



DEPARTMENT
OF HISTORY
AND
CIVILIZATION

Private interest and the public sphere: finance and politics in France, Britain and The Netherlands during the Age of Revolution, 1789-1812

Niccolò Valmori

Thesis submitted for assessment with a view to
obtaining the degree of Doctor of History and Civilization
of the European University Institute

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Department of History and Civilization

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Abstract

This work aims to explore the interactions between finance and politics in the 'Age of Revolution'. The analysis of the financial world concerns bankers and merchants active in the cities of Amsterdam, London and Paris. In particular, the focus is on three aspects: the social status, the economic power, and the political influence of bankers during this period of high uncertainty.

Through a study of press debates emerges the different situations of bankers in England and France: whereas in England bankers intervened actively in public debate and even offered their expertise at the service of the government, in France, suspicion and distrust marked the general attitude towards the world of banking and trading.

During the period of the French Revolutionary Wars and the Napoleonic Empire, bankers faced growing uncertainty and higher risks in running their business. Notwithstanding these unfavourable conditions, bankers like Francis Baring and Henry Hope found a safe refuge by investing in the American securities market. In England the 1797 credit crisis led some important banks like Charles Hoare & Co. and Coutts & Co. to restrain lending to their most important and eminent clients. In 1802 the short interlude between wars offered opportunities to launch risky business, such as diamond acquisitions, as tried by Baring in Paris. The outbreak of new hostilities did not prevent Dutch bankers from keeping their capital invested in French loans.

The growing financial needs of nations did not always give bankers the upper hand with governments. In England, Thomas Coutts struggled to see his closest friends and relatives appointed to public offices. In France, the precarious autonomy of the *Banque de France* did not outlast the 1805 crisis that led Napoleon to intervene and change the charter of the bank, making it almost a branch of the administration. The monitoring activities of the government were not only a sign of persisting distrust towards market actors: police reports on the Paris Stock Exchange give a better understanding of market trends and of its independency with respect to political events.

The ever-shifting relations between finance and politics during the Age of Revolution led some bankers to take risks in far-away markets, while others attempted to run business as before the outbreak of the Revolutionary Wars. Under the pressure of war, governments imposed new rules and constraints on bankers, but this tendency also caused an improvement in the understanding of the market and its inherent laws.

Acknowledgements

All historical research creates a dialogue between a researcher and the historical characters active in the period of the past he or she chooses to study. During these four years of research I have been working on the trajectories of a group of merchants and bankers who lived again in my writings as well as in my worst nightmares. When I arrived at the European University Institute I knew that the work of historian is a solitary endeavour struggling with scarce sources, desperate hours spent in the archives and entire days wasted in drafting few lines to be deleted the next day. However, I discovered that historical research could not rely on the efforts of a single person. These few lines are a small sign of my gratitude towards all people who helped me during those years.

The European Institute offered me an incredible working environment. The outstanding work of librarians made my research easier even when I did not have my sources to work on. I am particularly grateful to Serge Noiret and his extraordinary job of sending all the calls for papers and positions as well as of purchasing new books for historians. I was particularly lucky to take part into the seminar led by Professor Joseph Weiler on the critical reading of the Bible. Even if such a topic was so distant from my research interest, I truly enjoyed the way of challenging and discussing a text so rich as the Bible. This seminar was a source of inspiration and a formidable reminder to “look beyond” every word.

At the European Institute I had the great opportunity to work under the supervision of Professor Youssef Cassis who has always been ready to listen my ideas, doubts and hypotheses during all these four years. I largely owe to him the structure of this work which changed at the end of my first year of research. Beyond his crucial suggestions to improve my work, I learnt from him that a great scholar is not just an intellectual focused on his research but a person who cares about all good small things that make life a great adventure worth living. Talking with him in a café at Fiesole or in a cocktail bar in London, research was the main argument of our discussion but he always cared to know what I was doing beyond my work.

Professor Regina Grafe greatly helped me to extend knowledge of the current historiographic debates related to my research. I hope that the engaging discussions I had with her helped me to improve this work. During my research missions in Paris I had the chance to meet Professor Allan Potofsky who generously helped me becoming my external advisor. Walking through the *marché* at Belleville or drinking *un verre* in the surroundings of the Buttes Chaumont, I profited from his suggestions and wide knowledge of scholars working on the French Revolution on both sides of the Atlantic.

Sometimes the unexpected meeting happened where we did not look for them. I met Professor Lynn Hunt after she had come to give the inaugural lecture at the Institute in September 2014. She was so kind to agree to have breakfast with me at the *Giubbe Rosse* where we talked about my research for two hours. Then our paths crossed again in Paris and then in California at UCLA where she invited me to work with her for three months. She always managed to meet me weekly to discuss the bumpy development of this work. Whenever we met she always paid attention to my research as well as to my settling in in Los Angeles.

