

THE ORIGIN OF THE SOUTH SEA COMPANY.

1710 - 1714.

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Chapter One.

THE POLITICAL BACKGROUND.

* * * * *

The establishment of the south sea company was directly related to the overthrow of the whig ministry in the fall of 1710. In the political, financial and economic situation created by the governmental upheaval, the project took definite shape. Its authorization came as a vital step in the solution by Robert Harley of the problems which confronted his ministry.

The causes of the whig overthrow are largely immaterial. Earl Godolphin had been in power as Lord Treasurer of England since 1702. Starting as a Tory, his political tactics had brought him by 1708 to a radical Whig position. Supported by a threatening Whig majority in Parliament he forced the Queen to consent to a reorganization of the ministry which eliminated from power the last adherent of the Tory policy.

For the first time in English history the government was in the hands of a single party for two years. England was not yet ready for party government. And this fact, together with the really preponderant Tory population, would account in a large degree for a public sentiment that could view with tolerance and active sympathy a change in the personnel of the government.

Even more potent an influence perhaps was the general discontent with the war. For ten years England had been sending men and money to the continent to fight battles from which it seemed she could not hope for immediate gain. The war had been a considerable hindrance to commerce. It was rapidly exhausting the stock of surplus labor for agriculture and industry. And upon the very men who bore the brunt of these consequences of the war there fell the chief burden of the high taxes it occasioned. The landed class and the mercantile interests felt that they were paying for a war the principal profit of which was for money-dealers and bankers, who largely escaped taxation. (1)

(1) "To what end is it carried on?" queried a Tory pamphleteer. "Is it not merely to gratify the felenious humours of a company of plunderers of the nation?...When trading is almost ruined, our merchants undone, and none enriched but a parcel of Jew, Dutch, French and English stockjobbers, 'tis high time for England to redress this national distemper.." The Miserable Case of poor Old England Fairly Stated, Somers Tracts, XIII, 205-12. Cf. Bolingbroke's Letter to Sir William Windham, 22-3.

In consequence a strong reaction in favor of peace had set in. Thwarted in the hope for peace to come from Gertruydenberg, public opinion fixed the blame for the failure upon the Whig ministry and the Duke of Marlborough. Peace with France, and a change of ministry to procure it, were genuine demands of the people.

One event of the foremost importance about which crystallized the opposition of the High Church forces to the Whig ministry was the Sacheverell prosecution. The trial of this popular preacher on a charge of high treason roused public sentiment as few occurrences during the reign of Queen Anne. Although convicted on a close vote in the House of Lords, Sacheverell was hailed all over England as a popular hero, as a champion of the prerogative of the Crown. The statements on which he had been convicted, constituting the doctrine of 'passive obedience', formed a party issue that for the moment seemed vital enough to compel an alignment of all England on a matter of fundamental principle.

But if these were causes operating throughout England to welcome a change of ministry, the change itself was brought about by pettier influences exerted in the private household of the Queen. Mrs. Abigail Masham, a

relative and political ally of Robert Harley, had secured the favor of the Queen, displacing the Duchess of Marlborough who was a staunch whig. Through her persistent efforts an 'inside' Tory reaction had begun to manifest itself early in 1710 through the royal appointments. In January, Lord Rivers, a friend of Harley, was made Lord Lieutenant of the Tower over the protest of Marlborough. Soon after Colonel Hill, Mrs. Masham's brother, was given an important regiment. In April, the duke of Shrewsbury was forced on Godolphin as Lord Chamberlain, becoming the real mouthpiece of the Queen in the government for the next few months. This able politician exerted himself to bring his Tory friends into office with him. In June, the Earl of Sunderland was displaced as secretary of state by Lord Dartmouth, a direct slap at Marlborough who was his father-in-law. The feeling had been carefully festered in the Queen that the great whig ministers were encroaching on her prerogative. And finally the conviction that she was being made the tool of men who stepped not at personal insult in maintaining their power in the government led her to the dismissal of Godolphin on August 8, 1710. (1) This was the decisive step in the whig

(1) Faults on Both Sides, 1710, (probably by Defoe) Somers Tracts, XII, 696. Macpherson papers, II, 189-91, Dr. Hutten to Elector, Sept. 5, 1710. Port. MSS. II, 213. Frankland-Astley-Russell MSS., 201-3.

overthrow. The Treasury was placed in commission two days later, and Robert Harley holding the office of Chancellor of the Exchequer became active head of the government from August 10.

It was a complicated problem which Harley faced as he resumed the reins of office. On the one hand he was confronted by a political situation requiring the utmost delicacy and tact; on the other he partly inherited, partly precipitated a financial problem the solution of which called for rare statesmanship and ability. The two conditions reacted on each other. Political fears raised by Jacobite alarms helped to unsettle public credit. The shock caused by the fall of stocks and tightening of money furnished ample grounds for partisan attack. Between the Scylla and Charybdis of political suicide and national bankruptcy, Harley was to steer for an honorable close of the pending war - the great positive aim of the Tory party.

The political situation was critical both at home and abroad. There was the matter of reconciling the extreme factional heats of the more radical members of the two strong parties at home. And there was the even more delicate

question of presenting a front in foreign affairs that would at once convince the allies of British good faith, and make evident to France the determination of England not to falter in her military operations. This latter problem of England's foreign relations overhung like a cloud the consideration of every domestic issue of the day. It was the effect of home discord on the conduct of the allies and the conclusion of a speedy peace that was dwelt on by the whigs who opposed any change in the ministry. It was the fact that England's army was in the field, requiring its weekly subsistence that intensified the financial crisis. It was the need of assuring the Dutch and other allies that the present ministry would carry out past engagements that made the settling of public credit so imperative and gave shape to Harley's measures to place the finances on a secure footing. The problem of the French war could only be solved by a skilful and speedy adjustment of the other matters of politics and finance.

The fall of Godolphin brought no cessation of the political fever that had raged in England since the Sacheverell affair. It only renewed party controversy and

debate. However much the change had been demanded in some quarters, the feeling prevailed among many moderate Tories as well as among the whigs that it was not the wisest policy to 'swap horses while crossing the stream'. Men spoke of the "ingratitude of disgracing those that had courted so much and have been the instruments of gaining greater glory to the queen and nation than any of our former kings or greatest conquerors arrived at".(1) "Is this a time", inquired a clever Whig pamphleteer disguised as an 'Honest Tory', "Is this a time for such a total alteration as must shake the confidence off friends and inspire the enemy with hopes?" (2) The effect which the change might exercise on the credit of the nation and on her military prestige was indeed a legitimate question.

Perhaps more fanciful were the fears which were raised and carefully spread abroad regarding the danger of a Jacobite restoration. The anxiety of the Tory party for peace with France, led to the charge that French influences supported the change of ministry; and the query was

(1) Port. MSS., IV, 573-5. R. Menokton to Harley, Aug. 23, 1710. For similar expressions see *ibid.*, II, 315. Also Swift *Corresp.*, I, 187-8. etc.

(2) Thoughts of an Honest Tory. 1710. In *Somers Tracts*, XII, 673-7.

insinuatingly advanced, "How much was it worth to them?"(1) wild rumors of the Pretender's coming were circulated, especially among the more credulous, Even wiser heads seem to have entertained the notion advanced that the Queen was planning to retire in favor of her brother.(2) Contemporary literature is full of references to a 'sponge' which was to wipe away the debts of the nation.(3) No doubt the majority of the rank and file of the Whigs actually believed that the elevation of a Tory ministry to power was somehow in the interest of the Pretender and against the Protestant Succession.

This belief found support in the actions of many of the Tories themselves. While nothing can be more certain than the fact that Harley and his followers had no such purpose in view at the time, it is just as certain that many ardent Tories entertained such hopes. In Scotland, for instance, a Tory was almost synonymous with a Jacobite.

(1) Queries.1710. Somers Tracts,XII,667-70.

(2) "The Highlanders look not for their Saviour's coming with more certainty than that of the Pretender".Port.MSS., IV,629-31.Defoe to Harley,Nov.25,1710. Cf.also ibid,IV,634, and Mar & Kellie MSS.,484-5.

(3) This allusion seems to have been originated by Defoe,who later found occasion to refute his own epigram.

The Pretender's health was openly drunk by leading Tories, and four avowed Jacobite peers were sent to Parliament from the North.(1) In England proper the manifestations of Jacobite sentiment were not so open. However the warmth of enthusiasm with which the Tory squires greeted their return to favor was sufficiently terrifying. Over their cups, the gentry warm with wine talked high and loud of 'changes' to be made, 'inquiries' to be carried on, 'revenge' to be obtained. High Tories boasted that now they could do what they pleased with the Queen and that the entire government was at their mercy.(2) They demanded the spoils of war. It seemed evident to staunch whigs that 'the old mad party' had come back to power. Whether it brought over James the Third or no, the fear was genuine that a new Parliament made up of such intemperate statesmen might not feel bound in the least by past obligations. The credit and honor of England might vanish at a breath.(3)

(1) Port.MSS.IV,629-31. Defoe to Harley,Nov.25,1710.

(2) Ibid,IV,570-3. R.Monckton to Harley,Aug.31,1710.

(3) "God only knows what destruction our new ministry is preparing for us",wrote Lord Townshend to General Stanhope on August 26,1710. Coxe's Walpole II,34.

This subtle dread of a mysterious 'somewhat' which might ever night lay prostrate the power of England, her wealth, her industry, the liberties of her subjects and the freedom of her Church, was not a mere passing phenomenon. Vigorously though the new government pursued the war, wisely though the Tory Parliament granted supplies in abundance and undertook provision for past debts, in spite of repeated protestations of its loyalty to the Queen, the Protestant Succession and the Union, 'Jacobiphobia' remained a powerful influence in political thinking.(1) Not till the death of the Queen and the peaceful transfer of government to the Hanoverian house, was public sentiment convinced that the Queen and all her advisers did not intend a Stuart Restoration.(2)

(1) Cf. letters from Defoe to Oxford, written from Scotland in 1713. Port. MSS. V, 224, 229-30, 235. See also Hist. Comm. Report VII (Egmont MSS.) p. 238.

(2) As the pretender was wholly unprepared to make an invasion of England when this event occurred, the theory that Bolingbroke and his coterie overthrew Oxford to make way for the accession of James lacks weight. Contemporary statements gathered in the Macpherson Papers, Vol. II, pp. 530 and 533 declare explicitly that the removal of Oxford was supported by the Hanoverian Tories. John Drummond was ready to go to Hanover as emissary of the new administration when Anne's death brought about a reorganization of the government. Intrigues had undoubtedly been carried on with the Stuarts by both Oxford and Bolingbroke. (See Stuart MSS. I, passim) But this appears to have had no further motive than the securing of Jacobite support for their administration.

At the same time that Harley was hampered by this suspicion of Jacobite leanings, his position in the party of which he was the nominal head was decidedly uncertain. The extreme section of the Tory party, whose warmth caused so much embarrassment, were not slow to give him warning as to the regard in which he was held by them. To the 'highflyers', Harley was but a 'necessary ladder', (1) for it was only through his influence at court that the Church party could regain power. But it was felt by thoroughgoing party men that with the party once more in the saddle, his continued leadership would be a handicap to the Tory interests. His past political antecedents branded him as a 'trickster'. He might with cause have protested himself as staunch a Whig as a Tory. Many were the Tories whose record of service and title to recognition seemed higher; and the Earl of Rochester, shortly to become President of the Council, was a logical rival claimant for party leadership. To counterbalance this expected defection formed an incentive to Harley to overlook party lines in distributing government

(1) See Port. MSS. IV, 570-2; 573-5. Letters written to Harley in August, 1710, by Robert Monckton who had gone to the central part of England as a political scout for his patron.

positions. Shortly after his return to office he issued a declaration that a coalition government was hoped for; (1) and he began intriguing valiantly with the several Whig great officers of state to secure their adhesion to the new order of things. (2)

Throughout his ministry Harley endeavoured consistently to pursue the policy thus announced. The Tories who flocked to London demanding a 'division of the spoils' were tactfully but decisively put off with scant assurances. Instead of a general overhauling of the departments in party interest, Harley strove earnestly to keep in office such able whigs as Robert Walpole. Lord Halifax and the Dukes of Somerset and Newcastle remained in responsible positions. Likewise in parliamentary practice, both in the Commons but more especially as Lord Oxford, Harley was very unmindful of

(1) "All those of the Whig party who shall abandon the ill designs of the junto and heartily concur (according to their own principles) in the promotion of the public good, will be as freely admitted to employments, as well regarded as ever; nothing being more desired than a coalition of the honestest men of both sides to balance the overgrown power of the ministers and to manage the affairs of the government in such ways as may most conduce to the ease of her majesty and the welfare and prosperity of the nation." Faults on Both Sides, by 'Richard Harley'. Ascribed to Robert Harley at the time, but probably written by DeFoe under his patron's direction. In Somers Tracts, XII, 696.

(2) The story of this intrigue is at large in the Portland MSS., Vols. II and IV.

of party lines. He was virtually outside the party organization in the Commons, maintaining to the end a close correspondence with Lord Halifax and following his advice in many of his political convolutions. (1) Harley sought constantly to build up shifting party groups which would support his measures, and often shaped his own beliefs to harmonize with the majority. He claimed to be seeking to maintain a party of 'the Queen's servants', who would uphold the honour and dignity of the Crown irrespective of party designations. In this he was no doubt perfectly sincere. While success would mean his own political fortune, he thought that such a policy was for the best interests of the country as well.

But Harley's policy of seeking support from both parties was not destined to go unchallenged. Opposition assumed organized form through the October Club which was the hot-bed of parliamentary Tory intrigue for a considerable part of his administration. This club had been in existence

(1) For random examples see Portland MSS. V, 270-1, 292, and 451. Letters from Halifax to Oxford in 1713 and 1714. The last is dated May 29, 1714.

since the time of William III, but now became of special significance because of the large number of high Tories who had newly become members of Parliament. Estimates of its membership range from one hundred to one hundred and sixty. All were in the House of Commons and acted more or less as a unit in regard to political questions. While the club seems to have made no organized attempt to hamper Harley's specific projects, it worked constantly against the spirit of his ministry by its intemperate denunciation of his predecessors.(1)

These country members, "who had no merit but by embroiling things"(2) were insistent on having thorough investigation made of alleged faults of the late ministers.(3) Committees of investigation were almost as numerous as in a democratic House of Representatives. Resolutions denouncing the Whig ministers and corruption of their departments flooded the calendar. One of the first acts of Parliament was to make the Commons more secure in the Tory hands by imposing high qualifications for membership.(4) The Occasional

(1) Swift: Journal to Stella, Feb. 18, 1711. Swift Corresp. I, 235-7. Swift to Peterborough, Feb. 19, 1711.

(2) Swift Corresp. I, 233-4. Mr. King to Swift, Dec. 16, 1710.

(3) Journal to Stella, Jan. 7, 1711.

(4) 9 Anne, c. 5.

Conformity bill which passed at the following session was pressed largely for the purpose of gaining party strength in the boroughs where the dissenting Whigs were strongest.

The Earl of Rochester, William Bromley and Sir Thomas Hamner appear successively as presidents of the October club. But they were not its typical representatives. Composed principally of young men, and being essentially the majority organization in the House of Commons, it pointed the way to political progress in a period of constitutional reaction. (1)

Toward the close of the Oxford ministry, the circumstances of the peace gave rise to many factional divisions. 'Hanoverian and Jacobite Tories, French and Dutch Tories, for and against the peace' (2) became designations of different groups. From the old October club, itself torn by dissension, emerged groups which sometimes carried votes against the ministry, of which the most important was the

(1) 'Reaction' is here used of course in the relative sense. Political progress in England in the past two centuries has been in the direction of parliamentary control of the government. The Oxford ministry stands as a protest against this in the day when the movement was taking shape.

(2) Dartmouth MSS., 319. E. Lewis to Lord Dartmouth, Oct. 1, 1713.

rejection of the eighth and ninth articles of the treaty of commerce with France. This crisis was carried off by a dissolution; a similar one was met by the creation of new peers.(1) By these expedients the ministry was able to carry on affairs of state unimpeded by a parliament that was becoming increasingly unmanageable. But constant opposition to Harley from his party which had failed to profit by its success, led to his final overthrow. A week before the death of the Queen, he surrendered the white Staff; but the accession of King George brought to an end the plans of Bolingbroke for a policy of "Thorough".(2)

The administration during which the South Sea Company took definite shape, thus presents a veritable mosaic of surface and underlying political forces. The period is one preeminently of transition: from the Stuart to the Hanoverian dynasty; from ministerial to the parliamentary form of government; from a period of wasteful continental

(1) On January 1, 1711/2, twelve new Tory peers were created after several resolutions of censure against the government had been pushed through by the Nottingham bolters.

(2) The part which the 'Assiento contract' for the South Sea trade played in the differences between Oxford and Bolingbroke will appear later, page 118.

warfare to a period of peaceful conquest through a broad policy of commercial expansion. In such an era permanent party alignment of stable governmental methods were impossible. Jacobite and Octobrist, Hanoverian Tory and Whig Republican now wrestle in an ever-shifting political arena. Behind the scenes in the closet of the Queen, gather by the back stair Lady Masham, Viscount Bolingbroke, the Duchess of Somerset, Lord Oxford and Arthur Moore, to play the game on which will hang the destinies of Europe for a generation.

