Proprietors to accept the proposals on condition that legislation was introduced to enable them to fund part of their bond debt.⁴ There seems little doubt that the Ministry had agreed to these terms in advance. Opposition arose, however, among the Proprietors, a ballot was demanded⁵ and held (after much controversy in the Press) on 3 January, the result of which was the defeat of the Directors'

¹ Coxe, *op. cit.* II, 76.

² Lord Egmont objected at the notice given to the City which would enable them to work up an opposition, but Pelham replied that no measure of such magnitude could be introduced without the advice of men of skill and experience.

³ Wilson, *op. cit.* p. 151.

⁴ India Office Records. East India Company Court Book, vol. 63, f. 548.

⁵ *Ibid.* f. 557. 19 Dec. 1749.

proposals by 269 to 209. On 31 January the General Court of the Bank of England, after long debates in which Gideon took an active part but the Directors remained silent, turned down by a large majority the motion of the Governor to accept the proposal. Even before this had happened it was generally believed that the measure had failed. Horace Walpole, who had little concern with such things, wrote to Horace Mann on 10 January:

It is plain I am no monied man, as I have forgot till I came to my last paragraph, what a ferment the money changers are in! Mr Pelham... has just miscarried in a scheme for the reduction of interest by the intrigues of the three great Companies and other Usurers.¹

With only a month before the closing date for acceptance, the Ministry had to take every possible step to reverse the unfavourable trend of events. In press and pamphlet the Ministry sought to drive home their views. Sir John Barnard made a notable contribution in his *Considerations on the Proposals for Reducing the Interest on the National Debt*, published on 6 February. Some years later the claims of a Doctor Thomas were pressed on the Duke of Newcastle for preferment as a reward for services rendered at this time. Lord Kinnoull supporting his claim said:

I told your Grace some years ago that Doctor Thomas had personal merit both with yourself and your late dear brother from the part he was employed in the scheme for reducing the interest of the Publick debt and the dayly intelligence he gave to Sir John Bernard [*sic*] upon that business, through which channel Mr Pelham had his first information of its taking effect. To this, My Lord, I might add the great pains the Doctor took and the success he met with (though not without many rubbs in the way) in explaining the nature of the scheme to a great many of the Publick creditors, the trouble he was at in attending the press and in dispersing the reasons printed to convince people of the reasonableness of the scheme, and the many wet and dirty journeyes he took to Clapham [where Sir John lived] and elsewhere upon that affair.²

Of Gideon's activities at this time we have less information (in the absence of Pelham's papers to which he refers) but they were sufficiently prominent for those supporting the measure to be dubbed 'Gideonites'.³

By one means or another they succeeded in stemming the tide. No doubt the chief arguments used were those of Sir John Barnard in his pamphlet, viz. that the authority of parliament could not be flouted, that since 3 % was the normal market rate the administration would have no difficulty in raising a loan to pay off those who did not come in, and that those who tried to persuade fund-holders to hold out would be the first to subscribe to such a loan. The fluctuation of fortune might be seen each day in the total subscribed for conversion. The tide probably turned about 15 February, and though by a week later less than £15,000,000 of the £58,700,000 affected seems to have been subscribed, it was known that the battle was won. On 23 February Van Hemerts wrote to their Dutch

¹ H. Walpole, *Letters* (ed. Toynbee), II, 423.

² Brit. Mus. Add. MS. 32860, f. 391. Lord Kinnoull to Newcastle, 6 Nov. 1755.

³ *Old England*, 3 March, quoted in the *London Magazine* (March, 1750), p. 129.

correspondents that 'The generally strong opposition which at first existed here against the Plan for Reduction has changed during the last 8 days into general consent, so that a good sum is already subscribed here'.¹ Finally, to take advantage of the turn of the tide, the requisite number of Proprietors of the Bank of England demanded a further General Court which was summoned on 27 February, and in this a motion, seconded and spoken to by Samson Gideon, was passed by a large majority to accept the proposed terms.² It did not matter that the South Sea Company at their postponed General Court held on 26 February had decided to hold out.³ When the books were closed at midnight on 28 February more than £38,800,000 had been subscribed, and though this covered only some 64 % of the holdings, the scheme might be claimed to be a success.³

Now that opposition was broken, steps to make the success more complete were, moreover, immediately undertaken. The uncertainty prevailing throughout January and February had made it particularly difficult for foreign holders to give their agents well-informed instructions. This gave some excuse for an extension of the closing date. As soon as the measure seemed likely to succeed the question of granting such an extension was raised on their behalf. The government felt strong enough to take a fairly high line. First they left the applicants in uncertainty for some time and then offered considerably less favourable terms to those who had failed to take the first opportunity.⁴ The results justified their firmness. At the same time they continued their negotiations with the two monied Companies which still held out after the Bank's *volte face*; the East India Company, where they kept open their offer with regard to the funding of the Company's Bond, Debt, and the South Sea Company, where the issue remained intimately bound up with the difficult trade negotiations with Spain.⁵ The East India Company came into line by accepting these proposals on 25 April.⁶ With the South Sea Company terms were not reached until 12 February 1751, and then in consideration of the poor terms which they received from Spain, they were treated more favourably than other fund-holders; the Company was to receive 4 % on its capital stock for seven years before the interest dropped to the 3 % level.⁷

¹ Wilson, *op. cit.* p. 152.

² *General Advertiser* (1750). This result had been forecast by Van Hemert on Feb. 23 (Wilson, *op. cit.* p. 152). (For Gideon's part, see p. 27 above.) On Feb. 19 the *General Advertiser* reported that the summoning of this General Court was probable and on that and the following day it contained protesting letters complaining that threats were being used against the Bank.

³ Coxe, *op. cit.* II, 90 seq. examines a variety of authorities to establish the correct sum.

⁴ 23 Geo. II, c. 22. The *London Magazine* (1750) in its 'Account of the Principal Acts passed this Session', gives a short account of the Act and the debates leading up to it. Those subscribing under this arrangement were to obtain 3½ % till December 1755 instead of December 1757.

⁵ R. Pares, *War and Trade in the West Indies* (Oxford, 1936), pp. 517-33.

⁶ East India Company Court Book, *loc. cit.* 64, f. 24.

⁷ Brit. Mus. Add. MS. 25545, f. 287. Minutes of the General Court of the South Sea Company.

In this way the sum to be paid off was reduced to less than £3,000,000. That the administration should in 1751 have run into difficulties in raising 3 % annuities for £1,000,000 towards this transaction, and have had to rely on Gideon's assistance to support them,¹ shows on how narrow a margin they were working and how easily Pelham's ambition might have been defeated. The measure nevertheless had succeeded and in 1752 the various annuities bearing 3 % interest were consolidated into one stock and the 3 % Consols had come into existence.²

Gideon could rightly claim, even though several others could do likewise, that he had been 'serviceable on that occasion'.

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¹ See above, p. 17.

² 25 Geo. II, c. 27.