In Florence I had the chance to live with great people in the very crowded *via Poliziano*. Whenever I mentioned the fact that I had seven or ten flatmates people thought I was kidding. It was sometimes hard to live all together but it was definitely enriching and funny. I gained a new nickname, learnt something of classical music and piano (thanks to the maestri Michele and Chilly), improved my knowledge of sports (thanks to Checco). The last year I was lucky to share the flat with Christoph and I fully profited from his talents of chef and I really enjoyed our long discussions (it is always better speaking than working on the thesis) on movies, politics and finance.

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During those years I spent long periods of time abroad in Paris, London and Amsterdam. In all those cities I met people who were ready to help me and encourage me. A special thank goes to Biondo, Steps and Marta: as you see I mentioned you together because you are always so keen on stressing your membership of the very elitist club: *famiglia cuore*. Even though we now live in different cities you show that friendship is stronger than distance. I need to thank all those with whom I lived in Paris: Gulino, Teo, Barto, Deca, Gek, Frarro. You made more bearable the routine work of archival combing. A special thanks to Tristan with whom I shared not only the flat but also the limbo living condition of the passage between the doctorate and...the future.

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One can endure long period abroad because you know that there is always someone waiting for you. I am deeply grateful to my family who always supported me during those years. While I was writing this thesis my family welcomed the arrival of many newcomers: Pietro, Gregorio, Chiara, Caterina and Ginny. Whenever we gathered it could seem that the growing bustling produced by the newcomers annoyed me. It was just the slow adaptation to baby crying and gaming coming from the silent world of the archives. Looking to all these nephews and nieces I was grateful to look to the future and not just to be stuck in the past. There are no words to express my gratitude towards my parents. They always offered me an unwavering support and they always followed with interest my research on the tracks of mysterious bankers and unknown merchants of the past.

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everything for me so that I could complete this work (I finished the last corrections and these acknowledgements on her laptop because my Mac stopped working). She managed to bear all craziness of this last period and for this I will be forever grateful to her. As a small sign of my gratitude this work is dedicated to her. 'Love bears all things, believes all things, hopes all things, endures all things'.

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Introduction

In 2008 the collapse of Lehman Brothers triggered a series of disruptive fallouts beyond the world of finance. A larger public became aware of the crucial interactions between finance and politics, and at the same time, Wall Street was faced with the challenge of restoring its public image to respectability. The financial crisis did not remain an American episode; its consequences did not fail to affect Europe. Here the crisis concerned another aspect of the market: government debt. Greece, Cyprus, Spain, Portugal, Italy and Ireland faced an excessive public debt in relation to their GDP and such situations required interventions by the International Monetary Fund and the European Central Bank.

Even though the two crises had different origins, they have triggered a renewed interest in the study of financial crises as well as of the behaviours of market actors, such as bankers and brokers.¹ Moreover, the European debt crisis caused political changes both at the level of the European Union and at a national level, where many governments resigned under the pressure of crashing markets in which government bond yields skyrocketed as a sign of a lack of confidence towards the political response to the crisis. The impact of those crises left its mark also in popular culture: movies like *The Wolf of Wall Street* or *The Big Short* stigmatised the greediness of certain brokers, as well as the failure of political authorities to regulate markets.

This last financial crisis is only a more recent episode of a long history of troubled relationships between market actors and political institutions. This thesis aims to offer a comprehensive view of this shifting interconnection in a momentous period of European history, the end of the eighteenth century and the first years of the following century. Moreover, the French revolution and the Revolutionary Wars put into motion reactions and changes going well beyond European borders. In particular, the uncertainty concerning European states led many bankers and investors to look in other directions to save their assets. So this is more than a European history of financial actors and their intermingling with the different politics of European states. Even though wars disrupted trade, bankers and merchants kept their interest in trading South American metals and precious stones, and increased their involvement in the US securities market.

¹ The book of reference – published before the recent crisis – on the history of crises is Charles Poor Kindleberger, *Manias, Panics, and Crashes: A History of Financial Crises*. New York, Basic Books, 1978. On the more recent collapse of the sub-prime market in the United States and the comparison with former crises, see Carmen M Reinhart, and Kenneth S. Rogoff. *This Time Is Different: Eight Centuries of Financial Folly*. Princeton, Princeton University Press, 2009.

The period marked by the French revolution and Napoleon's ascent to power did not leave merchants and bankers unscathed from the multifarious changes of the political and social spheres. In particular the focus of this thesis is on three aspects central to understanding the banker in the society of the Age of Revolution: social status, economic power, and political influence. The study of the social status of the banker implies dealing with the following questions: how did society regard bankers? The world of finance faced a long period of wars and disruption of trade: did bankers look for new solutions or did they just restrain their business? The increasing financial needs of the state made government more dependent on private financial resources: did this necessity change the relationship between bankers and political authorities? If such changes took place, did the British government differ from its French counterpart in its dealings with the local financial community?