Chapter Two.

A TROUBLESOME LEGACY.

* * * * *

With this brief survey of the factional divisions which formed the background of the activity of the Tory ministry it will be proper to turn to an examination of the financial problems which confronted the new Treasury Lords. The financing of the war and the re-establishing of public credit were the great tasks which called for all of Harley's zeal and industry from the first.

It was largely circumstantial that this problem of public finance loomed up more prominently in the first year of Harley's ministry than it did under Godolphin. The government was certainly not now weaker in this regard than it had been for two years past. Complaints of non-payment of petty claims had been fully as frequent. The difficulty of finding funds to support war loans had been apparently as great. The Bank had refused to lend 100,000 pounds on very good security. (1) The mass of unsecured bills on the navy, victualling and ordnance offices had already reached its

(1) Parliamentary History VII, Appendix, xci-xcv. A Brief Account of the Ministry of Robert Harley, Earl of Oxford.

height at seven million pounds. Because of the want of security and growing distrust, both these bills and ordinary government tallies on the mortgaged customs duties had begun to pass at a discount. (1) Government remitters complained that they could not dispose of tallies and urged money payments. (2) The issuance of 1,900,000 pounds in Exchequer bills in 1709 relieved the situation somewhat; but as no provision for interest was made until 1714, these too were soon passing at a discount. The constantly

(1) "The artificers are nearly two years behind in their payment and their debentures carry no interest; some had been sold at 30% discount." Commissioners of Ordnance to Marlborough, Jan. 14, 1709/10. Cal. Treas. CXX, 6.

"The Governor and Directors of the Bank were resolved not to meddle with these tallies and no private person would purchase without either discount or interest." John Lansdell, Treasurer of Ordnance to William Lowndes, May 29, 1709. Cal. Treas. CXIV, 26.

The Court of Directors of the East India Company informed the Lord Treasurer that they could not accept his proposal to pay for the petre for the board of Ordnance with tallies on the general mortgage to commence in 1714, as 45,000 pounds on the last order had not been paid. They wanted money payment or Exchequer bills. Dec. 23, 1709. Cal. Treas. CXVII, 46.

As early as June 9, 1708, the Commissioners of Ordnance had complained that they could not dispose of tallies on the land tax and on the liquor tax. Cal. Treas. CVII, 39.

(2) Sir Henry Furnese, who was Godolphin's principal financial agent, complained on April 15, 1709 that he had had nothing but tallies of late "which could not be disposed of". Cal. Treas. CXIII, 55.

increasing expenses of the war and the restlessness of the country at a policy which was draining the nation of its money at the rate of six millions a year, made the problem of taxation and funding a vital one.(1)

So apparent was the necessitous condition of the government that Godolphin was flooded with ready-made plans for raising money and for the reform of the financial system(2) A letter written at this time by William Paterson, the founder of the Bank of England, strikes at the root of the difficulties. Paterson insisted that "a true state of the public revenues and debts be laid before the House" to

(1) Regret was expressed that Paterson failed of election to Parliament in 1708, as it deprived the Commons of the services of "so able a projector at this pinch for money". Port.MSS., LV, 511. Dec. 3, 1708.

(2) A partial list of these proposals will indicate the wide variety of schemes of which the fertility of British genius was capable:

Oct. 26, 1708. To raise revenue by duties for fire assurance, hearth money and a lottery. Cal. Treas. CIX, 44.

Nov. 7, 1709. Tax on "superfluities and vanities". Cal. Treas. CXVI, 43.

Nov. 10, 1709. Tax on gold and silver plate and bachelors. Ibid, 48.

Dec. 10, 1709. Tax on candles. Ibid CXVII, 23.

Dec. 17, 1709. Tax on hats and stockings, proposed by "B.S." Ibid, 28.

Dec. 24, 1709. Lottery fund of 135,000 pounds. Ibid, 50.

..... Liquor license tax. Ibid, CXIX, 10.

..... Proposal to render interest on navy bills easy, Ibid, 12.

..... To raise one million by a tax on houses. Ibid, 26.

Jan. 16, 1710. Duties on soap, journeyman tailors, wigs, shoes, 'firbulos', scarfs and 12d. in the pound on ministers. Ibid, CXX, 9

the end that it be prevailed on: (I) to make provisions of interest for all such debts; (II) to grant supplies to secure the nation from further deficiencies; (III) to provide that the public payments be as regular and certain as in Venice or Holland. He recommended an inquiry into the Admiralty and Victualling departments as well as a thorough investigation of the methods of collecting revenue. (1) The critique seems to have had no effect, and Paterson declared later that the annuities and lotteries which Godolphin did resort to at this time to raise money only made bad matters worse. (2) With the monied men of London his personal friends, depending more than anything else on his own unquestioned integrity for redemption, and continuing to back him because already

(1) Proceedings of the Wednesday Club in Friday Street. 1716.

In Paterson's Works, II, 74-80, quoting the letter from Paterson to Godolphin, written December 12, 1709. Paterson sums up the state of affairs in 1709 as follows: "We see the then large debt of 15 or 16 millions doubled; the public revenues almost wholly sold and alienated and yet about one-third of new debts still without funds for paying them; Navy Bills and other such deficient credits at 20 or 25% discount and in danger of falling still lower; with all of the other parts of the public credit in proportion.... our own industry and improvements under insurmountable difficulties; most of the branches of our foreign trade so over-charged as to amount to a prohibition."

(2) Ibid. Paterson's works, II, 81 ff.

involved, Godolphin was able to make shift without any radical change of financial policy. However during the closing months of his tenure of office, pressure for a readjustment of affairs was becoming more insistent. Contractors complained that the fall of government securities was compelling them to carry out their undertakings at a genuine loss, and Marlborough himself wrote home, rather sharply demanding "immediate relief" for the foreign contingents. (1)

So Robert Harley found his financial problem ready made for him when he took office. Added to the difficulty of the situation as Godolphin had met it was the disordered condition which his sudden removal had left in the treasury. At the same time the influences in the city which had tided Godolphin over the crisis, not only ceased to support, but were beginning actively to oppose the credit of the government. Friends and foes alike therefore watched doubtfully as Harley undertook the task of restoring public credit. (2)

(1) Marlborough Dispatches, V, 69-70. Marlborough to Lord Treasurer, July 14, 1710.

(2) "How you will restore credit and find money for the demands which will be made upon you exceeds my capacity". . . wrote Lord Halifax to Harley on August 12, 1710. Port. MSS. IV, 560.

The most serious problem which Harley faced was the enormous discount which rested on almost six millions of public bills. These bills, mainly on the Navy and Victualling offices, had been issued to cover deficiencies in appropriations and unusual expenditures for several years, but were absolutely unsecured. Most of them had not even been acknowledged by parliament as an obligation on the government. Interest on them had been paid in bills of the same questionable security. A sympathetic effect on all branches of public finance was inevitable. The most direct result of the situation was, however, in the cost of government supplies. (1) with navy bills at 40 to 50% discount, the supplies of the department cost exactly twice the normal price. Once encumbered with so injurious a debt, the deficiencies of the government were bound to grow by leaps and bounds; and in fact the debt already approximated the annual budget.

While realizing the handicap which the existence of these debts placed upon the government, the Tories were not

(1) The debt for the subsistence of prisoners had increased to such a height in November, 1710 that it was feared the marshals would be thrown in prison for debt. "The tradesmen neither can nor will give any more credit... am forced to pawn goods... the prisoners must either be released or allowed to starve", wrote the marshal at Plymouth. Cal. Treas. CXXV, 34.

slow to turn the circumstance to their own advantage. It was quickly pointed out that these debts, to which the low credit of the government was largely due, had not been met by the Godolphin ministry. It was urged that expenditures without warrant of parliament had brought the situation to pass. It was hinted that many of the expenditures so made would not stand the light of impartial investigation. Only the grossest extravagance and mismanagement could have caused so large a debt to remain so long unprovided for.

It is difficult not to feel much sympathy with these contentions. But, as often happens with bodies of untrained legislators with a passion for reform, enthusiasm betrayed the Tory judgment. In their charges of mismanagement against the Godolphin ministry the Commons quite overshoot their mark. The blame for the situation cannot fall wholly on Godolphin, although he allowed the government to drift into a position where complete loss of confidence seemed inevitable. A glance at the origin of the debts will demonstrate this proposition.

The chief items of the unsecured debt on Michaelmas, 1710, from which date the public accounts were made up for presentation to the House of Commons, may be listed as follows: (1)

| | l. | s. | d. |
|--|------------|-----|-------------------|
| Naval and Victualling Bills | 5,130,539. | 5. | 5 |
| Ordnance for land service | 154,324. | 15. | 8 $\frac{1}{4}$ |
| Transport service | 424,791. | 5. | 4 $\frac{1}{4}$ |
| Army and transport debentures | 1,018,656. | 17. | 9 $\frac{1}{4}$ |
| Deficient tallies and orders on loans of 8 Will. III and 1 Anne | 12,025. | 1. | 0 |
| Total | 6,740,337. | 5. | 2 3 $\frac{1}{4}$ |

Of these unsecured debts, over one-third had been standing against the government from King William's reign. The principal of the army and transport debentures, for instance, had originated at the close of the last French war. It had amounted at first to more than two million pounds. To the payment of these debentures King William's government had pledged the forfeited lands of prominent Irish rebels which were not otherwise granted to royal favourites. In the course of several years these lands had all been disposed of

(1) Comm. Journal XVI, 541-2. These figures are taken from the list of debts for which grants were promised by the Commons on March 10, 1711. Earlier reports placed the naval bills at 5,563,807 l., 2s., 0 d. (ibid, 415); transport bills at 485,024 l., 3s., 11 3/4 d. (ibid, 429-30); and army and transport debentures at 987,159 l., 3s., 8d. (ibid, 435). The debts acknowledged seem a more reliable guide.

and many of the debentures paid off. Funds were on hand against many others, the balance toward which no security was available amounting to the sum listed above. The state of this account as well as the nature of the claims against which the debentures were originally issued, appears from a statement presented to the House of Commons on December 14, 1710; (1)

| | | l. | s. | d. |
|-----|--------------------------------|------------|-----|----|
| DR. | To Pay and Clothing..... | 1,127,715. | 17. | 4. |
| | To Chelsea Hospital..... | 22,425. | 3. | 7. |
| | Irish Transport Service..... | 298,286. | 15. | 5. |
| | Minor items..... | 150,801. | 17. | 0. |
| | Principal Outstanding..... | 1,599,228. | 13. | 4. |
| CR. | By Purchase of Irish lands.... | 612,071. | 9. | 8. |
| | Net principal Unsecured.... | 987,159. | 3. | 8. |

Interest on this sum amounting to 31,499 l., 14s., 7 $\frac{1}{4}$ d. had accumulated since 1702 in arrears, and is chargeable against the Godolphin administration. The proprietors of this branch of the outstanding debt, posing as officers and officer's widows were insistent in their demands for recognition. On January 8, 1711 they petitioned the commons that three year's

(1) Comm. Journ. XVI, 435.

interest was due, and provision had been made for but one year of this. As a result they represented that their debentures stood at 40% discount.(1)

But the other branches of the current service had been suffering equally from the discount prevailing, and it must be admitted that debts in these department had arisen largely during Godolphin's term of office. A friendly pamphleteer presents the following analysis of the origin of the unsecured debts: (2)

| Debts Arising Prior to the Accession of Anne. | | | |
|---|-------------------|-----|-------|
| | l | s | d |
| On Naval offices..... | 1,722,679. | 5. | 8. |
| On Ordnance office..... | 166,293. | 9. | 0 3/4 |
| A & T Debentures..... | 987,157. | 3. | 8. |
| Arrears of subsidies due | | | |
| Hanover..... | 9,375. | 0. | 0. |
| Deficient tallies on coals | | | |
| and other duties..... | 12,025. | 1. | 0. |
| | <u>3,897,529.</u> | 19. | 4 3/4 |

Debts Arising during Godolphin Ministry.

| | | | |
|------------------------------|-------------------|-----|-------|
| On Naval offices..... | 3,407,859. | 19. | 19. |
| On transport service..... | 424,791. | 5. | 4 1/2 |
| Interest on A & T Debentures | <u>31,499.</u> | 14. | 7 1/2 |
| | <u>3,864,150.</u> | 19. | 2 1/2 |

(1) Comm. Journ. XVI, 449-50.

(2) Somers Tracts, XIII, 335-6. The figures of this table vary only in a few minor details from official results.

Even this apparently formidable charge of a four million dollar deficiency against Godolphin could be explained in part by Robert Walpole.(1) On the basis of previous military experience, the establishment of the navy had been fixed from year to year at 40,000 men and the charge for wages, victualling and miscellaneous items connected with the maintenance of the navy had been computed at four pounds per man per month. The demands of the long-continued war, winter campaigns in the Mediterranean and necessity for keeping a superior navy off the coast of Spain, had caused these estimates to be regularly exceeded. Nearly 43,000 men were under employment and 'wear and tear' was inadequately covered by the usual grants. Here plainly was ground for criticism of parliament.

But had the sum of 2,200,000 pounds granted annually to the navy on the old calculations actually been made available for its use, much of the debt it fell into would have been avoided. Yet during the first nine years of Queen Anne's reign the real deficiency between the sums appropriated

(1) Somers Tracts, XIII, 304, 10. A Letter to a Friend concerning the Public Debt, particularly that of the Navy. 1711.

and finally raised amounted to 1,869,181 l. And of this sum, 1,411,001,1.,9s.,9½d. was borne by the navy. As Walpole points out in his defense of the Whig ministry, this arrangement was the only practicable one. The army which bought its own supplies must be paid in cash; subsidies and wages of foreign troops could not be delayed when united action was wanted; bills of exchange could not be disappointed. The seamen alone, for whom victuals were provided aboard ship, could bear to wait for their subsistence. And this branch, too, was the least likely to affect the general public credit. For years its bills circulated on a six per cent basis at par. "From the beginning of this war to November, 1703, the time when that infamous sermon was preached in St. Paul's (2) you will find that the discount upon navy-bills was never so high by 10% as it is now, when we are told that the credit is restored and that effectual provision is made for the paying of the debts of the nation." (3)

For the balance of the Godolphin deficiency, Walpole rendered an itemized account of extraordinary expenditures

(1) Referring to the sermon of Sacheverell on which his prosecution was based.

(2) A Letter to a Friend.....1711. Somers Tracts, XIII, 30

for which Parliament simply failed to provide. The statement shows the purposes for which practically two millions of bills were issued.(1)

| | l | s | d |
|---|----------|-----|-----------------|
| Interest on navy bills..... | 242,265. | 12. | 0 |
| Interest on victualling bills... | 209,939. | 12. | 6. |
| Naval stores from America, per 3 & 4 Anne..... | 18,000. | 11. | 6. |
| Bounty money for French prisoners | 34,155. | 0 | 0 |
| To raising money, 4&5 Anne..... | 4,729. | 10. | 5. |
| Rebuilding ships lost in the Great Storm..... | 134,232. | 0. | 0. |
| Bounty to widows of seamen lost in Great Storm..... | 15,158. | 0. | 11. |
| Bounty to officers serving under Sir George Rooke..... | 30,777. | 13. | 5. |
| To ordinary of navy, 1704..... | 120,000. | 0. | 0. |
| Account extraordinary expense 9 years @ 14,000 l..... | 126,000. | 0. | 0. |
| To Commissioners of Transports, 1702-4..... | 83,575. | 12. | 8. |
| Extra expense account marines.. | 119,675. | 8. | 3. |
| To officers sick and wounded..... | 100,228. | 14. | 6. |
| To hire ships to carry victuals | 145,598. | 17. | 3 $\frac{1}{4}$ |
| To victualling land forces in Spain and portugal..... | 606,806. | 7. | 7. |

From this showing it would appear that the most inefficient factor in the conduct of finances under Godolphin had been the House of Commons. Clearly the majority of expenses for which bills were issued were

(1) A Letter to a Friend concerning the Public Debt, particularly that of the Navy, 1711. In Somers Tracts, XIII, 307-17, p. 315.

such as should have been definitely provided for by Parliament. Many indeed had been directed by a definite address or act of the Lords and Commons. But wherever the blame was to rest for incurring these deficient debts, the public service was bound to suffer severely from their continuance. There was no problem calling for immediate solution for which the ministry could render full satisfaction without clearing the nation's record in this regard. The honor of the government and its prestige abroad as well as the stability of the new ministry demanded that full provision be made for the unsecured debts.

Chapter Three.

FRAMING THE SOUTH SEA PROJECT.

* * * * *

The old Whig parliament had been dissolved on September 21, 1710. The elections which followed gave the most overwhelming victory for the Tories in many years. Public opinion was enthusiastic in its support of the change in ministry. Over one hundred and fifty new Tory members were returned to the House of Commons. Even the City of London, supposed to be safe in the control of the great Whig merchants, defeated Sir Gilbert Heathcote, the governor of the Bank, and elected four Tory burgesses.

To Harley as leader of the Commons had fallen the task of formulating the program for the new Parliament. With the three necessary Tory policies in mind, he had set diligently to work to plan legislation which would carry them into effect. The purpose of the government as he announced it through the Queen was: (1) to grant supplies

with unanimity and dispatch to carry on the war with the utmost vigor, particularly in Spain; (II) to find some way to answer the demands of the navy and other offices and to prevent the accumulation of like debts for the future, with a view to "establishing and preserving the national credit"; and (III) to bring to an honorable end the sufferings caused by the long and expensive war. (1) These policies deemed to depend upon each other in exact order. If funds could not be found for the running expenses of the government, it would be hopeless to seek provision for its past debts. If the resources of the land were insufficient either to carry on the war or to give security of redemption of outstanding bills, hopes for an honorable peace would be exceedingly faint. To many men, all seemed alike impossible; even so brilliant a financier as Lord Halifax could not see how Harley could find money for all the demands that would be made upon him.

Harley's difficulties were increased by the fact that taxation, always a tender matter with men of Anglo-

(1) Address of the Queen, Nov. 27, 1710. Lords Hourn, XIX, 166.

Saxon strain, was now a more delicate matter than usual. Scarcely had England ended the century-long struggle over the right of parliament to grant all the revenue used by the king, when she entered upon a long and expensive continental war, during which the utmost ingenuity of statesmen was called forth in the endeavor to secure the necessary supplies. The experience of past governments as described by Defoe may serve to indicate the problem which confronted the new administration: (1)

"When upon the Revolution the parliament fell most willingly into the war, as a thing of the enemy by espousing King James's interest made absolutely necessary, the first branch of our expence was carried on in the common road of levying taxes, and the money required for every year's expence was raised and paid within the year.

"The nation was rich, trade prodigiously great, paper-credit run high, and the goldsmiths in Lombard street commanded immense sums; anticipations were indeed in practice, they had been so of old, and borrowing clauses were added to the bills of aid, but these lasted but a few months, the money came in of course, and they were paid off in their turn. Land-tax, polls, additional duties of customs, excises and the like, were the ways and means by which these things were done; the year generally supported its own demands; all the loans were supposed to be temporary, and to end with the collection.

"As the war every year grew heavier upon us, and the expence increased, new ways and means were necessary to supply the growing demand, till all the taxes that

(1) An Essay Upon Loans: By the author of the Essay on Credit. 1710. Somers Tracts, XIII, 36-7.

could be raised by the ordinary way were found little enough to bring the annual expence about.

"This put the commissioners of the treasury upon listening to new taxes, and entertaining all the projects for raising money that the working heads of the age could supply them with. These, backed with parliamentary authority, were too unadvisedly supposed to raise such certain sums as the publick occasions then called for, and borrowing clauses were added to them, limiting the said sums; which passed as a giving the treasury credit upon the acts of parliament for such sums as they were granted for; but the collections falling entirely short of the sums proposed, left the publick in arrear to the lenders, and from hence came the great load of deficiencies which the nation feels the weight of to this hour.

"As the sums given fell short, so the war called every year for still greater sums; which, added to the deficiencies of the old taxes, grew so heavy that our managers found it was in vain to struggle with the difficulty any longer upon the foot of the annual taxes; and that it was next to impossible to raise every year what the public occasions called for.

"This led them to a new method to supply the great demands of the war, viz.- by establishing annual receipts of limited or perpetual interests for such sums as might be borrowed upon the credit of the nation, the principal to sink in the hands of the public. These were called funds. To encourage the people to lend upon these funds, premiums for advancing the money, large interests and other advantages were annexed; such as, 14% upon annuities with survivorship, chances of prizes by way of lottery, 7% upon exchequer bills and the like."

Just before Harley's return to power, the situation of the government in fiscal matters had grown rapidly worse. In 1707 the practice of mortgaging the customs duties in advance in return for loans was begun. Within

three years the customs were mortgaged until 1720 for money supposed to have been advanced the government, on which the payments of interest in the meantime were very uncertain. But with the government tallies at a discount and a large share of the 1710 mortgage unsubscribed, it seemed that this plan was not only wasteful but positively worthless. In addition the government was running behind on its expenses nearly a million pounds a year, making up sums unprovided for which were simply added to the mass of unsecured bills outstanding. During the past year the total receipts at the Exchequer, including funds actually collected and those supplied by striking tallies, had amounted to 6,421,350 l., 6s., 6 $\frac{1}{2}$ d. For the coming year the estimates showed Harley that over seven millions would be required. No complete budget of estimates was made up, but from scattered reports in the Commons Journal a statement may be made up which presents concisely the financial problems of the year. The exchequer receipts for 1710 and the appropriations made for the year 1711 will form an adequate basis for such a statement.

Receipts on parliamentary Grants. 1710.

By cash paid in by way of loan, payments of taxes etc. --

| | l. | s | d |
|--------------------------------|-------------------|----|-----|
| Land Tax..... | 1,329,120. | 9. | 10. |
| Candle and Apprentice tax..... | 87,886. | 8. | 10. |
| Sixth General Mortgage..... | 151,050. | 0 | 0 |
| Malttax (deducting deficiency) | 1,920. | 0 | 0 |
| Lottery..... | 1,419,568. | 5. | 6. |
| Annuities for 32 years..... | 899,975. | 0. | 1. |
| | <u>3,889,520.</u> | 4. | 3. |

Supplied by striking tallies for use of paymasters.....

| | | | |
|---------------------------|-------------------|-----|--------|
| On Land Tax..... | 550,879. | 10. | 3. |
| On Candle etc. tax..... | 413,113. | 11. | 3. |
| On General Mortgage..... | 1,145,503. | 9. | 11 3/4 |
| On Malt Tax..... | 423,334. | 10. | 11 1/2 |
| | <u>3,531,830.</u> | 3. | 3 1/4 |
| | <u>3,889,520.</u> | 4. | 3. |
| Grand Total Receipts..... | <u>6,421,350.</u> | 6. | 6 1/4 |

Appropriations for service of 1711.

| | l. | s | d |
|--|------------|-----|-------|
| For 40,000 men for sea service.. | 3,080,000. | 0. | 0. |
| Ordinary of navy..... | 120,000. | 0. | 0. |
| For 40,000 land troops..... | 919,092. | 3. | 6. |
| Additional levy of 10,000..... | 177,511. | 3. | 6. |
| 3,000 Palatines..... | 34,251. | 13. | 4. |
| 4,639 Saxons..... | 43,251. | 12. | 6. |
| 800 men of Bothmar, s dragoons... | 9,269. | 16. | 6. |
| Troops of augmentation..... | 220,000. | 0. | 0. |
| Guards and garrisons for Great Br. | 546,108. | 17. | 8 3/4 |
| Office of Ordnance for land troops | 130,000. | 0. | 0. |
| Transport of troops to Flanders... | 144,000. | 0. | 0. |
| Remittances to Flanders.... .. | 100,000. | 0. | 0. |
| Subsidies to allies..... | 478,956. | 16. | 7. |
| For war in Spain and Portugal.... | 1,500,000. | 0. | 0. |
| To Bank to redeem Exchequer bills | 156,657. | 13. | 8. |
| Extraordinary charges of the war. | 292,369. | 2. | 4. |
| Interest on loans on land tax for 1706-8..... | 136,885. | 9. | 9 1/2 |

Appropriations for service of 1711, con.-----

| | l | s | d |
|-----------------------------------|------------|-----|----|
| To carry..... | 6,845,468. | 19. | 5½ |
| Interest on loans on malt duties. | 230,898. | 10. | 4. |
| Interest on 1½ Million Lottery... | 45,845. | 9. | 2. |
| Interest on Two Million Adventure | 34,741. | 9. | 5. |
| Commissioners on Accounts..... | 6,000. | 0. | 0. |
| Total Appropriations... | 7,299,839. | 17. | 4½ |

Here was to be bridged a prospective gap of 900,000 pounds between past receipts and probable expenditures. And Harley had promised himself that there would be no anticipation of customs or excise taxes, on which Godolphin had settled a million pounds in tallies.

It will not be necessary to follow through in detail the methods resorted to 'to make ends meet'. Various new excise taxes were devised on which large lottery funds were established. In this way assurance was given that the receipts would at least equal those of the preceding year.(1) For our purpose it will be sufficient to call attention to the fact that the plans for the new taxes, together with the project adopted for

(1) As will be seen shortly, 500,000 l. for the service of the current year were included in the capital of the South Sea Company. The remaining problems of making the parliamentary grants 'go around' seem to have been solved by the usual expedient of not pushing the war in the Peninsula.

oaring for the outstanding debts, had all been arranged by Harley before parliament met, November 21, 1710. (1) Details in every case were to be attended to, but the essential features of the South Sea project, as of the other fiscal measures, had already been settled upon in Harley's own mind. To avoid speculation in the depreciated tallies, the plan for providing security for them was kept secret by himself and two other men. One of these must have been Edward Harley, the Auditor of the Exchequer; it would be futile to venture a guess as to the identity of the other. (2)

Question has been raised in recent years as to the origin of the South sea scheme. The traditional character-sketch of the earl of Oxford has represented him as being incapable of initiating anything original, and as lacking the driving will to put anything into execution. Accordingly it has pleased investigators to delve for evidence to support a theory that this or that publicist of the Eighteenth century suggested the plan to Harley. (3)

(1) Parl. Hist. VII, Appendix, xci. Harley's letter to the Queen at the close of his ministry.

(2) Probably a confidential clerk. Port. MSS. V, 464, in the first draft of Lord Oxford's letter to the Queen.

(3) Notably E. S. Roscoe in Robert Harley, Earl of Oxford.

If the major premise lacks in convincing quality, the evidence so far deduced to support the claims of any other man than Lord Oxford to the authorship of the bill does even more so. Certainly no one who reads with an impartial eye the glowing tributes that are paid to Harley's abilities by contemporaries who were not at all bound to do so, or who watches the warm friendship and admiration he inspired in such freelances as Halifax, Swift and for a long time in Bolingbroke, can doubt the possibility of his being responsible for the acts of his administration. Certainly with regard to the South Sea company, evidence to the contrary is wholly inadequate.

The man most often given credit by imaginative investigators for authorship of the scheme has been Daniel Defoe. Letters brought to light in the report of the Historical Manuscripts Commission in the last fifteen years have been accepted as pointing to this conclusion. Certain it is true that Defoe's usefulness to the successive ministries in the reign of Queen Anne far exceeded the work for which he was early given credit.

As a political spy, as incessant editor of news sheets, as pamphleteer and as promoter of various plans for the improvement of relations with Scotland, and of trade and commerce, Defoe's aid was invaluable. But however much the products of his restless brain affected the policy of his patron in other regards, there seems to be no reason for believing that Defoe originated this very important feature of his program - the South Sea Company. No contemporary statement has been found which denies that Harley was responsible for the project, which Harley repeatedly refers to it in his correspondence as "my child", and which to the end of his career he himself and all his friends regarded as his "masterpiece".

Harley himself makes the declaration that before the opening of Parliament he had prepared a plan for funding nine millions of the outstanding debts. (1) As early as November 7, he wrote to his correspondent John Drummond at Amsterdam that he was working on the project. "At this moment", he writes, "I am upon a proposition which will immediately restore all our credit.... and this I hope to effect before Parliament meets." (2) The correspondence

(1) Parl. Hist. VII, Append., xoi.

(2) Port. MSS. IV, 623.

with Defoe at this time reveals no trace whatever of intercourse with reference to financial projects. Defoe was on his way to Scotland on a political mission and for months before and after spent the greater part of his time at work shaping public opinion. Not until the summer of 1711, a full month after the South Sea Act was passed, is there the slightest allusion on the part of Defoe to the plan. Then there is not trace of previous conversation on the subject.(1) If the company was organized at the instance of any one besides Harley himself, it does not appear to have been at Defoe's suggestion.

Of course it would be futile to marshal evidence to disprove a possible negative. The air was full of South Sea expeditions and fiscal schemes. William Paterson, Dr. Hugh Chamberlayne, Davenant and Lord Halifax all conferred with Harley during the winter of 1710-1 on financial matters. We have just found Harley himself stating that one other man besides himself and his brother knew of

(1) Port. MSS. V, 23. Defoe to Oxford, June 26, 1711. "I would gladly have spoken six words with your Lordship on the subject of the South Sea affair in which I persuade myself I may do some service in print." Two weeks later Defoe was given opportunity to present his views, and he outlined plans to found a colony in Peru. Ibid, V, 50-2, 58-61, 66-8.

the plan before it was laid before a party caucus. It is entirely conceivable that these clues might point to authorship in some other person than Harley. History must rest on something more than possibilities, however. And in view of the facts briefly outlined and the circumstance that no contemporary claim is made on behalf of another projector than Harley, the conclusion seems justified that credit or blame for the institution must rest with him.

In what, then, did the plan for providing security for the outstanding bills and tallies, consist? Briefly stated, Harley proposed to fund these debts to form the capital stock of a corporation. Certain taxes were set aside to secure the payment of interest on this capital, and the creditors were given the monopoly of British trade to the South seas, from the Orinoco up the west coast of America, not to exceed 300 miles from shore. Let us consider the project as finally launched in more detail. (1)

The capital stock of the new corporation was fixed at 9,471,335 pounds, which may be listed under the

(1) Statutes-at-Large, XII, 193-229. 9 Anns, c. 21. "An act for making good deficiencies, and satisfying the public debts; and for erecting a corporation to carry on a trade to the South Seas....."

following heads: (i) the item of 6,740,337 l., 5s., 2 3/4d. of unsecured debts for which we have already given account, and for whose benefit the act was primarily devised; (ii) the deficiency in the navy, transport and victualling services from September 29 to December 25, 1710, together with interest on the army and transport debentures for the same period, 378,859 l., 5s., 8 1/4d.; (iii) interest from December 25, 1710 to December 25, 1711 on the debentures, 85,000 l.; (iv) tallies on the mortgage loan provided for in 8 Anne, c. 13, which had been unsubscribed because the security for it had not yet taken place, 1,296,582 l., 9s., 11 3/4d.; (v) interest on latter sum to March 25, 1711, 74,875 l., 19s., 1d.; (vi) interest on all the above items from March 25, 1711 to December 25, 1711, 386,325 l.; (vii) a loan of 500,000 pounds for the current expenses of the government for the year.

A table will make these items more clear:

| | | |
|--|------------|-----------|
| Principal of unsecured bills and tallies outstanding, Sept. 29, 1710.. | 6,740,337. | 5. 2 3/4 |
| Additional bills and interest on army and transport debentures to Dec. 25, 1710..... | 378,859. | 5. 8 1/4 |
| Interest to December 25, 1711..... | 85,000. | 0. 0. |
| Mortgage loan of 1710..... | 1,296,582. | 9. 11 3/4 |
| Interest on same to Mar. 25, 1711.... | 74,875. | 19. 1. |
| | 8,585,000. | 0. 0. |
| Interest to Dec. 25, 1711..... | 386,325. | |
| Loan for current expenses..... | 500,000. | |
| Total capital..... | 9,471,325. | |

Harley foresaw that it would be impossible for the government to pay the 6 % interest promised the first year and so had provided for subscribing this into the original capital.

Three separate systems of taxes were set aside to secure the payment of interest in years to come. (i) The customs duties on wines, vinegar, tobacco, East India goods, wrought silks, whale-fins, etc., which had been mortgaged from August 1, 1716 for four years to secure the payment of the loan to Godolphin in 1710, were now diverted and made permanent to secure the payment of interest and principal of the South Sea fund. (1) It was partly to secure the use of these duties that the mortgage tallies themselves had been admitted into the stock of the company. (ii) To provide for the interest payments before 1716 was the difficult problem. The best provision that could be found was to set aside the proceeds of the duties on rock salt and salt levied in 1 Anne, c.13, as far as they were not otherwise obligated for the payment of other funds. (2) They had been mortgaged 8 Anne, c.13, sec.13 as security for

(1) 9 Anne c.21, secs.1-4.

(2) Ibid, secs.5-6.

for a loan, and were available for only a small fraction of the interest due. (iii) Certain duties on candles, wax and tallow, clerks, apprentices, etc., granted 8 Anne, c.9 from May 1, 1710 to May 1, 1715 to secure a loan of 500,000 pounds were continued forever. The proceeds after the payment of the original loan and interest which they secured were to be applied to the payment of the interest and principal of the South Sea capital. (1)

It must be evident that even Harley had not been able to offer very satisfactory security for the troublesome debts. Clearly the interest payments must be deficient for five years, though promise of ample security after that time might mean something to a creditor. To provide for the deficiencies which were bound to occur, quarterly accounting was to be made and within twenty days after the fiscal quarter payment of the deficient interest was to be made by the treasurer of the navy out of such money or tallies as were in his hands and out of the first he might get thereafter. (2) A deficient stock was to be created, in other words, to maintain the parity of now deficient tallies which were in turn to be

(1) 9 Anne, c.21, secs. 7-8.