The thesis embraces the period from 1789, the year of the call of the General Estates, until 1812, the year of the Napoleonic campaign in Russia and the beginning of the decline of Napoleon's empire. The choice of this interval of time is the outcome of two different reasons: on the one hand, the practical need to limit the study of the bankers during a precise period; on the other hand, the two dates do not follow the classic historiographical periodisation, but rather adapt to the topic of this research. An extensive study of the relation between finance and politics during the Age of Revolution could embrace all the period between the American Revolution until the 1848 uprisings in Europe. Instead of embracing the entire period, I opted to analyse a shorter period of time when momentous changes in France put under pressure large sectors of the European financial world without distinctions between nations.

Whereas the opening date of this study fits easily within the classic approach towards the French revolution and the Napoleonic period, the closing date, 1812, differs from the classic end of 1815 with the fateful Battle of Waterloo. In 1815, the financial world largely dealt with the loans that France needed to open in order to pay the heavy reparations with which the European powers had burdened the defeated enemy during the Congress of Vienna. Even before this momentous watershed in European political history, the financial world had witnessed the rise of new actors, such as the house of Rothschild, which opened a new era. In this context, 1812 seems a more appropriate date to end this work because after that year, the French and Dutch economies were severely affected by the disastrous campaign in Russia. Moreover, the end of the Kingdom of Holland in 1810 had already confirmed the end of the already negligible autonomy of Dutch merchants in respect of the French government.

The analysis concerns the three financial communities of Paris, London and Amsterdam. These cities offer the best points of observation on the varied and multifaceted life of bankers

in those times. The interest in studying this period lies in the complex and ever-shifting relationship between bankers and merchants and the political world, its institutions as well as its main actors. In contrast, up to now, scholars have tended to focus either on the evolution of banks over the centuries or on the interactions between different financial markets over a long time period.

Here a new approach is proposed: to study bankers and merchants in their understanding of the political evolution affecting their country as well as Europe in its entirety. In particular, each banker adopted a personal stance towards the main political figures of his country: some market actors preferred to maintain a safe distance from the political world, whereas others did not refrain from building stronger ties to those politicians that could offer some protection. The bankers and merchants studied here are well known and many monographs are dedicated to their ascent as private or merchant bankers. The originality of this work consists in offering an analysis of the political understanding that bankers and merchants had of the turbulent period following the French revolution and the establishment of the French empire. At the same time, governments and their officers intervened in the market by establishing new institutions, such as the *Banque de France*, or by regulating the stock market and its activities. This increase of state control over the market was not just a sign of the distrust that political actors had towards bankers and merchants, but also brought forth a better understanding of the specificities of the stock exchange.

The three European capitals were the main financial markets in Europe and they hosted large communities of merchants, stockbrokers and bankers active in transactions that went well beyond Europe, including trade with the East and West Indies as well as with the American continent. Moreover, these three markets followed different trajectories that offer different perspectives on the life of bankers living in those cities. Paris became the capital of an Empire virtually always at war with England and its allies, London remained the inflexible opponent of the French Revolution, Amsterdam was conquered by French forces but, until the end of the Kingdom of Holland, maintained semi-independency from France.

The existing literature covering this period treats these financial centres within the paradigm of “rise and fall” of these markets as consequences of political events.² The approach of this work differs: instead of looking at the rise of London just as the obvious outcome of the unrest that the Revolutionary Wars caused, it aims to understand the different reasoning of bankers and merchants behind their decisions to invest in new markets or to withdraw from

² For this approach, see, Peter Spufford, ‘From Antwerp and Amsterdam to London: The Decline of Financial Centres in Europe’, *De Economist* 154, 2 (2006), 143–75.

traditional activities. Such a perspective seems particularly appropriate to fill a perceived gap in the rich literature on the evolution of European financial markets between the last years of the eighteenth century and the first years of the nineteenth.

This thesis does not follow a comparative approach, even though it considers different countries and their financial communities. This choice reflects my intention to follow in the bankers' footsteps, and so crisscrossing the boundaries of traditional fields of historical research: cultural history as far as concerns the representation of bankers in published texts, economic history for their economic transactions and investments, and finally political history when it comes to their dealings with political authorities. This itinerary does not take place in *terra ignota* but has benefitted from paths that historians have taken before, which are presented in the following pages. Moreover, the topic of the relations between finance and politics in the period here considered have drawn the attention also of scholars belonging to other fields, such as political scientists, sociologists, and literary scholars.

The seminal work of the German philosopher Jürgen Habermas on the development of a public sphere in eighteenth-century England as a result of the development of a system of financial capitalism triggered the attention of a large public of scholars within and outside the boundaries of historical studies.³ There have been multiple approaches to gauge the public perception of bankers and more in general of market actors during the eighteenth century. The study of the rich literary and journalistic production in eighteenth-century England has inspired many studies on the general assessment of market actors by authors and pamphleteers.

Mary Poovey convincingly showed how the world of fiction and finance often overlapped on the use of terms such as “value” or “credit” that were frequently used in novels as well as in newspapers and economic treatises. Margot Finn developed the theme of the personal understanding of credit as it emerged both from literary works as well as from private diaries where individuals noted their obsessions with credit and debts to recover.⁴ Early eighteenth-century English literature offered manifold examples of authors dealing with the topic of

³ Jürgen Habermas, *The structural transformation of the public sphere: an inquiry into a category of bourgeois society* (Cambridge, Mass: MIT Press, 1991), (first edition 1962). For a critical review of the historians' use of Habermas 'public sphere', see Harold Mah, 'Phantasies of the Public Sphere: Rethinking the Habermas of Historians', *The Journal of Modern History*, 72, 1 (2000), 153–82.

⁴ Mary Poovey, *Genres of the Credit Economy: Mediating Value in Eighteenth- and Nineteenth-Century Britain*, (Chicago, University of Chicago Press, 2008); Margot C. Finn, *The Character of Credit: Personal Debt in English Culture, 1740-1914*. (Cambridge, New York, Cambridge University Press, 2003).

financial speculations and debt: Alexander Pope, Daniel Defoe and Jonathan Swift dedicated large parts of their fictional works to the corruption caused by the rise of finance.⁵

The renewed interest toward the interaction between literature and economy during the eighteenth century leads me to employ printed sources like newspapers and pamphlets as meaningful tools to understand the public perception of economic phenomena as well as of the main players of the economic world. Therefore it seems legitimate to employ the large variety of texts on the figure of the merchant to better understand what was the merchant's work at the end of the eighteenth century.

Sociologists have studied the development of financial markets in England and in France to understand the rise of the status of brokers as well as the close relations between politics and the economy in early eighteenth-century England.⁶ The sociological approach was particularly fruitful in advancing the concept of 'embeddedness' to understand the behaviour of market actors that could not be considered as simple profit-seekers, but as belonging to a larger community with an underlying set of values.⁷ The sociological interest in the "embeddedness" of bankers and financial operators leads me to pay greater attention to the persistence of prejudice and suspicion towards businessmen imprinted in the mentality of French society even after the great changes brought by the Revolution.

Historians have not remained silent on the rise of a financial culture in eighteenth-century England. The path-breaking work on the English debates on the nature of mercantile interest and the world of the stock exchange remains the book by John G. A. Pocock, *Virtue Commerce and History: Essays in the Eighteenth century* (1985). This book, like other works by the Cambridge scholar, pointed out how the confrontation between the Tories and Whigs mirrored the contrast between landed wealth and moneyed interest. The study of the theoretical framework behind the divergent positions of Tories and Whigs towards the bustling world of the Stock Exchange is only one facet of the historical analysis of the

⁵ On Jonathan Swift and Alexander Pope, see Colin Nicholson, *Writing and the Rise of Finance: Capital Satires of the Early Eighteenth Century*, (Cambridge, New York: Cambridge University Press, 1994). On Daniel Defoe, see Sandra Sherman, *Finance and Fictionality in the Early Eighteenth Century: Accounting for Defoe*. (New York, Cambridge University Press, 1996). For a more recent study on the relation between finance and literature on the topic of public credit in eighteenth-century English literature, see Natalie Roxburgh, *Representing Public Credit: Credible Commitment, Fiction, and the Rise of the Financial Subject* (London, New York: Routledge, 2015).

⁶ See on the two-way relation between politics and economics the seminal work by Bruce G Carruthers, *City of Capital: Politics and Markets in the English Financial Revolution* (Princeton, N.J, Princeton University Press, 1996). On the legitimacy of brokers between England, France and the United States, see, Alex Preda, 'Legitimacy and Status Groups in Financial Markets', *The British Journal of Sociology*, 56, 3 (2005), 451–71.

⁷ See, Mark Granovetter, 'Economic Action and Social Structure: The Problem of Embeddedness', *American Journal of Sociology*, 91, 3 (1985), 481–510. A similar point was raised by Albert O.Hirschman, *The Passions and the Interests: Political Arguments for Capitalism before Its Triumph* (Princeton, N.J., Princeton University Press, 1977).

eighteenth-century financial world. Bowen extended the analysis of the English public perception of stockbrokers to the second half of the eighteenth century, while Wennerlind pointed out that the theoretical foundations of the “Financial Revolution” were laid well before the accession of the Hanoverian dynasty to the throne of the United Kingdom.⁸

The other facet presents the concrete aspects of the financial life in eighteenth-century London. The studies of Anne Murphy and Natasha Glaisyer have greatly enriched our understanding of the everyday practices in the English merchant world between the second half of the sixteenth century and the first decades of the eighteenth century.⁹ Moreover, Murphy rightly pointed to the negligence with which historians had generally considered the role of clerks within the financial establishments. Similarly, Jacob Soll noted the pivotal role that bookkeeping practices had not only in shaping the financial world but also in the way of thinking of the American Founding Fathers and the other European elites at the end of the eighteenth century.¹⁰

The renewed interest towards the activity of clerks within a bank as well as the importance of bookkeeping in the financial world has lead me to dedicate some space to the internal functioning of a private bank at the end of the eighteenth century. In particular, my analysis of the bank Charles Hoare & Co. focusses on the relationship between the partners and clerks and their specific nature that made them part of a family with a strong hierarchy but also close personal bonds.