(2) Ibid, sec. 16.

re-issued to pay the interest on the stock. This truly was a vicious circle of financial manipulation. Hope was held out, however, that the Commons might secure more adequate provision under more prosperous conditions. Annual estimates of the probable deficiency based on a three-year average were to be presented to Parliament, and the naval treasurer was responsible only in case no action was taken in the matter.(1)

The annual interest charge due from the government to the Company was fixed in the statute at 568,269 l., 10s., six per cent on the gross capital authorized.(2) This sum was to be paid without increase or abatement until December 25, 1713, by which time it was expected that the capital would be filled. Account was then to be made up of the paid in capital and any excess or deficient interest for the preceding years on this basis was to be made up in the 1714 payment.(3) An additional sum of 8,000 pounds annually was to be paid the Company for expenses of management of the fund on behalf of the public.(4) The fund of

(1) 9 Anne, c. 21, sec. 17.

(2) Ibid, sec. 20.

(3) Ibid, sec. 34. It was then found that the capital was some 300,000 pounds short. Tally-holders on the general mortgage remained out of the Company to almost that sum. Comm. Journ. XVII, 514.

(4) Ibid, sec. 35.

interest was to determine on one year's notice after December 25, 1716 and on repayment of the entire principal of the company's stock. (1) A supplemental act passed in the following year was required to specify that such repayment ^{would} not affect the status of the corporation but that its rights were vested in perpetuity. (2)

Description in great detail of the bills and tallies which might be subscribed into the South Sea capital is to be found in the act. Into all of the ramifications of these ~~provisos~~ and exceptions it will not be worth while to enter. However it may be ~~stated~~ in general that persons interested in bills belonging to the general classes which have already been described on March 25, 1711 (one month before the introduction of the bill) should be admitted to the company in a proportion to be fixed by Her Majesty. (3) A special article provided that tallies, bills and orders in the hands of government paymaster on May 1, 1711 should be subscribed into the fund for the benefit of the public. (4) Admission

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- (1) 9 Anne, c. 21, sec. 24.
 - (2) 10 Anne, c. 30.
 - (3) 9 Anne, c. 21, secs. 29-31.
 - (4) Ibid, sec. 28.

of these tallies was obligatory on the company to December 25, 1711. After that time the directors of the company might purchase or admit to the joint-stock as they saw fit unsubscribed tallies included within the specified classes.(1)

The act provided that the Queen might issue articles of incorporation to the subscribers, creating them a body corporate and politic with perpetual succession under such name as she might see fit, with power to choose a governor and directors under such limitations as Her Majesty might prescribe.(2) The company was to have power to purchase land in England of an annual value of not more than 1,000 pounds for office purposes. It was not to borrow money on bills payable on demand or at less than six months time, which would encroach on the monopoly of the Bank of England. It might not discount bills of exchange or notes, or keep books of account for any individual or group of individuals.(3)

provisions which throw much light on the legal status and protection afforded joint stockholders may be briefly summarized. Transfers of stock were to be

(1) 9 Anne, c. 21, sec. 32.
(2) Ibid, sec. 25.
(3) Ibid, sec. 43.

under the regulation of the Queen, none but voluntary transfers to be valid.(1) Stock was declared a personal estate, to pass to the executor and not to a deceased holder's legal heirs.(2) stock certificates and the annual interest were to be exempt from government taxation.(3) Holders of stock might sit in Parliament. They could not be adjudged bankrupt, and their shares were not to be subject to foreign attachment proceedings.(4) Guardians, executors, trustees and mortgagees, who held tallies of the specified classes as a trust were the only persons required under the act to subscribe into the capital stock.(5)

Finally since it was "of the greatest consequence to the honour and welfare of this kingdom and for the increase of the strength and riches thereof and for the vending the products and manufactures, goods and merchandises of or brought into this kingdom and the employment of the poor, that a trade should be carried on to the South Seas and other parts of America" the corporation thus created was granted a monopoly from August 1, 1711, of the

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- (1) 9 Anne, c.21, sec.36.
 - (2) Ibid, sec.37.
 - (3) Ibid, sec.38.
 - (4) Ibid, sec.42.
 - (5) Ibid, sec.39.

born on board the company's ships or in places under its jurisdiction were to be deemed natural born subjects of Great Britain. (1) No general embargo was to suffice to detain any company ship from leaving British ports. (2) In the interests of the East India Company, the south sea traders were forbidden to sail to the South Seas by any other route than through the Straits of Magellan, or to trade in the manufactures of China, India or Persia, or in any ports belonging to the East India Company. (3)

Although the act is long and involved, many of its sixty-six sections seeming either contradictory or superfluous, there seems no reason to doubt that the provisions for the constitution of the corporation and the regulation of such trade as it might undertake reflected the best judgment of the time with regard to joint-stock organization. Nevertheless a vital weakness in the very nature of the project constantly forces itself into the foreground. In its one great object to provide full security for the unsecured debts of the nation, the act was on its face a failure. The funds were hopelessly insufficient to give any real assurance that their appropriation

(1) 9 Anne, c. 21, sec. 53.

(2) Ibid, sec. 54.

(3) Ibid, sec. 58.

would increase the credit of the government in the least degree. Yet it would appear from the structure of the act that Harley had commenced work on the project with this very notion that funds alone could be provided to support the credit of the government. Through the first twenty-four sections of the completed act there is barely a reference to a corporate body. They stand as a logical whole, forming a funding act for the debts in question, which might be administered through a government office or any other agent at will. With the twenty-fifth article comes a new preamble and provisions for a corporate organization with a trading monopoly follow. Between the two parts of the act there appear repetitions with regard to interest payment and persons eligible to membership. These observations tend to support the suggestion that as an after-thought, to bolster up an inadequate legislative act, Harley had foisted on the clamorous government creditors a corporate organization and corporate rights and responsibilities which they had neither sought for, nor had any necessary motive to desire. The Bank and the East-India Company had it ia

true been commercial ventures financed by government creditors. But in these cases the government had secured new loans from the promoters to ensure grants of privileges they zealously sought. Never before had the government undertaken to force an unorganized, heterogeneous body of petty creditors to undertake a trade in which they had neither interest nor talent, and for which they might themselves fail to command the requisite credit.

for

Fortunately, ^{for} this bill to "provide for the debts of the nation", enthusiasm was so great that even a specious plan had been devised, that no urging of such inadequacies could have had weight. Commoners, Tory and Whig alike, had stood aghast at the prospect of ever making any provision for the long accumulating debts. So it was with fear and compassion rather than with penetrating criticism that Harley was greeted when on March 5, 1711, he made the 'pro forma' motion that parliament make a grant to provide for the unsecured debts of the government. (1) Experienced politicians shook their heads at Harley's audacity. Members of his own party

(1) Comm. Hourn. XVI, 535.

openly avowed their disbelief in his ability to make adequate provision for the accumulated debts in addition to providing for current expenses. Lord Godolphin declared that Harley had "hung a millstone about his neck." (1)

The Commons reached no resolutions on the first day they considered the motion, but the Committee of the whole was ordered to sit again on Wednesday, March 7. On this day the sitting seems to have been adjourned until March 9, the House not meeting on Thursday. (2) Before it met again, Guiscard had made his attempt to stab Harley and the head of the ministry was confined to his home. Rumor said that his wound would prove fatal. Indignation and sympathy were universal. On meeting the House promptly adopted resolutions denouncing the outrage in the strongest terms. Then it turned its attention to the unfinished business, the resolutions on the public debts, and passed them through the Committee of the whole. (3) On March 10, they were reported to the House by Mr. Conyers, Harley's floor-leader, and on being read the second time were agreed to without division. (4)

(1) Port. MSS., V, 652-3. Memoirs of the Harley Family, by Edward Harley. "The whigs then in the House treated it with the utmost ridicule, pleasing themselves that the Chancellor had made a proposal which in itself was impossible and that therefore it must turn to his own shame and confusion."
 (2) Comm. Journ. XVI, 538. (3) Ibid, 540. (4) Ibid, 541-2.

Public business languished during the illness and convalescence of Harley. (1) The unsecured debts remained with the bare acknowledgement by Parliament of the obligation for over two months. However the opportunity was seized by Edward Harley, Auditor of the Exchequer and his brother's right hand man, to prepare the act in detail. "No assistance was received from the offices principally concerned in the debt", writes the auditor, "and for many reasons it was absolutely necessary to conceal the methods in doing it till the bill was perfected." (2) One of these reasons certainly was to forestall any possible speculation in the government bills in question. Passing as they did at 40 to 45% discount, a sharp speculator convinced that they would rise on the passage of the act might have hoped to reap a profitable harvest on an early investment. It was desired that the benefits of the act accrue to genuine creditors of the government. (3)

On April 25, the day before Harley returned to the House of Commons, a caucus of forty or fifty moderate members was held at which the plan of the proposed Company was revealed. (4) It was approved with the greatest

(1) Journ. MSS. to Stella, March 12, 1711. "Parliament cannot go on till the 15th and are forced to adjourn their money business which none but he can help in. Cf. Mar & Kellie MSS. p. 489. (2) Port. MSS. V, 653. (3) Harley charges some fellow ministers with reproaching him for not letting them have some profit out of the deal. Parl. Hist., VII, xci.

enthusiasm and with surprise at the merit of the project. A week later on May 2, Harley presented the plan of the South Sea company before the House in Committee of the whole. (1) The House took under consideration at the same time the scheme for a new Two Million Lottery to be based on the postal revenues and new duties on hides, skins, vellum and parchment. Resolutions embodying the salient features of both were adopted by the committee, and on the following day were presented to the House. (2)

The resolutions as presented may be summarized as follows: (i) To set aside 140,000 pounds a year for 32 years out of the 700 pounds a week received from the Postoffice, and from duties on hides, skins, vellum and parchment, on which to raise a fund not exceeding one and one half millions by contributions on annuities; (ii) That a fund be given to her Majesty to pay interest at the rate of 6% on the several public debts in the Navy, Ordnance and Victualling departments and other out standing debts, to constitute a fund redeemable by Parliament; (iii) That for this purpose the impositions laid by the act of 8 Anne, c.13, imposing duties on coal, culm etc., be continued

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(1) Comm. Journ. XVI, 625. Port. MSS. IV, 683.

(2) Ibid, XVI, 626.

forever; (iv) that all tallies issued since the eighth year of Queen Anne's reign be engrafted into the same general fund; (v) that the duties on candles etc. be granted forever; (vi) that the proprietors of the said debts and deficiencies be incorporated to carry on the trade to the south seas; (vii) that to whatever extent the said rates and duties fall short of supplying the annual fund, the deficiency shall be paid out of the first aids granted by Parliament thereafter. The resolutions were placed immediately on second reading, and after a verbal change, were passed. It was ordered that a bill or bills be brought in by Mr. Conyers, the chancellor of the Exchequer, Sir Thomas Powys, the Attorney-General, the solicitor-General, Mr. Auditor Harley and William Lowndes. (1) The committee at once divided the resolutions into two sections and the lottery proposal was brought in the following Monday in the form of a separate bill. (2)

Great popular enthusiasm seems to have greeted the introduction of the South Sea project, the measure that "will pay off the nation's debts", as ignorant friends

(1) These men seem to have formed the usual group to which budgetary proposals were referred in this Parliament for embodiment in bills.

(2) Comm. Journ. XVI, 637. It was not passed, however until June 4.

declared. Lady Dupplin, the daughter of Harley, wrote enthusiastically to her aunt that the report had passed without opposition. "It has caused great rejoicing", she declared, "there were bonfires and ringing of bells in the city last night; it is a glorious thing." (1) However, the same day Swift expressed impatience to know what the proposals were. (2) Already there were powerful forces at work against the project. The very fact that it was being hailed with so much eclat by the Tories was sufficient to render it an object of suspicion in the eyes of the opposing party. Proprietors of the debts in question themselves protested against the measure, no doubt mainly against the proposed trade to the south Seas. (3) To offset the Whig murmurings, Lord Halifax was called into consultation on the bill and seems to have offered suggestions of considerable weight. These may have been rather of political significance than affecting the character of the project itself. (4)

(1) Port. MSS. IV, 683. May 3, 1711.

(2) Swift Corresp. I, 254. Swift to Peterborough, May 4, 1711.

(3) Port. MSS. V, . . . "Several of both parties set themselves to embarrass it, thinking it would be too great a credit to the Chancellor to accomplish so vast an undertaking, but... there was little room for cavils. Port. MSS. V, 653.

(4) Port. MSS., IV, 687.

Not until May 17 did Conyers present to the House the bill "for making good deficiencies and for satisfying the public debts, and for erecting a corporation to carry on a trade with the South Seas." (1)

On the same day the bill was read and passed the second reading. On the following day it was read the second time and committed to the whole House to be considered

on May 21. (2) On this same day (May 18) a petition was presented from the East India Company, setting forth its claim "to the whole trade to the East Indies, in the countries and places of Asia, Africa and America, beyond the Cape of Good Hope to the Magellan Straits."

The petition argued that the South Sea project "will not only be injurious to us the petitioners, but a discouragement to all others who have or may lend money upon Parliamentary funds." It was requested that the company be heard on the bill, and it was ordered that they might be heard by counsel. (3) It is presumed that this hearing was conducted; but there are no records of the matter and

(1) Comm. Journ. XVI, 670.

(2) Ibid, 671.

(3) Ibid, 671.

it evidently exerted no effect on the ultimate nature of the bill.

The act was considered in Committee of the whole on Monday, May 21, and again on May 24, on which latter date it was agreed to report the bill with amendments. (1) The following day this report was made and amendments were adopted requiring the board of directors to be chosen by the stockholders; the first board and the first governor however were to be designated by the Queen. Three other amendments were introduced in open House and passed without apparent division. (2) One of great importance was a clause providing that the Company should accept and employ a stock to carry on a fishery. This clause apparently incorporated into the bill by chance later became the basis for one of the most active and at the same time unprofitable portions of the Company's business. A second amendment gave the company permission to export unwrought iron to Spain. A third applied a rule laid down earlier in the session against 'interlocking directorates' and provided that no director of the South Sea company might be at the same time a

(1) Comm. Journ. XVI, 678.

(2) Ibid, 678.

director of either the Bank of England or the East India Company. Amendments were also offered barring the company from discounting bills, and providing that persons should not be forced to enter the company. These were withdrawn on the ground that they were already provided for in the bill.

With these alterations the bill was ordered engrossed. On Monday, May 28, it passed its third reading, 'nemine contradicente', and was taken up to the Lords. (1) Not until May 30 was the bill presented in the Lords and on that day Harley, now Earl of Oxford, attended for the first time since his formal introduction into the body a week before. (2) The bill was read for the first time on this day. On May 31, it was read for a second time, considered in Committee of the whole with Lord Delawar as chairman, and reported without amendment. It was immediately read for the third time and passed. (3) The bill received the signature of the Queen on June 12. (4)

(1) Comm. Journ. XVI, 680.
 (2) Lords Journ. XIX, 312.
 (3) Ibid, 315.
 (4) Ibid, 322.

Chapter Four.

FISCAL USEFULNESS OF THE COMPANY.

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Despite our gloomy anticipations as to the probable success of the South Sea act in its principal object, its passage seems to have at least partially answered the purpose for which it was intended. It raised the value of government bills from 10 to 20 per cent on their par value; it materially reduced the cost of government supplies; it greatly strengthened the financial position of the government in the city.

Here at last was something definite which the government had to offer to the moneyed men in the way of constructive financial legislation. If it was a makeshift, it at least violated no fundamental laws of sound fiscal policy. If the promises of interest for the next five years were to be fulfilled lit tle differently than they had been for the past three, Parliament had at last

latter result was only gradually being realized, the fact that the discount rate for tallies was rising at all was a hopeful circumstance that could not fail to have progressive effects.

This upward tendency in government credit, however, was not the result of any spontaneously unanimous enthusiasm on the part of government creditors for the new project. In the House of Commons the proprietors of the debts in question had protested vigorously against the bill. As soon as passed memorials began to come in from various government offices. The undertakers of the hospitals for sick and wounded at Plymouth and Portsmouth were the first to complain at the hardship of being put off with paper security when it was money they wanted. (1) Some creditors of long standing raised a similar protest. The South Sea act had provided that the Hanover subsidy long overdue might be paid in South Sea stock. The shrewd Elector made a vigorous effort to secure payment of this 9,375 pounds in money, or at best with 20% additional stock to cover the prevailing discount. Only as a last resort just before Christmas, 1711 when the books closed

(1) Cal. Treas. CXXXIV, 46. June 24, 1711.

did he enter his debt on the company's register. (1) Complaints of similar nature followed for over a year after the passage of the act. (2)

In spite of the beneficent effects of the new provision for outstanding debts, the fall of 1711 had witnessed another serious depression in the money market. On the last day of August culminated a serious crash of the public stocks. (3) At the same time the government faced the problem of contracts for pork and beef for the army. With bills fallen again to 35% below par, extravagant rates seemed the best the government could secure. (4) Contractors in the navy who had previously made arrangements to serve the government declared their "inability to comply with their contracts on account of the high discount on navy bills and the uncertainty of their

(1) Macpherson papers, II, 265-6. Letter to Kreyenberg, the resident at London, November 10, 1711.