Scholars show a growing interest in the theme of credit within French society during the eighteenth century. The recent book by Clare Haru Crowston illustrates the different uses of the term credit in eighteenth-century France. Crowston convincingly demonstrated how men and women used the concept of ‘credit’ in different circumstances to indicate not just

⁸ See, H.V.Bowen, ‘The Pests of Human Society’: Stockbrokers, Jobbers and Speculators In.Mid-Eighteenth-century Britain.’, *History*, 78, 252 (1993), 38-53 and Carl Wennerlind, *Casualties of credit: The English financial revolution, 1620-1720*, Cambridge, Mass, Harvard University Press, 2011. The expression ‘financial revolution’ has been coined by P. G. M. Dickson, *The Financial Revolution in England: A Study in the Development of Public Credit, 1688-1756* (London, New York, Melbourne, Macmillan; St. Martin’s P., 1967). The other essential book to understand how the efficiency of the government in raising funds enabled England to succeed in the eighteenth-century wars is John Brewer, *The Sinews of Power: War, Money and the English State, 1688-1783* (London, Unwin Hyman, 1989).

⁹ See, Anne L. Murphy, *The Origins of English Financial Markets: Investment and speculation before the South Sea Bubble* (Cambridge, Cambridge University Press, 2009) and Natasha Glaisyer, *The Culture of Commerce in England, 1660-1720* (Woodbridge, UK ; Rochester, NY: Royal Historical Society/The Boydell Press, 2006).

¹⁰ See, Anne L. Murphy, ‘Writes a Fair Hand and Appears to Be Well Qualified’: The Recruitment of Bank of England Clerks, 1800–1815’, *Financial History Review*, 22, 1 (2015), 19–44; Jacob Soll, *The Reckoning: Financial Accountability and the Rise And fall of Nations* (New York, Basic Books, 2014).

monetary transactions, but also social relations as well as political choices.¹¹ As far as concerns the practice of credit on the Parisian market, the benchmark is the research on the role of notaries by Philip Hoffman, Gilles Postel-Vinay and Jean-Laurent Rosenthal. They have underlined the crucial role of notaries in dealing with private requests for credit, thus easing transactions between private citizens.¹² The study of the evolution of the French market led scholars to analyse the relation between trade and virtue, the role of debt in shaping the political debate during the Revolution and the impact of the colonial world on the financial transactions of the Parisian market.¹³

The most complete account of the French banking world during the eighteenth century remains the painstaking work by Herbert Lüthy, *La banque protestante en France de la révocation de l'Édit de Nantes à la Révolution: de la banque aux finances (1730-1794)*. As a result of extensive archival combing, Lüthy recreates the diffuse network of bankers of Protestant origins within the French borders as well as in Geneva and London. Covering an earlier period, the work of Guy Rowlands on the activities of private bankers in supporting the military campaigns of Louis XIV revealed a complex system of circulation of credit throughout Europe.¹⁴

The coming of the revolution challenged the ranks of merchants as well as the world of financiers and stockbrokers. Jean Bouchary offers very detailed account of the fate of numerous foreign bankers under the Terror. With an accurate analysis of police sources, Bouchary illustrated the suspicious attitude that the Revolutionary tribunal adopted towards former financiers as well foreign bankers residing in Paris.¹⁵ The grim image emerging from

¹¹ See, Clare Haru Crowston, *Credit, Fashion, Sex: Economies of Regard in Old Regime France* (Durham, Duke University Press, 2013).

¹² See, Philip T. Hoffman, Gilles Postel-Vinay, and Jean-Laurent Rosenthal, *Priceless Markets: The Political Economy of Credit in Paris, 1660-1870* (Chicago, University of Chicago Press, 2000).

¹³ On virtue and trade in eighteenth-century France, see John Shovlin, *The Political Economy of Virtue: Luxury, Patriotism, and the Origins of the French Revolution* (Ithaca, Cornell University Press, 2006). On the prominence of debt in shaping political revolutionary debates, see Michael Sonenscher, *Before the Deluge: Public Debt, Inequality, and the Intellectual Origins of the French Revolution* (Princeton, Princeton University Press, 2007). On the growing importance of the colonies in the French economy during the eighteenth century, see Paul Burton Cheney, *Revolutionary Commerce: Globalization and the French Monarchy* (Cambridge, Mass., Harvard University Press, 2010). On the impact of colonial wealth on the Parisian market, see Allan Potofsky, 'Paris-on-the-Atlantic from the Old Regime to the Revolution', *French History*, 25, 1 (2011), 89–107.

¹⁴ See, Guy Rowlands, *Dangerous and Dishonest Men: The International Bankers of Louis XIV's France*, (Basingstoke, England, New York, Palgrave MacMillan, 2014). On the British side of the Channel, a similar analysis is offered by Aaron Graham, *Corruption, Party, and Government in Britain, 1702-1713* (Oxford, Oxford University Press, 2015).