(2) On Jan. 29, 1712, the Commissioners of Ordnance complain that their bills three years in arrear had been paid in South Sea stock which was at a great discount. A minute suggests that a portion of their claim was settled in specie. Cal. Treas. CXLIII, 39. July 31 of the same year, the Commissioners of Sick and Wounded seamen forward a letter to them from one William Woolley, a merchant who complains "that the tradesmen have lost 20% on the South Sea account and it is now going on three-quarters of a year." Cal. Treas. CL, 20. cf. Ibid, CXL, 55.

(3) Port. MSS. V, 79. Halifax to Oxford, Aug. 30, 1711.

(4) Cal. Treas. CXXXVI, 65. Aug. 30, 1711.

payment". To some officials it seemed that "nothing but a full stop in the affairs of the navy could be expected unless an immediate remedy were applied." (1) What that remedy was does not appear from records at hand. Doubtless Lord Oxford's tact found some way of satisfying immediate demands with partial payments. At any rate in the midst of the confusion, the Queen issued the charter for "The Governor and Company of ^{of Great Britain} Merchants/trading to the South Seas, and other parts of America, and for encouraging fishery." (2) stocks normally recovered soon after. Dutch money found its way into the new organization (5) and by November its stock was quoted at 77½. (4)

But the usefulness of the South Sea Company in the fiscal policy of the government did not end with the formation of the ^opropriators of the unsecured debts into a trading company. Clauses in the act itself had provided for continued service of the South Sea stock. Hundreds of thousands of pounds of tallies, due-bills and debentures,

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- (1) Cal. Treas. CXXXVII, 23. Sept. 10, 1711.
 (2) The charter was dated September 7, 1711.
 (3) Port. MSS. V, 49. John Drummond sold 1,500 pounds of Bank stock to buy shares in the new company.
 (4) Anderson: History of Commerce, III, 46.

which had never been paid out for government obligations, but which were in the hands of paymasters in readiness to be so used, were ordered to be subscribed into the stock of the new company. Almost two millions and a half of South Sea stock was so subscribed "for the use of the public".(1)

As early as October, 1711, the rule had been laid down that contracts which were made for transport service of the army in Flanders before the end of that month should be discharged by payments in the form of South Sea stock.(2) At the same time, orders were issued to pay the king of Portugal for the barrels of powder overdue through the South Sea Company.(3) After 1712, however, South Sea stock became more available for fiscal purposes by reason of further legislation. In this year the lottery bills carried with it a rider making it lawful for the government offices to borrow money on South Sea stock in their possession as security.(4) This facilitated

(1) 2,371,402 l., 7s., 1d. had been so subscribed by Christmas, 1713. Comm. Journ. XVII, 514.

(2) October 2, 1711. Cal. Treas. CXXXVIII, 9. Cf. Ibid, CXLVII, 60 where the rule was applied on May 28, 1712.

(3) October 3, 1711. Ibid, CXXXVIII, 7. 13,905 bbls. of powder came due in March, 1711, the amount due amounting to 41,715 pounds.

borrowing on a margin without impairing the credit of the stock as a whole. And during the last two years of Oxford's administration, this device was made almost constant use of as a financial expedient.

In January, 1713, for example, payments of claims in South Sea stock were suspended for several days while opportunity was given the public to advance money upon the stock as security. (1) By January 24, 130,000 pounds had been so borrowed, and the money raised was devoted to the benefit of pressing claims in the office of the Sick and wounded. (2) Other warrants for the borrowing of money were issued soon after this date. (3) A year later, in March, 1714, a syndicate loan of 500,000 pounds came due which had been placed on the security of South Sea stock. (4) A margin of 166,000 pounds had been allowed in this case on the stock. In other words the stock had been mortgaged for 75% of its par value. In the same month, Lord Treasurer Oxford was reminded of the maturity of a loan

(1) Cal. Treas. CXL, 55.

(2) Ibid, CLIII, 9. To pay exchange on bills to the American colonies for instance.

(3) Ibid, CLVIII, 26. A list of such warrants, the last being dated January 26, 1713.

(4) Ibid, CLXXIV, 12.

for 55,000 pounds on 70,000 pounds of stock.(1) It would appear that at this time nearly all of the stock originally taken for the use of the public had either been pledged as security or had been paid outright in settlement of obligations. At least the transport contractors were compelled to wait from March 3 to July 19, 1714 to get a pressing claim paid even in stock.(2)

Special arrangement, however, could be made in this year for the direct payment of all bills of exchange from Spain on the victualling office in South Sea stock.(3) Other transactions might also be cited, illustrating the serviceableness of these securities in the extension of the credit of the government.(4)

Although the stock itself remained below par until after the death of Queen Anne, it steadily rose as it neared the commencement of the interest funds. The growing commercial activities of the company lent

(1) Cal. Treas. CLXXIV, 21.

(2) Ibid, CLXXIII, 29. John Ward to William Lowndes, Mar. 3, 1714, and minutes, April 24 and July 19.

(3) Ibid, CLXXII, 31. Cf. also Ibid, CLXXV, 13 and 35.

(4) Such as a Genoese loan of 180,000 pounds on South Sea security which came due on August 29, 1713. Problems arising from this absorbed much of the time of King George's first treasury board. Cal. Treas. CLXXX, 16, Aug. 16, 1714 and passim, ff.

additional speculative value to the securities. Complaint at being put off with trading stock instead of gold had practically ceased on the part of government creditors by the end of the Oxford administration. To glance forward beyond the chronological limits of this discussion, it may be noted that one of the first steps of the Hanoverian ministry was to dispose of a large amount of the stock which had been in public hands. Books were opened for this purpose on September 11, 1714, and possibly on one or two days following. As a result there was sold (it is not known whether or no at a discount) 885,703 l., 14s., 7d. in South Sea stock. (1) Payments were made weekly for this until November 6. (2) With the rise of the Company as a commercial institution, the impropriety of the government remaining a large stockholder was evident. It was not long until its holdings were disposed of entirely at good rates.

(1) Cal. Treas. CLXXX, 36, 39, 49-52, 57.

(2) Ibid, XXXII, 4.

Chapter Five.

THE SOUTH SEA TRADE AND UTRECHT.

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It has taken no extended investigation to perceive that in the framing of the South sea project the feature of the South sea trade itself had been only an incidental factor. while such a trade had long been urged by British publicists and statesmen as desirable, it was not a matter of pressing concern to the ministry that it be developed at this time. It could be seen that as peace prospects grew brighter, it would be decidedly for British interests to have made a start toward an extension of the West Indian trade. But that stability of the ministers in power, the faith and integrity of the government were not concerned. On the other hand, a sound, vigorous financial policy as has been noted was an unavoidable condition precedent to the establishment of a European peace on favorable terms to England. Far-sighted provision for the unsecured debts could alone re-establish the blemished

credit of the nation. With credit still badly shaken the ministry could hardly hope to survive another session of Parliament.

In the process of making adequate provision for the debts of the nation, the grant of a monopoly of the South Sea trade to the company of government creditors was an afterthought resorted to in order to provide an additional inducement for creditors to have confidence in the government. The trade was neither sought by these creditors, nor desired by a large body of them. The difficulties and uncertainty which it involved could not but be apparent to the more influential merchants. But to the generalty, the prospects of South-Sea trade threw a glamour about the makeshift plan for paying the interest on depreciated debts. It clothed a barren, technical, financial project with the shining raiment of golden hopes and untold riches to be realized in the land of 'Westward Ho'. It played on dreams of English greatness in the southern half of the New World, cherished in popular tradition from the days of Francis Drake and Sir Walter Raleigh. But its connection with Harley's funding project

was in no way a necessary one and its undertaking came near to failing altogether.

It is a remarkable fact that despite incessant agitation for over a century for a company to trade to South America, but two attempts had been made prior to the South Sea Company to actually establish such a society. As early as 1624, ambitious promoters had urged a West Indian Company on the House of Commons, but no action was taken. (1) With Cromwell came the foundations of British colonial policy and at the same time a more determined effort to send a commercial colony to the Indies. The plan was pushed in 1657 and 1658 by Martin Noel and Thomas Povey, and some steps seem to have been taken to put it into effect. (2) With the accession of William III, the English government entered upon a vigorous mercantile policy, and it was immediately pressed by interested projectors to make forward steps in the ^{West} Indies. In satisfaction of this demand a company was actually set on foot,

(1) Anderson: Hist. of Commerce, III, 43.

(2) Andrews:

this time by the Scotch Parliament, to establish a colony at Darien on the isthmus of Panama. Owing to devastating fever and misunderstanding with regard to supplies for the colony, it was given up within a month as a failure. But its promoter, William Paterson the founder of the Bank of England, did not lose faith in his idea. He continued to urge both in England and Scotland another trial of his project, or the undertaking of some other adventure in the same direction. (1)

Just before the death of King William, the persistent applications of Paterson and of Defoe, who was also an 'original' West India man, had induced him to make plans for an immediate expedition to the West Indies. (2) With this in view, England's possible interest in the Indies was made a point of special stipulation in the Grand Alliance. By the seventh article of the treaty

(1) Paterson: A Proposal to Plant a Colony in Darien.... 1701. Works, I, 115-60.

(2) Paterson had advised: "the seizing upon the principal ports of the West Indies, by which he (the king) might be enabled not only to carry on the war at the expense of his enemies, but open and secure a direct trade forever between these rich and vast continents of Mexico and Peru and this kingdom." Paterson's Works, II, 74-80.

Defoe's plan, which he asserts King William approved, was to plant a colony in Chile which he claimed was far richer in gold than either Peru or Guinea. Port. MSS. V, 58-61. Defoe to Harley, July 23, 1711. See also Defoe's Review, VIII, 105.

the Emperor guaranteed to England the possession of all places she might seize in the west Indies. The death of William left it for Anne's ministers to carry his plans into execution. But owing to the failure of the allies to cooperate the expedition was abandoned.(1)

For eight years no further attempts were made to carry the war into the west Indies. The war policy of the administration, dictated largely by Marlborough, was to make the Spanish Low Countries the principal seat of the war. It was pointed out that by striking at the West Indies, England might long before have brought the war to a speedy settlement, by cutting off the source of the French supplies. "At an outlay of 500,000 or 600,000 pounds, France and Spain might long ago have been at our mercy," wrote Paterson.(2) It is imputing no improbable

(1) "The Dutch agree to join us next year in sending ships and land men to the west Indies," Godolphin to Harley, Sept. 16, 1702. Port. MSS. IV, 43. In Port. MSS. IV, 596-7, Lord Halifax tells Harley in a letter written Sept. 19, 1710 that these plans came to an end on January 7, 1703 when the Emperor insisted that all conquered islands should be held in his name till the end of the war, and the Dutch declared that because of contrary winds and the advanced season it would be better for them to employ their troops elsewhere.

(2) Paterson's works, II, 74-80. Paterson to Godolphin, Dec. 12, 1709. France had largely taken over the Spanish carrying trade formerly held by the English and Dutch and from this drew her principal resources for carrying on the war.

motives to Marlborough to say that a war brought to a successful close in such a manner was undesirable to him as adding little lustre to his own glory. And yet it must be borne in mind that the resources which became available to France by carrying the bulk of the Spanish trade during the war formed a prime hindrance to the gaining of any decisive advantage on the continent.

The Godolphin cabinet finally became aware of this fact. With the preliminaries at Gertruydenberg in progress it seemed an excellent time to make a brilliant stroke in the West Indies. Over the repeated protests of Marlborough plans were begun to make an expedition in force to seize strategic ports. (1) For various reasons the project was postponed just before the change in the ministry. (2) But the Harley ministry entered immediately into the plan and seems to have considered starting an expedition during October, 1710. (3) Again the scheme was dropped. But the British public was well prepared by these frequent proposals of a West Indian expedition, and when

(1) Coxe's Marlborough, III, 37 and 49. Letters from Marlborough to Godolphin and the Duchess, May 16, May 19, May 29, 1710.

(2) Ibid, III, 136. Marlborough to _____, August 4, 1710.

(3) Port. MSS. IV, 596-7. Halifax to Harley, Sept. 19, 1710. Ibid, IV, 583-4. Paterson to Harley, Sept. 4, 1710.

in the early spring of 1711 the mysterious naval expedition under Colonel Hill set sail, it was at once assumed that the West Indies formed its destination. (1) When these conjectured designs on the West Indies were coupled with the South Sea monopoly soon after proposed, the brilliancy of each gained favor in the public estimation.

The hopes for an advantageous trade to the West Indies and the South Seas which had been kindled by pamphleteers rested on the clearest possible application of the mercantilist theory. "The poor will be more employed in manufactures", it was contended, "the product of the estates of our landee men will become more valuable and the trading part of the nation will be greatly encouraged!" (2)

(1) Swift Corresp. I, 266. Swift to Abp. King, July 12, 1711. The Hill expedition as is well known was in the end directed toward Quebec and ended in utter failure owing to a storm at sea. However there are indications that it was at first contemplated to be what everyone supposed it was, an expedition to the West Indies. To use it at a distance as a convoy for merchant vessels to that quarter seems indicated by a letter from St. John to Harley, Jan. 8, 1711. Port. MSS. LV, 652. The prospect of gaining land assistance from the American colonies may have had something to do with the change of plans. At any rate Harley did not approve of the expedition which was finally launched.

(2) Letter to a Member of Parliament..... May 3, 1711. Somers Tracts, XIII, 117.

From peru and Mexico it was expected to import gold and silver and the richest dye-stuffs. A formidable list of possible exports promised a heavy balance of trade in England's favor. Trade is not only absolutely necessary to support the present standard of living in Europe, argued the pamphleteer already quoted, (1) but more especially for defence against ambitious neighbors. That trade ~~is~~ chiefly if not wholly/^{is}beneficial which exports the superfluity of the growth and manufacture of a nation, and brings back in return such real treasure as gold and silver and commodities which may be employed in trade or re-exported, as indigo and cochineal. Of these treasures South America "is the/^{only}inexhaustible fountain" and trade to these parts has been engrossed by the French. It was time for Great Britain to compete for this before it was too late. Her capacity for carrying on the trade was superior, and her appearance gives no cause of jealousy of designs of universal monarchy. Hence Spain would find it to her interest to encourage the trade.

(1) Note 2, page 77.

The same enterprising pamphleteer provides a list of commodities which it was thought England might export to advantage: (1)

"All sorts of woollen goods.

"Cloth, coarse and fine, sells in the southerly parts of Peru towards Chili, and in the northern parts of Mexico.

"Colchester bays is universally worn all over the country, white and dyed, and some of these goods are dyed of the richest scarlet.

"Flannels, cottons, serges, commonly called perpetuanos, made in Devonshire and sold at Exeter and some made at Colchester, and dyed with all kinds of colours and some of rich scarlets.

"Mixed serges made in Somerset and sold at Taunton.

"Shalloons, says, druggets made in several counties.

"Worsted stuffs of all kinds, made at Norwich and other places.

"Stuffs mixed with silk, worsted crapes, silk crapes, silks of all kinds, velvets, silk handkerchiefs, worsted hose, silk hose for men and women, thread hose for men and women, hats, beavers and cabolins, Flanders and English lace, silver and gold lace, sister's thread, sowing silk of all colours.

"Linens of all kinds, from the coarsest to the finest.

The vermillions and cotton goods of Lancashire.

"Callicuts and goods of India.

"All sorts of iron ware necessary in buildings and in country affairs.

"All sorts of household goods made of iron.

"Stilliards, scales and weights for gold and silver, shears for cutting gold and silver.

"Tools of all kinds for carpenters, joiners, smiths etc.

"Arms, clocks, watches, and many curiosities of iron and steel.

"Glass ware of all sorts.

"Round coral for necklaces and beads.

"Paper, sealing-wax, white wax for tapers, Castile soap, pepper, cinammon, cloves, mace, nutmegs, Cheshire chees, pickles, sauces and oil."

(1) See note 2, page 77. The emphasis on coloured goods is of course to point out the manner in which imports from the South Sea might be converted into higher forms of merchandise.

But it must have been a daring statesman to have founded a company to fund the national debt on a mere hope even so widespread as that of an extensive trade to Mexico and South America. Though England's first interest in the war had been dictated by hopes of attaining conspicuous advantages by way of the West India trade, yet as the war was closing she seemed no nearer them than before. Expedition after expedition had been proposed and abandoned before fairly under way. Trade had languished. Jealousies of the allies bade fair to make striking gains for any of them out of the question. In the meanwhile, the new French Council of Trade had adopted an aggressive policy of trade expansion in the direction of the West Indies. (1) Under cover of conducting Spanish interests on behalf of the Duke of Anjou, the Grand Monarch had negotiated the privileges of the Assiento, the exclusive slave-trade to the Spanish possessions in the New World for a period of ten years, from 1702 to 1712. With this as an opening wedge French shipping had forced itself rapidly into the Indian market. It seemed to many that so far from being a close

(1) Anderson, op. cit. III, 4 ff.

competitor, England would have a hard struggle to maintain any interest at all in the West Indies.(1)

Harley, however, at the time he presented the South Sea act to the House of Commons, had in mind hopes and expectations which more than outweighed these surface considerations. The ministry had not seen fit to undeceive any who thought the Hill expedition was to the West Indies. Now it went so far as to intimate that peace negotiations were already under way which would certainly result in giving England a secure basis for trade in South America. It was said that four ports were to be given Great Britain, together with adjacent territory.(2)

(1) Anderson in his History of Commerce, III, 54-5, declares that both the Portuguese and French companies which had the 'Assiento' lost money in the trade. As he was an employee of the South Sea Company for forty years immediately after the Bubble, he was in a position to know the facts. Of the profit to the French nation from the carrying trade there can be no question, however. The first article of the contract with the French Guinea Company reads: "Ladite Compagnie Française de Guinée ayant obtenu la permission de leurs Majestez, Tres-Chrétienne, et Catholique, de se charger de l'assiento, ou introduction des esclaves negres dans les Indes Occidentales de l'Amérique appartenantes a sa Majeste Catholique, afin de procurer par ce moyen un avantage et une utilite reciproque a leurs dites Majestez, et aux sujets de l'une et l'autre couronne; offre et s'oblige, tant pour elle, que pour ses directeurs et associez solidairement, d'introduire dans les dites Indes Occidentales appartenantes a sa Majeste Catholique, pendant le temps et espace de

(con. page 82)

The basis for these intimations lay in the first propositions of peace which had been received from the French minister de Torcy on April 22, 1711. The very first article of these proposals declared, "that the English should have real securities to exercise their commerce hereafter in Spain, to the Indies, and in the ports of the Mediterranean." (1) 'Securities' could mean nothing less than 'places', ports and trading posts under unrestricted title. From these as vantage points, a statesman of lively imagination might conjure up a vision of a West Indian empire ~~ix~~ pouring its wealth and resources into the lap of a grateful mother country. Certainly Harley did ~~not~~ regard it as beyond the bounds of probability that the South Sea trade might be developed into a great British asset from even so limited a basis.

(1, con. from page 81.) ". dix annees qui commenceront au premier Mai de l'annee prochaine 1702, at finiront a parail jour de l'annee 1713, quarante huit mille negres pieces d'Inde, des deux sexes et de tous ages, lesquels ne seront point tirez des pays de Guinee, qu'on nomme Minas et Cap Vert, attendu que les negres les dits pays ne sont pas propres pour les dites Indes Occidentales; c'est-a-dire, quatre mille huit cens negres chague annee." Quoted in Burton: Reign of Queen Anne, II, 222.

(2) Anderson, *op. cit.* III, 43.

(1) *Parl. Hist.*, VII, Appendix, *passim*.

Objections were not slow to be raised, however. The very possibility of imperial expansion on the basis of such concessions seemed to demonstrate the futility of hoping for them. Dutch, French and Spanish would hesitate long before granting England sufficient purchase for that end. And without the consent of these powers, how could an English trade thrive to parts dominated by her enemies? The apparent dilemma was quickly seized upon by the new Lord Treasurer's political enemies. Grant us the liberty of commerce from but one colony in the Spanish West Indies, ran the argument, and "Old Spain is ruined....the Indies are of no more value to them." It seemed manifestly absurd to think of Spain consenting to such a measure. "Such is the inconsistency in which you would involved us with your South sea chimera", Oxford's opponents might cast up to him. "On the very face of the matter your 'noble' project is doomed to failure. To saddle so impossible a contrivance on the public funds is but to put another hindrance in the way of public credit. (1)

Stung to action by this sharp criticism, the ministry hastened to secure in more definite form the promises of

(1) Port. MSS. V, 50 ff. Defoe summarizes the argument of the Whigs in this letter to Lord Oxford, July 17, 1711.

France with regard to the West Indian trade. Accordingly, to make specific demands for the American commerce formed one of the principal parts of the instructions of Matthew prior when sent as ambassador to the court of France the following month. The elimination of France as a principal competitor in the Indies was the object desired; to gain what seemed to have formed a chief source of her strength, namely the Assiento, was an immediate aim. prior's instructions were in part:(1)

"That the Assiento should be entirely in the hand of Great Britain; and that France nor no other should pretend to meddle with it, but Britain enjoy it after the peace as the French do now....

"And that all things in America should continue in the possession of those they should be found to be in at the conclusion of the peace.

"That all advantages or liberty of commerce that has been or shall be granted to the French by the Spaniards shall be equally granted to the subjects of Great Britain."

These instructions are dated July 1, 1711. On the twelfth, prior had his first appointment with M. de Torci. The discussion turned at once to the question of 'securities! Prior argued that on the basis of earlier treaty arrangements this term could only mean 'places' for colonizing. England wishes settlements in the Spanish West Indies, he

(1) Parl. Hist. VII, Appendix, civ-cv.

urged, to protect her ships from pirates and robbers, and the protection so provided would be equally available for the Spanish. "You will never make Spain believe", declared Torci, "that it is for her advantage to take away their country." England would soon fortify any places which the Assiento might give her. "This article is impossible to be granted", he concluded. "It is impossible to make peace on any other terms," replied the English agent. (1)

With the issue thus definitely joined at the outset, it is evident that at this point in the progress of peace negotiations, the West Indian trade was the most important question. Conferences between Prior and Torci continued over the matter, very little else of importance being considered at length. On July 14, Prior suggested that four trading places on the continent of South America would satisfy English requirements. (2) On the sixteenth, the South Sea Company brought for the first time specifically into the negotiations with respect to the projected trade, was the main topic of debate. (3) "Your South Sea Company makes a great deal of work", remarked

(1) Port. MSS. V, 34-7. Journal of Prior's Journey to Paris.

(2) Ibid, 37-8.

(3) Ibid, 38-9.

Torci. "The Dutch are surprised at it." He was assured that England was only looking out for her own interest at last, but that the project would not hurt Europe. "You will never convince us of that", was the decisive reply.

After several further complimentary conferences this negotiation came to a close. But one definite thing was accomplished. That was the sending of M. Mesnager to England with full powers to treat with regard to preliminary conditions for a European peace. Like the embassy of Prior to France, an endeavour was made to keep this mission wholly secret. The fact that it was being carried on was soon found out; but the negotiations remained unknown to all but a chosen few. The more significant of the agreements which France and England entered into at the close were suppressed entirely.

From the technical point of view of progress toward a general peace, the articles signed by Mesnager and Bolingbroke were only a series of preliminary stipulations to go into effect on the conclusion of a general peace in Europe. They also conditioned the ultimate character of

that peace. And from that point of view they are of prime importance. The settled with finality as far as France and England were concerned the possession of the Assiento and the attendant rights of settlement that England had asked for. The agreement surrendered to practically all the English demands in the West Indies in return for concessions elsewhere. The mutual stipulations with regard to the West-India trade are to be found in articles five, six and seven.(1)

"Article V. British Demand.- The Assiento contract shall be made with the English after the same manner that the French now possess it; and such places in Spanish America shall be allotted to those interested in the said commerce for the refreshment and sale of negroes as shall be thought necessary or convenient.

"French Answer- The English shall have after the peace concluded, the treaty of negroes of Guinea to the West Indies, alias, the Assiento contract, upon the same conditions that the convention was made by the King of Spain with the French; so that the said company which will be established for this effect in England shall have the prerogatives of refreshing, vending and selling their negroes in all the places and ports of America upon the North Seas, in that of Buenos Ayres, and generally in all the places and ports wherein the importation was permitted to the ships of the company formed in France under the name of the Assiento.

Article six contains the 'most-favored-nation' stipulation with regard to the Spanish trade. Article seven goes

(1) Parl. Hist. VII, Appendix, cvi-cx. French answers to British Preliminary Demands.

on to specify certain ports which the British asked for and which France conceded. It was agreed that the contract should be made for thirty years; that Great Britain should be granted the island of St. Christopher outright; and that an extent of land on the river de la Plata be assigned to the British company for the refreshment and sale of negroes subject to the inspection of Spanish agents.

But if assurances of a trade to the West Indies had been gained from France, this should promise nothing with regard to the attitude of the allies toward such a positive advantage for the English. Indeed, it may well be suspected that de Torci's sudden willingness to comply with the English demands may have been grounded in the hope that serious jealousies among the allies might arise in consequence.

Indications were not long wanting to show that this would be the case. Dutch merchants and officials were tremendously interested in the passage of the South Sea act. They crowded Drummond with questions as to its nature and probable success. As soon as they understood

the plan well enough to admire it, their ^ajalousy began to rise. As early as June, 1711, Amsterdam burghers had begun to plan a "Dutch South Sea Company" to compete with the English organization. (1) In the belief that the Hill expedition was only a preliminary military manoeuvre to seize ports for the new company, the plans of the Dutch followed similar lines. An expedition of six men-of-war, supported by 1200 to 1500 land troops was to be landed some place on the coast of Mexico. Artisans and military engineers were to be taken along, and 600 negroes shipped from Surinam to engage in mine development. The official approval of the Admiralty and of Pensionary Buys rested on the project. Of the total stock, one-third was reserved for the cooperation of Amsterdam, one-third for the society of the Surinam, and one-third was to be thrown open to public subscription. Through this "West India Company" as it came to be known was voiced the Dutch opposition to English monopoly in the South Seas.

The fact that England, presumably for the benefit of her South Sea Company, had secured a grant of the

(1) Pert. MSS. V, 9. John Drummond to Oxford, June 15, 1711. Ibid, 24. Same to same, June 27. Ibid, 28, same to same, July 3. One Admiral Somersdyck was promoter of the design and seems to have been Drummond's informant.

Assiento and factory rights from France, was not slow to become known. The instructions given the English plenipotentiaries to Utrecht gave a prominent place to the question of the West Indian trade, and in pursuance of their orders it soon became necessary to disclose to all the world the exact privileges which England expected to receive. The instructions provided in the second article: (1)

"That the contract called the Assiento for furnishing slaves to the Spanish West Indies be made for the term of thirty years with such of our subjects as shall be by us nominated and appointed who shall enjoy all the prerogatives and privileges and advantages which were yielded to the French by a contract made with them in the year 1702, or which shall appear necessary or reasonable; particularly you are to insist that some extent of ground on the river Plate may be assigned upon which our subjects may not only refresh their negroes, but keep them in security until they shall be disposed of to the Spaniards."

jealousy was immediate. The Dutch did not feel so much umbrage at the slave-trade, "as the trade it might give introduction to." (2) "The whole republic", a prominent Dutch official is quoted as saying, "has become jealous of the strength and growth of your East India Company. Hundreds would be ruined by a fall of our West India society", which he intimated would result from insistence on this.

(1) Parl. Hist. VII, Appendix, cxxvi-cxxxii. Dec. 23, 1711.

(2) Port. MSS. V, 147-9. Drummond to Oxford, Mar. 4, 1712. Van der Dussen is the man quoted. He wished that "anything, though not worth 100 pounds a year could be found out for the benefit of the Dutch to remove all ground of jealousy."

Through March and April, 1712, negotiations at Utrecht revolved around the persistent demands of the Dutch to be given some positive advantage for themselves in the West Indies. To take this position, the Dutch were strongly urged by Whig correspondents in England. (1) They were assured that the ministry could not hold Parliament together on the matter of the peace with France; that the South Sea Company was a failing project; and that its directors would refuse to undertake a trade at all.

These considerations suggested the form of the concessions which the Dutch requested at Utrecht. The uninhabited island of Porto Rico was the first demand, and the second was the assiento of negroes to the north side of the West Indies. (2) Tentative assurances of both were given by Drummond, the private agent of the government at Amsterdam. Porto Rico was felt to be worthless, but he could guarantee that if the West India Company thought it beneficial to its trade that it would be given them. With regard to the assiento, Drummond declared "that in case the English South Sea Company should not be able to

(1) Port. MSS. V, 158-61. Drummond to Oxford, April 4, 1712.

(2) Ibid.

perform the whole assiento of negroes, that they should oblige themselves to employ the Dutch for their assistance." (1)

The Dutch, however, sought something more certain than the whig insinuations that the South Sea Company would be unable to perform the contract. The British Parliament had already granted to the South Sea Company a monopoly of trading rights in the South Seas and to the Orinoco on the eastern coast. This grant could not be impaired by treaty stipulations. It embraced a market, indeed, to which the sagacious Dutch did not so eagerly care to venture. However the Assiento contract which England was to receive from France and Spain extended throughout New Spain from Buenos Ayres to Mexico. This was a region in which the Dutch were very jealous to preserve whatever advantage they might possess. Recognizing this feeling, John Drummond advised the Lord Treasurer: "If you can wither procure or will at least show your utmost endeavours to obtain for the Dutch or for their West India Company the Assiento of negroes to the north

(1) Port. MSS. V, 147-9. Drummond to Oxford, Mar. 4, 1712.

parts of the Spanish West Indies, viz, -to Carthagena and Portobello.... they will hasten matters to your satisfaction." (1)

Nothing seems to have come of these negotiations. Through the summer of 1712, the South Sea Company was showing signs of commercial activity and was laying plans for sending several cargoes to the Indies. (2) This effectually put a stop to Dutch hopes that it would give up its trading rights. A reaction against France was setting in at the same time as was inevitable. Even during the spring negotiations, the Grand pensionary Heinsius expressed his decided fear of French mastery in the west Indies. To check the possibility he foresaw that the Dutch would have to share trade advantages with the English. (3) But the grant of New Mexico and Louisiana by the French king to Antoine Crozat in October, 1712 was well calculated to give definite shape to lingering fears. Although the grant included land to which British colonial charters had laid claim, the English ministry made no protest to France. But

(1) Port. MSS. V, 158-61. Drummond to Oxford, April 4, 1712.

(2) Anderson, op. cit. III, 45-6. In July, 1712, 200,000 pounds in sealed bonds were issued by the directors to finance the expedition. See infra, page

(3) Port. MSS. V, 155. Thomas Harley to Oxford, April 4, 1712.

there is no doubt that the French blunder in making the grant was made good use of in inducing the Dutch to concede English privileges in the West Indies.(1)

No further hindrance to the progress of the peace seems to have been offered by the Dutch on the score of American commerce. However they did not cease to seek for separate trading advantages for themselves at the hands of Spain. In April, 1713, they were demanding the right to send an annual ship to the South Sea on the same basis as the English had received the privilege of doing.(2) In September of the same year they were pressing an '*amicissima gens*' or 'most-favored-nation' arrangement upon the Spanish ambassadors. In the latter proposals exception was tacitly given in favor of England's rights under the *Asiento* contract, since they had "consented to England already the *asiento* and one ship yearly to the Spanish West Indies."(3) The Dutch West India company finally found a trade for itself by undertaking to provide 20,000 negro slaves for the Dutch colonies of Surinam and Curacao.(4)

(1) Port. MSS. V, 235-7. Drummond to Hafford, Oct. 14, 1713. "Buys says they will join heartily with the Queen to prevent the French trading to the South Sea in time of peace."

(2) Ibid, 286. Same to same, April 28, 1713.

(3) Ibid, 329-30. Same to same, Sept. 11, 1713.

(4) Ibid, 363. Same to same, Nov. 28, 1713.

Long before that time, however, the details of the Assiento contract had become a matter of separate negotiation with Spain by common consent of the allies. From Amsterdam and Utrecht, the centres of interest in the West Indian trade shifted to London and Madrid. As early as September, 1713, the English ministry felt that they were "near a conclusion with France". (1) Accordingly Lord Lexington had been dispatched to Madrid as ambassador with power to conclude a separate treaty of peace covering all points at issue between England and Spain. Accompanying him on the embassy, or sent soon after, was an obscure commercial expert, Manasses Gilligan, on whom the ministry relied to work out the details of the contract satisfactorily. (2)

The first difficulty which had to be overcome was an agreement which had just been entered into between France and Spain by which the former had been given very conspicuous trading rights in return for a large grant of money. For a payment of 350,000 crowns to the Spanish crown, the Spanish minister Count de Bergheek had promised

(1) Port. MSS. V, 231.

(2) Also spelled Gylligan, Guillingham, Giligan, Guilligan, and Gilligen. Nothing is known of him except that he was a creature of Withur Moore, commissioner of Trade and Plantations of whom more anon.

France the privilege of sending six ships to trade in the South Seas. It was agreed between Gilligan and Monteleon the Spanish agent at Utrecht, before the former left for Madrid ^{either} that/~~this~~ contract should ~~xxxx~~ be broken or corresponding liberties granted to England. (1) The passports for the french company were suspended on his arrival in Spain and by February, 1713, the whole project was completely revoked. (2) The ministry had early recognized the need of offering a cash payment to King Philip to secure a satisfactory adjustment. It had been suggested to loan him 360,000 crown and take the repayment in the form of a remission of the drawback on the Assiento contract due Spain. (3) The loan of 300,000 pieces-of-eight finally embodied in the contract doubtless was the price which England finally paid for breaking the French contract.