¹⁵ See, Jean Bouchary, *Les manieurs d'argent à Paris à la fin du XVIIIe siècle* (Paris, M. Rivière et cie., 1939). The expansion of the Parisian stock market before the outbreak of the revolution is the main topic of Jean Bouchary, *Le marché des changes de Paris à la fin du XVIIIe siècle (1778-1800) avec des graphiques et le relevé des cours* (Paris, P. Hartmann, 1937).

this work should be nuanced with studies of the permanence of divergent interests, were they of political, economic or social nature, even under the Terror.¹⁶

The revolutionary period offered important themes of research also to economic historians. In particular, the handling of the public debt in France as well as in England has received extensive attention. Moreover, the two countries faced similar issues in monetary policy as far as concerns the circulation of paper money (*assignats*) or the suspension of reimbursement at the Bank of England in 1797.¹⁷ At the same time, the economic choices of the two countries became the subject of heated debates on the sustainability of the government debt. The growing circulation of pamphlets, broadsheets and treaties highlighted how financial matters could become political arguments in the context of the deadly confrontation between revolutionary France and England.¹⁸

¹⁶ See the article on interest by William Scott, 'The Pursuit of 'Interests' in the French Revolution: A Preliminary Survey', *French Historical Studies*, 19, 3 (1996), 811–51. A local example of the survival of interest during the revolution is offered by the study of guilds in Lille by Gail Bossenga, *The Politics of Privilege: Old Regime and Revolution in Lille* (Cambridge [England]; New York, Cambridge University Press, 1991).

¹⁷ On the *assignats*, even if it is quite dated, see Seymour Edwin Harris, *The Assignats* (Cambridge, Harvard University Press, 1930). For a more recent assessment on the familiarity to handle different forms of credit paper as well as assignats, see Rebecca L. Spang, *Stuff and Money in the Time of the French Revolution* (Cambridge, Massachusetts, London, England, Harvard University Press, 2015). The grimmest study on the revolutionary economic policies is Florin Aftalion, *L'économie de La Révolution Française* (Paris, Belles lettres, 2007). For a more detailed picture of French economy under Louis XVI, see François Crouzet, *La Grande Inflation: La Monnaie En France de Louis XVI à Napoléon* (Paris, Fayard, 1993). The same author published a work on a comparative view of the English and French economy which sanctioned the superiority of the former, see François Crouzet, *De la supériorité de l'Angleterre sur la France: l'économique et l'imaginaire, XVIIe-XXe siècles* (Paris, Perrin, 1985). For a comparative study of the two currencies of England and France in this period, see Michael D Bordo and Eugene Nelson White. 'A Tale of Two Currencies: British and French Finance During the Napoleonic Wars', *The Journal of Economic History*, 51, 2 (1991), 303–16.

On the government handling of the debt on the credit market, see François R. Velde, 'The Financial Market and Government Debt Policy in France, 1746-1793', *The Journal of Economic History*, 52, 1 (1992), 1–39; Thomas J. Sargent, and François R. Velde. 'Macroeconomic Features of the French Revolution', *Journal of Political Economy*, 103, 3 (1995), 474–518; Eugene Nelson White, 'The French Revolution and the Politics of Government Finance, 1770-1815', *The Journal of Economic History*, 55, 2 (1995), 227–55; Patrick Karl O'Brien, 'The Impact of the Revolutionary and Napoleonic Wars, 1793-1815, on the Long-Run Growth of the British Economy', *Review (Fernand Braudel Center)*, 12, 3 (1989), 335–95. For a long-term analysis of England, France and many other countries government stocks and their respective yields, see Mark Dincecco, 'Political Regimes and Sovereign Credit Risk in Europe, 1750–1913', *European Review of Economic History*, 13, 1 (2009), 31–63. On the suspension of payments of the Bank of England in a comparative perspective with similar other cases, see Michael D Bordo, and Finn E. Kydland. 'The Gold Standard As a Rule: An Essay in Exploration', *Explorations in Economic History*, 32, 4 (1995), 423–64.

¹⁸ See, Christine Desan, *Making Money: Coin, Currency, and the Coming of Capitalism* (Oxford, Oxford University Press, 2015), pp. 360-422. On the French side, the season of the Directory was particularly rich in political debates between republicans and conservatives on the direction that government had to follow to defend the revolutionary achievements. See, James Livesey, *Making Democracy in the French Revolution* (Cambridge, Mass, Harvard University Press, 2001); Isser Woloch, *Jacobin Legacy: The Democratic Movement under the Directory* (Princeton, N.J., Princeton University Press, 1970). Andrew J. S. Jainchill, *Reimagining Politics after the Terror: The Republican Origins of French Liberalism* (Ithaca, Cornell University Press, 2008). On the French Directory in a European optic, see Pierre Serna, ed. *Républiques soeurs*, Rennes, Presses universitaires de Rennes, 2009. On the Consulate, see Thierry Lentz, *Le grand Consulat: 1799-1804* (Paris, le Grand livre du mois, 1999).

During the Napoleonic Wars, bankers and merchants faced the challenging scenario of war with all its negative effects on trade and financial transactions. Larry Neal and James Riley explored how the interactions between the financial markets of Amsterdam, Paris and London changed due to the endless state of war.¹⁹ Historians have not limited their analysis to the ensemble of the market institutions, but have also depicted the singular trajectories of banks such as Baring & Co., Hope & Co., Greffulhe & Co., as well as the ascent of the house of Rothschild.²⁰

Looking closer at the activities of merchants and bankers, scholars have acknowledged the essential role that the circulation of information played during this period.²¹ The critical evaluation of information and rumours was crucial for bankers and merchants to make their decisions concerning their investments in government bonds, trade speculation or estate acquisitions. Similarly to private investors, governments aimed to make the financial market safe and stable. In order to obtain this outcome, they strove to regulate markets and made a serious effort to impose laws that aimed to avoid speculation on government bonds as well as on other stocks.²²

¹⁹ See James C. Riley, *International Government Finance and the Amsterdam Capital Market, 1740-1815*, (Cambridge; New York, Cambridge University Press, 1980) and Larry Neal, *The Rise of Financial Capitalism: International Capital Markets in the Age of Reason* (Cambridge; England; New York, Cambridge University Press, 1990).

²⁰ On the history of Baring & Co., see Ralph W Hidy, *The House of Baring in American Trade and Finance; English Merchant Bankers at Work, 1763-1861* (New York, Russell & Russell, 1970); Philip Ziegler, *The Sixth Great Power Barings 1762-1929* (London, Collins, 1988); Peter E. Austin, *Baring Brothers and the Birth of Modern Finance* (London, Pickering & Chatto, 2007). For the Dutch house of commerce of Hope & Co., see Marten G. Buist, *At Spes Non Fracta: Hope & Co. 1770-1815 : Merchant Bankers and Diplomats at Work* (The Hague, Nijhoff, 1974). On Rothschild, see Niall Ferguson, *The World's Banker: The History of the House of Rothschild* (London, Weidenfeld & Nicolson, 1998); Herbert Kaplan, *Nathan Mayer Rothschild and the Creation of a Dynasty: The Critical Years 1806-1816* (Stanford, Stanford University Press, 2006). On Greffulhe & Co., see Guy Antonetti, *Une maison de banque à Paris au XVIIIe siècle: Greffulhe Montz et Cie, 1789-1793*, (Paris, Éditions Cujas, 1963).

²¹ On the circulation of news in eighteenth-century Paris, see Robert Darnton, 'An Early Information Society: News and the Media in Eighteenth-Century Paris', *The American Historical Review*, 105, 1 (2000), 1–35. For a more extensive view of the news circuits of circulation in eighteenth-century France, see Dominique Margairaz, and Philippe Minard, *L'information Économique, XVIe-XIXe Siècle* (Paris, Comité pour l'histoire économique et financière de la France, 2008). For the information network in seventeenth-century England, see Larry Neal and Stephen Quinn, 'Networks of Information, Markets, and Institutions in the Rise of London as a Financial Centre, 1660-1720', *Financial History Review*, 8, 1 (2001), 7–26. For the role of information in gathering elements to evaluate credibility in nineteenth-century London, see James Taylor, 'Privacy, Publicity, and Reputation: How the Press Regulated the Market in Nineteenth-Century England', *Business History Review*, 87, 4 (2013), 679–701. For a comparative view of the development of financial knowledge through information in the financial markets of London and Paris during the eighteenth century, see Alex Preda, 'In the Enchanted Grove: Financial Conversations and the Marketplace in England and France in the 18th Century', *Journal of Historical Sociology*, 14, 3 (2001), 276–307.

²² On the configuration of the Parisian Bourse at the eve of the revolution, Robert Bigo, 'Une grammaire de la bourse en 1789', *Annales d'histoire économique et sociale*, 2, 8 (1930), 499–510. For an overview of the increasing regulation of the Parisian market starting from the Napoleonic period, see Pierre-Cyrille Hautcoeur, Georges Gallais-Hamonno, (eds.), *Le Marché Financier Français Au XIXe Siècle* (Paris, Publications de la Sorbonne, 2007). On the creation of a fund to provide credit to defaulting brokers, see Angelo Riva and Eugene

Rather than studying how merchants and bankers had access to the circuit of news, I stress the role of news within the process of decision-making that all bankers needed to follow when they had to invest in new sectors or markets. As emerges from the case of the Baring investment in the United States securities market, bankers needed to process information and took decisions following their political understanding of the country where they were willing to invest. Similarly to bankers, governments strove to gather the widest possible range of news circulating in one country. Under the Napoleonic Empire, the stock exchange was put under the strict control of secret agents. Yet, a study of the police reports shows that police agents made an effort to understand the economic world of the stock exchange and its deep-rooted dynamisms.