The progress of the negotiations at Madrid was facilitated by the good graces of the princess des Ursins, an experienced intrigante who dominated the Spanish court. She took much interest in securing trade advantages

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- (1) Port. MSS. V, 241-3. Bolingbroke to Oxford, October, 1712.
 (2) Ibid, 270. Lexington to Oxford, March 6, 1713.
 (3) Ibid, 259. John Toland to Oxford. _____, 1712.

for England. (1) Not till March 17, 1713 was Lord Lexington ready to send home the draft of a treaty to which he had secured the Spanish seal. (2) He flattered himself that it was the best Assiento ever made. (3) The treaty of peace and the contract were drawn separately and received final ratification at widely varying times.

The treaty of peace with Spain provided by Article twelve, that "El Pacto de el Assiento de Negros" should be enjoyed by such a company as the Queen might designate on the same terms as it was held by France, from May 1, 1713 for thirty years thereafter. In addition, the Spanish king was to make a grant or grants of land in a convenient place on the River de la Plata where a settlement might be made for the maintaining of negroes, pending their disposal to the Spaniards. Permission was given for planting, sowing and feeding cattle, and exemption from all duties and taxes levied by Spain was granted. The right was reserved by the Spanish king to appoint an inspector for the

(1) Port. MSS. V, 270. "If you would have fruits from the Assiento and have things go easily here with the peace, you must not balk the princess." Lexington to Oxford, April 6, 1713, Port. MSS. V, 275-6. In a letter written to Oxford on July 27, 1715, Bolingbroke speaks of "the noble expedient they have found out for satisfying this lady, that the Queen should give her some of these places she holds in trust. Port. MSS. V, 312.

(2) Port. MSS. V, 272-3. Lexington to Oxford, Mar. 17, 1713. The

(3) Ibid, 270.

for the colony, and appeal in case of disagreement as to the extent of his powers lay to the Governor of Buenos Ayres. (1) Scarcely a detail is included in this treaty draft which had not been specified ever a year before in the instructions of the English plenipotentiaries to Utrecht. (2) It is to the Assiento contract that we look for supplementary features.

Of the contract itself, no complete copy has been available for the purposes of this study. From the principal sections reprinted in secondary accounts a pretty accurate notion may be formed of the conditions which adhered to the new contract with Spain. (3) In the first place, the Queen of Great Britain bound herself to furnish annually for the Spanish West Indies by persons whom she might authorize, 4800 negroes of both sexes for thirty years commencing May 1, 1713. The stipulation was made "that the persons who shall go to the West Indies to carry on the business of the assiento, shall take care to do

(1) Comm. Journ. XVII, 342. The treaty as laid before the House was still in the form of a draft signed by Belingbroke and Monteleon on May 3, 1713.

(2) See supra, page 90.

(3) The division of profits from the annual ship provided for in the contract will not come under consideration in this connection. The only provision in the contract dealing with this matter is the clause reserving one-fourth of the net profits to King Philip.

nothing which can be of offense", in which case they would be subject to the same punishment as they would had the offense been committed in Spain. (1)

For the privilege of delivering such negroes, who were to be neither defective nor aged, the 'assientists' were to pay thirty three and one-third pieces-of-eight apiece, which sum covered all customs, 'alcavala', and other imposts which might be levied at Spanish ports in the Indies. (2) In addition to this the company to whom the contract might be assigned was to advance to the King of Spain to meet his pressing needs, 200,000 pieces-of-eight in two equal payments, within two and four months respectively after the ratification of the contract. This loan was to run for twenty years and then to be repaid in equal amounts of 20,000 pieces-of-eight a year. (3)

Any time during the first twenty-five years, the annual number of negroes imported might be increased at the

(1) Assiento Contract, sec. 1. "que les personnes, qui se transporteront aux Indes Occidentales pour travailler aux affaires de l'assiento, se garderont de rien faire qui puisse offencer; car en ce cas, ils servient poursuivis en justice, et punis de la meme maniere, qu'ils l'auroient ete en Espagne, suppose qu'une faute de la meme nature y eut ete commise." By 'offense' seems to have been meant insult to the Roman church.

(2) Ibid, sec. 2.

(3) Ibid, sec.

he expense of a later period, the company to pay sixteen and two-thirds pieces-of-eight additional duties for each excess negro so brought in. (1) The contract represented that it had been a detriment to the welfare of the Spanish possessions that the shipments of negroes under former 'assientos' had not been well distributed, and that many districts had suffered in consequence from lack of cultivation. Accordingly it was made an express condition of this contract that the English company might import and vend negroes in all the ports of the North Sea and that of Buenos Ayres at their choice. Negroes carried to ports on the windward coast were not to be sold for more than three hundred pieces-of-eight and for as much less as possible in order to encourage the inhabitants to purchase. In other parts of New Spain the company might sell its wares for all they would bring.

It was expressly declared that the French Guinea Company was debarred from engaging in this trade. "When the 'assientists' are informed that any vessel laden with negroes not belonging to them has arrived upon their coasts

(1) From an abstract of the entire contract in Cal. Treas. CLXXVI,

or entered any port, they will be permitted to equip, arm and put out to sea immediately any vessels which they possess or any of those of his Catholic Majesty or of his subjects with which they may be enabled to take, seize and confiscate such vessels and negroes." The right of search on suspicion for this purpose after warrant was obtained from the governor was promised to the factors of the company.(1) The 'assientists' were guaranteed full protection in their rights of trade by his Catholic Majesty,(2) and it was promised that they should be allowed three years in which to withdraw their possessions at the expiration of the contract.(3) Twelve hundred negroes might be kept at the settlement on the Rio de la Plata.(4)

In addition to these concessions which had been held by Portugal and France in succession before, England secured a new privilege which seemed to promise genuine profits to the holders of the assiento. This was the permission granted to the company to send one ship annually of five hundred tons burden into the ports of the Spanish

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- (1) Assiento contract, sec. 18.
(2) Ibid, secs. 18, 20, 41.
(3) Ibid, sec. 41.
(4) Ibid, sec. 8.

West Indies, laden with general merchandise. There was a reservation of this of one-fourth of the net profits of the ship to the king of Spain. Nevertheless even with this drawback the opening seemed very promising. For the first year a supplementary license was given the English company to send two additional ships of six hundred tons burden to encourage the commencement of the trade. (1) With this final concession the international bearing of the South Sea trade ceases for several years.

Final ratification of the Assiento contract had not been accomplished by the fall of 1713. In August, Bolingbroke made a trip to Utrecht to plan for this. (2) Arthur Moore then took his place, and in September Monteleon complained that he saw nobody else on the subject of commerce. (3) It was not the West India trade, but trade with Old Spain that was causing this delay. Finally in the last of November, Gilligan was sent over "to establish the Assiento which he negotiated for", and terms were quickly reached without further consultation with Madrid. (4) After

(1) Anderson, op cit, III, 54-5.

(2) Fort. MSS. V, 323. Drummond to Oxford, Aug. 22, 1713.

(3) Ibid, 336-8. Same to same, Sept. 18, 1713.

(4) Ibid, 364-6. Same to same, Nov. 30, 1713.

more delay the commercial treaty and the contract were transmitted to England and on March 1, 1714 they were both finally proclaimed by the firing of guns from the Tower. (1)

(1) Townshend MSS. 230. Secretary William Bromley to the Lord Lieutenant of the Tower.

Chapter Six.

SOME INTERNAL HISTORY.

* * * * *

The South Sea act had left the details of the subscription of stock and the organization of the company to be worked out by Her Majesty and Council. Before a month had expired after the passage of the act, subscription books were opened for the transfer of depreciated bills and tallies at par for South Sea certificates. From June 29, 1711 to July 30, 1711, it is known that this subscription was in charge of John Blunt. (1) This character who was to achieve notoriety a decade later in connection with the famous South Sea Bubble was as yet a little known man. He had been a scrivener, and had been engaged in drawing the plans for Harley's lottery projects, from which he had himself profited to a large extent. (2) Lord Oxford seems to have leaned heavily on him in making the preliminary plans of the company. This gave rise to much complaint,

(1) Cal. Treas. CLXXVI, 25. Cf. ibid, CLX., 8.

(2) Parl. Hist., VI, 999, quoting from Tindal's history.

and was the cause of no little prejudice against the company at first in the City.(1) The subscriptions remained open until December 25, 1711, and before that time the great mass of bills and tallies which were authorized to be subscribed had been turned in in payment for shares of South Sea stock.

In the meantime Oxford was busy considering various proposals of a commercial nature for the company to undertake. Defoe had worked out in detail a project for establishing a colony on the coast of Chile, and was demonstrating how this could be accomplished without giving offense to Spain in any way.(2) John Drummond was interesting himself in the fishing rights which the company had been granted, and was urging that the Greenland whale fishery be built up.(3) It was rumoured that Arthur Moore a Commissioner of Trade and Plantations suggested the Assiento contract which Oxford finally determined to secure.(4)

(1) Port. MSS. VII, 57. Dr. Stratford to Edward Harley, Sept. 15, 1711.

(2) Ibid, V, 58-61.

(3) Ibid, V, 10-11. Drummond to Oxford, June 15, 1711.

(4) See Notes & Queries, 1st Series, XI, 157-9.

Before the guarantee was secured for this contract and before the subscriptions closed, the ministry seem to have found it advisable to charter their corporation. The fiscal crisis to which we have previously alluded may have had a determining effect on this action.(1) In any case, on August 15, 1711, the Queen announced her selection of governor and directors for the new organization.(2) Lord Oxford himself was made first governor. Henry St. John the Secretary of State and Robert Benson, Chancellor of the Exchequer were included in the directorate. The leading spirits of the board, if we are to believe opposition sentiment, were John Blunt, Arthur Moore, and Sam Shepherd, the last-named being a merchant of medium prominence.(3) Sir James Bateman, a merchant of good standing in London and a Whig was made sub-governor of the Company and active head. The balance of the board was made up of both Whigs and Tories, the latter being predominant. If not a purely Tory institution, the new company

(1) See supra, pages 65 and 66.

(2) Dictionary of National Biography, art. "Harley", XXIV, 402.

(3) "And such fair accounts the subscribers will see,
That surely there can be no losing;
For Shepherd and Blunt the directors will be,
With More of her M_____ys choosing."--South
Sea ballad, quoted in Notes and Queries, 1st Series, XI, 157-9.

was plainly to be an organization of friends and supporters of the government.

Arthur Moore of whom mention has been made, was unquestionably the strongest single force on the board of directors. He was a man of obscure parentage, said to be the son of a stable groom in Ireland. (1) By his own efforts he had advanced himself till in 1702 he had been made a director of the new joint East India Company. Since 1707 he had been a member of parliament and since 1710 a Commissioner of Trade and Plantations. "A man of extraordinary talents", declared his enemy Speaker Onslow, "his conversation is a sort of history of the age." "He is a huge fellow," another contemporary described him, "and has a face that strikes terror into all who approach him." A certain uncouthness of habit, combined with a well-deserved reputation for double-dealing, kept him from mingling in the galaxy of social and literary genius which thronged the court of Queen Anne. So though his ability made him a force constantly to be reckoned with in the conduct of

(1) This sketch of Moore together with other scattering allusions to his activities and to ballads of the time, is largely based on contemporary evidence gathered in Notes & Queries, First series, XI, 157-9, 177-8, 197-8.

public affairs in which he participated, the fact that he was in no sense typical of his age has caused his fame to languish. But as 'prime minister of Trade', 'le Comte de Tariffe, Marquis d'Assiento' as he is gaily styled, he must be regarded as a central figure in the unfoldment of the South Sea plans. It may be stated at the outset for the sake of clearness that Moore was a friend of Bolingbroke rather than of Oxford. This fact together with Oxford's unbending suspicion of fellow-ministers of questionable integrity, allows no room for supposing that he had any influence on the framing of the project prior to the passage of the act.

On September 8, 1711, came the charter from the Queen, incorporating the "Governor and Company of Merchants of Great Britain trading to the South Seas, and other parts of America, and for encouraging fishery." The patent recited the act of parliament authorizing the charter and proceeded to lay down regulations by which business should be carried on in the court of directors and the general court of the company. One clause

provided that defaulters in responding to calls were not to be permitted to transfer their stock or receive dividends without the consent of the directors. It also specifically authorized the establishment of courts of law for the trial of mercantile and maritime causes, reserving the right of review on appeal to Her Majesty and Council.(1)

For almost a year after the granting of this charter, the company so created remained a trading corporation in name only. With no treaty to guarantee commercial privileges there was no inclination to venture a cargo in American waters. With suspicion and jealousy of the Tory government rife, there was no disposition in the City but to talk down the South Sea project as 'chimerical'. There was additional hesitancy to making any outlay of new capital which would be necessary to start such a trade, because of the fear that all commercial rights and corporate identity might be swept away by the repayment of the principal of the original debts.

(1) Anderson, op. cit. III,

The government, as we have already seen, (1) had been in the meantime seizing upon the fact of the existence of the South Sea stock as a basis for extending its credit. In pursuance of this design, on May 13, 1712 an amendment was added to the pending lottery bill which made it lawful for paymasters and treasurers of the government offices to borrow money at six per cent on the security of shares of South Sea stock which might be in their possession. (2) Sir James Bateman seized the opportunity to propose another amendment granting the South Sea Company a perpetual charter. After discussion the proposal was withdrawn. The same day, however, permission was granted to Bateman, Annesley, William Lowndes, Auditor Harley and the Chancellor of the Exchequer to bring in a separate bill to the same effect. (3) The following day such a bill was introduced by Governor Bateman (4); it was read the second time on May 16; and on May 27 and June 2, it was considered in the Committee of the whole. (5)

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- (1) See supra, chapter IV, especially pages 67 and 68.
 (2) 10 Anne c. 19, secs. 185 and 186.
 (3) Comm. Journ. XVII, 222.
 (4) Ibid, 224.
 (5) Ibid, 227, 243, 249.

Evidently considerable opposition had been aroused, and it may be safely assumed that the whole policy of the government with regard to the trade in question was subjected to searching criticism. A report with amendments was finally agreed to on June 5; the bill passed the Commons on the seventh.(1) The Lords approved the bill on June 11, and the Queen signed it on June 21.(2)

As the passage of the one new provision had proved of assistance to the government in fiscal matters, so the granting of a perpetual charter was a great stimulus to the activity of the Company itself. Its stock immediately advanced, and the court of directors began to consider the advisability of commencing a trade that summer.(3) Although peace was not yet agreed upon, there was a temporary cessation of hostilities and the occasion seemed favorable. A good market for bonds was in prospect.

It seems reasonable to suppose, however, that no definite steps to this end would have been taken had not the government interested itself directly in the matter.

(1) Comm. Journ. XVII, 255, 261.

(2) Lord's Journ. XIX, 478. Comm. Journ. XVII, 274.

(3) Anderson, op, cit. III, 55.

In July, 1712, Drummond had advised Oxford that the Dutch becoming more eager for peace would not object to a free and open trade to Spain for English ships, and he urged "some noise about a great sea equipage." (1) It was a valuable suggestion. The French were to be driven out of the west Indian trade. Naturally the first of the allies in the market would reap the harvest. The government must offer positive inducements to the Company if necessary to get them to start their trade. Accordingly St. John wrote the court of directors that "for the public good of the nation, and the particular advantage of this company, her Majesty has been pleased to assist them with a sufficient force in order to their making a settlement in the South Seas for the security and better carrying out the trade to those parts". (2) What this assistance was appears from a letter of thanks written by Sir Ambrose Crowley on behalf of the court, thanking her Majesty for the two ships ordered to take their goods on board. (3) The court resolved to carry on the trade the first year with a cargo worth 200,000 pounds

(1) Port. MSS. V, 208. Drummond to Oxford, July 29, 1712.

(2) Quoted in Burton: Reign of Queen Anne, II, 234.

(3) Cal. Treas. CLII, 36. Dated October 1, 1712.

and for this purpose there had already been issued that amount in bonds under the company's seal.(1)

Although the goods and supplies were bought, the expedition never started. A strong reactionary movement headed by whig agitators had begun in the Company against trading at all. It was declared that Parliament would be petitioned to release the corporation from such an obligation; that the cargoes would be sold; that the stockholders would be satisfied with their six per cent interest from the government. The purpose of these stories may have been only to depress the stock market and induce Dutch investors to part with their holdings.(2) Yet division of opinion was no doubt very natural near the time for the first election of directors for the Company. As the second election was held on the first day of 1714, it is reasonable to assume that this date had been fixed for the regular election, Despite the efforts of "enemies to starve and friends to overlay" the project in the choice of directors, Oxford's influence

(2) Port. MSS. V, 364. Drummond to Oxford, Nov. 28, 1713. Drummond is reporting some of the stories circulated in Flanders by a certain Lieutenant-General.

(1) Anderson, op. cit. III, 45-6.

was successful in securing the selection of very moderate Tory merchants with a mixture of Whigs. Advisers had urged upon him the necessity of selecting 'men of undoubted property'. (1) Oxford seems to have remained as governor of the company. Certainly the close of the year found the affairs of the company in better shape than ever. Through November and December, 1712 there was on the whole a rise of stock and many entertained the hope that it would reach par before Parliament met. (2) This it did not do. However toward the close of the succeeding year after the announcement of the Assiento contract, stock was quoted at 94½. (3)

In March, 1713, Lexington and Gilligan had concluded their negotiations at Madrid. By the contract they signed, King Philip had reserved for himself outright one-fourth of the net profits of the annual ship which he allowed the English 'assientists' to send. It was left with the Queen to designate the persons to whom the contract should be entrusted. The South Sea company, of course, had

(1) Port. MSS. V, 258. John Toland to Oxford. 1712. Full of advice with regard to the approaching election.

(2) Ibid, VII, 112, 124. Stratford to Edward Harley, Nov. 17 and Dec. 12, 1712.

(3) Anderson, op. cit.

been intended from the first as the ultimate recipient of the benefits of trade. Indeed by virtue of its charter, all other parties were barred from engaging in this trade or any trade south of the Orinoco. But there were persons in England who were watchful of every opportunity to profit from the valuable concession in the gift of the Queen.

Not until June 2, 1713 did the Earl of Oxford inform the court of directors of the South Sea Company that her Majesty had been pleased to confer the benefits of the contract upon them, and had also secured the grant of special licenses for two 600-ton vessels to open up the trade to the Indies the first year. "Flushed with such pompous appearances", recites our chronicler, (1) the company "issued 200,000 pounds more in bonds.... Her Majesty lent two of her own ships to be the two licensed ships for carrying over the company's goods, factors and servants." Once again all seemed in readiness to commence the trade that was to bring wealth and industry to England, fame and honour to the statesmen and projectors whose foresight had made the undertaking possible.

(1) Anderson, op. cit. III, 55.

Then the directors suddenly awoke to the fact that in addition to the quarter of the profits of the general trade reserved to the King of Spain, her Majesty had reserved to herself or her assigns another quarter, and had in addition granted $7\frac{1}{2}$ per cent of the net returns to Manasses Gilligan, the obscure but obliging agent who had conducted the negotiation of the contract and the accompanying commercial treaty. (1) This checked proceedings and a year elapsed before the situation could be adjusted.

At first it seems that the Queen intimated the possibility of trading herself separately as a co-partner of the Company. (2) This obviously could only be a blind to render more plausible the compromise to which she finally yielded assent. Her reserved quarter of the contract, exclusive of the Gilligan grant, should be made over to certain individuals whom she might designate. (3) It was understood that they would become members of the South Sea Company, contributing to the joint-stock for carrying on the trade in proportion to their share in the net profits, and subject to the Company's rules.

(1) Anderson, op. cit. III, 55.

(2) Lords Journ. XIX, 756. Dissent of the Whig Lords from the vote on a censure of the government, July 8, 1714.

(3) Ibid.

Who 'the assigns' of the Queen might be was never openly declared. Although for a year the South Sea court carried on a struggle diplomatic, judicial and finally political to make a satisfactory adjustment of its claims with respect to those of the Queen's assigns, the official records are silent as to the identity of the parties. True the Queen made over all her rights in a formal manner to Messrs. Lowndes and Taylor, both of whom held subordinate offices in the treasury department. But before the contest ended both declared that they were but 'dummy' holders for persons unknown to themselves, and that after arrangements were made they expected to "declare a trust" (1) This circumstance had long been suspected and gossip was very ready with the names of the prospective assignees. Lord Bolingbroke, Lady Masham and Arthur Moore were the inner group whose personal fortunes were said to be intended by the device. (2)

There can be little doubt but that the version of contemporary rumour was substantially correct. The operation of this little group of 'higher-ups' would probably form

(1) Lords Journ. XIX, 755, 756.

(2) Anderson, op. cit., III, 55.

a most interesting series of episodes to be ferreted out by socialist historians with an eye for the 'graft-motive'. If one is to believe the statements of Lord Oxford, these persons had been disappointed at not being able to profit by speculation at the time of the passage of the South Sea act. To accept his testimony again, the Hill expedition to Canada had been made the object of personal profit amounting to some 22,000 pounds for this same group. Oxford was now to thwart them in their purpose of sharing the Assiento profits. Various accounts are given of the manner in which it was planned to divide the Queen's fourth of the profits. (2) And it may be said with some degree of certainty that Bolingbroke, Moore and Lady Masham were to have shares and the Oxford was offered a share for his good offices in bringing the transaction about. He refused to participate and from that time, it would seem, dates the suspicion with which he was regarded by his former political allies.

Before the question of division of profits was again brought to the attention of the Company, there was

(1) Parl. Hist. VII, Appendix,

(2) Macpherson Papers, II, 533 ff. Carte's Memorandum-Book cites these from "Mrs. A.O." See also letter of Bothmar to Robethon, July 13, 1714, in Macpherson Papers.

a reorganization in the management. At the annual election the first of 1714, the whig element among the stockholders gained control at last. Oxford was not re-elected governor; Sir James Bateman was again chosen sub-governor. The active control of the commercial interests of the Company was entrusted to the hands of a committee of directors including Sam Shepherd, Sir Samuel Clark, Sir Theodore Janssen, and Messrs. Harcourt Masters, William Chapman and John Blunt. (1)

On Wednesday, Feb. 17, 1714, the formal proposals of the Assiento as finally designed by the Queen were considered before the general court of the Company. (2) The court was now informed that her assigns would trade upon the same basis which she herself would have been on had she undertaken the trade herself. The Company was entrusted with all the initiative of the enterprise. It was to plan all ventures and apparently to advance all capital for their undertakings. (3) At this the company

(1) Lords Journ. XIX, 755. Cf. Dict. Nat. Biog. XXIV, 402. Port. MSS. V, 471. "News Letter" dated July 8, 1714 refers to the court as made up of a majority of whigs.

(2) Port. MSS. V, 385. Mathew Decker to Thomas Harley, Feb. 19, 1714.

(3) Lords Journ. XIX, 756.

balke d. Heated debate arose in the meeting, and an adjourned session was held a week later.

At this juncture a 'noble Lord', possibly the Lord Treasurer himself, intervened and suggested that the Company take the matter up directly with the assigns of the Queen. And to accomplish this, proceedings were begun by the trustees of the assigns in Chancery. Issue was reached over the demand of the counsel for the Company that binding promises be made by the unknown assignees for advancing their share of the joint capital. This was stoutly resisted, and finally when it appeared that the Company was fighting against only 'straw men', the directors were advised " that it was not safe for the Company to accept the Assiento upon those terms, it being liable to all the objections that were made to the proposition a year before." (1) while these proceedings were in progress, according to sworn testimony, Moore approached several of his fellow-directors suggesting that they attempt to give the assignees a sum of money outright in return for their interest in the Assiento.

(1) Lords Journ. XIX, 755.

The opening up of the trade to the south Seas had been obliged to wait for the outcome of these transactions. Indeed the Company had proposed "that the two ships should be dispatched, which were to take place even before the peace, that the cargo they had provided might have been sent away, to be there at the fair, when the galleons which were then sailing should arrive." But the cargoes of the Company lay useless through all this negotiation, yielding no return on the investment while the advantages of being first in the market at the close of the war were entirely lost. The ships lay in harbor already to sail when this turn in the negotiations brought them to a stop.

Doubtless it was owing to the public interest which was involved in this circumstance, that the House of Commons on June 9, 1714, sought to bring to an end the protracted struggle. In a humble address to the Queen, the Commons prayed that all rights and advantages to which her Majesty might be or might become entitled by virtue of agreement with his Catholic Majesty should "be disposed of for the use of the public and towards discharging the debts of the nation". (1) The wishes of the Commons were

(1) Comm. Journ. XVII, 673.

not realized. But the overwhelming public sentiment which this action voiced against entrusting any part of the contract to private individuals forced the Queen to take decisive action to stop the dissension. Accordingly on June 22 secretary Bromley acquainted the House that her Majesty had been pleased to surrender her fourth part of the contract to the South Sea Company itself. After a division of 168-139, the House voted its thanks to her Majesty for the act. (1)

Arthur Moore and his fellow conspirators had failed to accomplish their design on the Assiento. But the final withdrawal from them of all hope of profiting from the South Sea trade was but a premonition of more trouble to follow. Suspicions had been aroused by the secretive character of the Assiento transactions which led to the most thorough probing of the conduct of Moore himself, an investigation which only narrowly escaped being directed against Bolingbroke himself.

Suspicion had first been brought to bear on Moore early in the spring when the committee of public accounts

(1) Comm. Journ. XVII, 695-6.

reported abuses on his part as far back as 1706. In that year Moore, as Controller of the accounts for the army, had contracted for extensive clothing contracts for the army through a 'dummy'. In addition to the bad principle involved in the transaction on its face, the committee pointed out that nearly four thousand pounds had been charged the government on account of the contract for which no clothing had been ordered at all. Moore only made bad matters worse by explaining that most of this went to the colonels of the different regiments as a gratuity. The committee made no recommendations to the Commons, but (1) avowed the opinion that the affair 'was most extraordinary'.

This revelation, however, was followed shortly by an exposure of underhanded dealings in connection with the South Sea Company itself, which resulted in Moore's expulsion from the board of directors. The charges were in brief that he had attempted to smuggle merchandise aboard the first ship of the company bound for America. Complaint was entered against Moore before the court of directors by Captain Robert Johnson, commander of the Bedford (2) which

(1) Comm. Journ., XVII,

(2) Some, 'Anglesea.'

had been lent by her Majesty to the Company. The Bedford was in the Downs in May, 1714, ready to leave with a cargo for Carthagena and under orders to stop at Cadiz to take on board the Prince of San Bueno, Viceroy of Peru and the Marquis of Villa Rocha, Governor of Panama. Moore approached the captain seeking to bribe him to allow him to load on the ship twenty or thirty tons of linen from Holland. These goods Moore in partnership with a Mr. Da Costa wished to dispose of in the west Indies. Irritated at the pressure that was brought to bear on him, the captain reported the affair to the directors. From May 17 to July 7, 1714, the court held several sittings at which the matter was considered. It appears from the records that Moore, Da Costa, and a Mr. Dowdall were summoned as witnesses, and finally the court found Moore guilty of a breach of trust and incapable of holding any office in the company thereafter. It was thought by many at the time that Moore had been treated unfairly; had not been allowed to make an adequate defense;" and the accused appearing less guilty than they made him was thought to be more innocent" than he was. (1)

(1) Swift Corresp. II, 175-7. Charles Ford to Swift, July 10, 1714. For other details of this affair see Parl. Hist. VI, 1362; news letters in Port. MSS. V, 471; account by Templeton, a South Sea clerk written in 1735, in Notes & Queries, 1st Series, XI, 177-8; official proceedings of the court of directors in Cal. Treas.

The action of the South Sea Company in this matter, aside from the palpable misconduct of Moore, drew its greatest importance from the fact that simultaneously a thorough investigation of the negotiations with Spain was being made in the House of Lords. When the Spanish treaty had come back with final ratifications from Utrecht in February, 1714, it had been amended by the addition of three explanatory articles dealing with the conditions of English trade with Old Spain. These articles had immediately proved a considerable hindrance to British trade. The charge was made that Moore, who had been prominently concerned in dictating the terms of the treaty, and others higher up had profited largely in a personal way from the alterations. Lord Oxford himself gave suggestions to the promoters of the investigation, which aided greatly in determining the course which the inquiry might most profitably take. (1)

As early as June 1713, the Lords voted to fix a day to begin the questioning of witnesses and the examination of papers. (2) Not until a week later did the inquiry actually

(1) Macpherson Papers, II, Bothmar to Robethon, July 13, 1714. Had Oxford been willing to support the investigation to the end it might have been turned against Bolingbroke.

(2) *Words Journ.* XIX, 727.

begin. (1) By July 2, Monckton, one of the Commissioners of Trade, was ready to tell of the vast amount of discretion which had been allowed Moore by his fellows. They had not even seen the final draft of the treaty till it was printed. (2) Three days later the Lords resolved to present an address to the queen expressing the insuperable difficulties under which trade with Spain lay by the present treaty. (3) The following day proved the most fruitful day so far in the inquiry. All the commissioners and clerks in the department of trade were summoned before the Lords. One of the clerks found himself quite sure he had seen a letter to Moore giving him assurances that he would be rewarded when the new articles of commerce were agreed to. But what was a new disclosure to most people was made when it developed that the King of Spain had employed Moore, an English government official and director of the South Sea Company, to be his agent in administering his interests in the Assiento Contract. (4) The inquiry was continued till July 8 when after thorough examination of former witnesses and a committee of South Sea directors, the Lords felt

(1) Lords Journ. XIX, 737.

(2) Ibid, 741. For his pains Monckton's dismissal was all prepared when the death of the Queen saved him his office.

(3) Ibid, 746. The Queen politely answered that she could attend to her own business.

(4) Ibid, 749. Gilligan was associated with him in the agency.

themselves ready to take definite action of some kind. The producing of two promissory notes to Queen Anne from the King of Spain, conveying to the former such interest as he had in the Assiento, presumably as security for a loan, revived the problem of settling the South Sea trade. (1) And to this, rather than to definite censure of Arthur Moore, the Lords turned their attention. Doubtless the fact that he had been expelled from the South Sea directorate on the preceding day was an inducement to the peers to neglect to pass censure on him.

Cowper leading the debate declared that "the uncertainty and suspense in which the South Sea Company had a long time been kept, whether her Majesty would retain to herself or give to the Company her quarter part of the Assiento reserved to her, had been a principal obstruction to the Company's carrying on a trade". (2) It was Wharton who made the motion that the Queen be petitioned to grant to the Company the $7\frac{1}{2}$ per cent which had been reserved to Gilligan as well as her own one-fourth. This was voted down 50 to 43. (3) A motion to ask for such a grant of all rights which the Queen might obtain from the King of

(1) Lords Journ. XIX, 755.

(2) Parl. Hist. VI, 1362-3.

(3) Ibid. Cf. Lords Journ. XIX, 755-6 for proceedings of the day

Spain by agreement was also voted down. A like fate befell a motion to declare that the benefits and advantages of the South Sea trade had been much obstructed by the endeavors of private persons to secure private gain.(1) At last the motion of Abingdon carried, i.e.,- to thank her Majesty for the grant of her quarter of the net profits and for the licenses for the two additional ships, and to request that she dispose of such other advantages as might be vested in her for the use of the public. The vote stood 53 to 40 in favor of this address.(2) On the following day the Queen thanked the Lords, intimating that she would do as she pleased. She then prorogued Parliament, before it took any further action.(3) Plainly advisers who stood in danger of suffering from further investigation had the ear of the Queen in directing these actions.

The South Sea Company had not even yet decided to accept the Assiento Contract. However on the evening of July 19, its representatives waited on the Queen to thank her for giving them her fourth share of the Assiento.(4)

(1) Lords Journ. XIX, 756. Twenty noble Lords signed a protest on this action, setting forth the facts on which they based their dissent.

(2) Ibid.

(3) Lords Journ. XIX, 758. Parl. Hist. VI, 1363.

(4) Port. MSS. V, 473. 'News Letter' July 20, 1714.

In reply her Majesty thanked them for their address, wished them good success in carrying on their trade and hoped they would make better use than they hitherto had of what she had bestowed on them. (1) The formal conferring of the grant was delayed till after the death of the Queen and it remained for King George to give official confirmation to the final concession to the Company. (2)

With the death of Queen Anne begins a new chapter in the history of the South Sea Company. With other stocks, the shares of this company rose apace at the peaceful accession of King George. At peace for the first time in years both at home and abroad, trade and commerce rapidly expanded, industry developed, and the South Sea Company began strenuous efforts to establish a permanent basis for its commercial activities. That they resulted in comparative failure cannot be ascribed to any lack of merit in the project itself or to any lack of diligence on the part of the directors in charge. Annoying and unfair treatment on the part of Spanish officials in the West

(1) Port. MSS. V, 474. 'News Letter' July 23, 1714.
 (2) Anderson, op. cit. III, 62.

Indies so hampered the trade as to render it practically worthless for many years. The two ships, Bedford and Catherine, which finally sailed in 1714 to open up the trade for the Company, both suffered from these breaches of contract. The first-named was confiscated on a false charge of being overloaded and the other was subjected to heavy duties at Vera Cruz.(1) After so much toil, such endless bickering, such jealousy of allies abroad and covetousness of officials at home, the South Sea trade seemed not to be worth the cost.

But we have already transgressed the bounds which had been set for this study. With the formal grant of the entire English share in the Assiento to the South Sea Company and the departure of the two licensed ships for Carthagena and Vera Cruz to open up the long-hoped for South Sea trade, the formative period of the Company comes to an end. Of its two great objects, the Company had from its inception operated to stimulate the credit of the government. The rise of its stock above par at the accession of King George gave public notice that the

(1) Anderson, op.cit. III, 79-80. These acts and many others in following years became ground for complaint at the time of the outbreak of hostilities with Spain in 1718.

purpose of preventing the discount of unsecured debts had been completely accomplished. The second and, as we have seen, incidental object, the development of the South Sea trade, the company had just started on its mission to attain. And as the ships lent it by her Majesty for the first voyage sailed down the harbor of Portsmouth, there seemed no reason in the world to ~~doubt that~~ in this end it would be equally successful.

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