The English financial system had deeper and sounder roots than the French. Nonetheless, it was not unusual for bankers and merchants to be blamed as members of cabals and plots aiming to corrupt the government. The growing hatred towards the links between government and the financial world was particularly strong in the radical movement. As mentioned above, important authors like Defoe, Swift and Richardson satirised and pointed a finger at the disruptive effects of the growing weight of public debt on society as well as on the government itself. As Kramnick convincingly argued, radicals strongly blamed the growing importance of the financial market because they considered it an incentive to channel there idle capitals that could be better invested in manufacturing or other activities producing less precarious wealth for the entire country.²³

In the French case, government did not limit its activities to regulating the financial market, but also supported and shaped the establishment of new financial institutions like the *Banque de France*. Born as a private project, the *Banque de France* almost became a branch of the government administration after the 1805 credit crisis.²⁴ These rapid and momentous changes

N. White, 'Danger on the Exchange: How Counterparty Risk Was Managed on the Paris Exchange in the Nineteenth Century', *Explorations in Economic History*, 48, 4 (2011), 478–93. On the London Stock Exchange, see Ranald C. Michie, *The London Stock Exchange a History* (Oxford; New York, Oxford University Press, 1999) and specifically on the period of the French Revolution and Napoleonic Wars, S. R. Cope, 'The Stock Exchange Revisited: A New Look at the Market in Securities in London in the Eighteenth Century', *Economica*, 45, 177 (1978), 1–21.

²³ See, Isaac Kramnick, *Republicanism and Bourgeois Radicalism: Political Ideology in Late Eighteenth-Century England and America* (Ithaca, N.Y., Cornell University Press, 1990).

²⁴ On the evolution of the financial institutions in France between the Revolution and the Empire, see Gilles Jacoud, *Le billet de banque en France, 1796-1803: de la diversité au monopole* (Paris, Ed. l'Harmattan, 1996). On the same period, see Louis Bergeron, *Banquiers, négociants et manufacturiers parisiens : du Directoire à l'Empire* (Paris, H. Champion, 1975). For a detailed portrait of the first regents of the *Banque de France*, see Romuald Szramkiewicz, *Les régents et censeurs de la Banque de France nommés sous le Consulat et l'Empire*. (Geneva, Droz, 1974). For a more recent assessment of the evolution of the *Banque de France*, see Yves Leclercq, *La Banque Supérieure: La Banque de France de 1800 à 1914* (Paris, Éditions Classiques Garnier, 2010).

did not exclude the permanence of old regime officers and financiers in the new financial frameworks created by the revolution and the Napoleonic reforms. Michel Bruguère has provided a detailed study of high-ranking officers of the royal financial administration who survived the revolution and found employment in the revolutionary committees as well as in the public finance administration under the Directory.²⁵

This work engages with all these different threads of research and historiographical interpretations. While this research concerns only a small part of Europe, all the three countries studied here had a colonial or a commercial empire. It is true that during this period France and Holland lost almost all their possessions or that their trade companies declined. Nonetheless their bankers were ready to invest in foreign countries like the United States, as well as to trade with other empires such as those of the Spanish or the Portuguese in South America. So bankers in London looked to invest in land acquisition in the United States, brokers in Paris got alarmed every time that bad news reached France on the situation in Haiti, and Dutch investors endeavoured to bargain with all the European powers.

The study of bankers in their social context cannot avoid considering individual bankers. This work does not offer a collection of bankers' biographies, but it relies on sources concerning a group of bankers: for the English side, Coutts & Co., Baring & Co. and Hoare & Co., for the Dutch side, Hope & Co. and Voornbergh & Co. As far as concerns the French situation, I opted to study bankers and market actors as a group: my choice fell on the *Banque de France* and the *Bourse*. As in every historical enquiry, the choice of these sources is the outcome of deliberate decision as well as constraints due to the conservation of documents, accessibility of private archives, and variety of languages necessary for understanding the sources.

My choice of bankers is driven by different considerations. Concerning the London money market, I chose bankers active as merchant bankers, like Francis Baring, as well as so-called 'West London' bankers, such as the Hoare partners and Thomas Coutts.²⁶ These bankers well represent the multifarious world of London bankers at the end of the eighteenth century. Moreover, the house of Baring embodies the figure of the banker with worldwide connections from India and China, thus providing an excellent viewpoint for the paths that bankers took in response to political changes in Europe.

²⁵ See, Michel Bruguère, *Gestionnaires et profiteurs de la Révolution: l'administration des finances françaises de Louis XVI à Bonaparte* (Paris, O. Orban, 1986).

²⁶ On this distinction between City bankers and the West End, see D. M. Joslin, 'London Private Bankers, 1720-1785', *The Economic History Review*, 7, 2 (1954), 167-86.

While Francis Baring & Co. offers an ‘external’ view from London on international markets, the private banks Hoare and Coutts provide an ‘internal’ view on how the London market reacted to political choices, as well as to financial shocks, like the 1797 suspension of payments.²⁷ The division between the ‘external/internal’ point of view should not be over-emphasised: Coutts and Hoare followed the evolution of what was happening in Europe as much as Baring was interested in the political choices of his government and the evolution of the internal credit market.

All those bankers had frequent correspondence with their clients who belonged to the aristocracy or held public offices. The bank archives do not always conserve these correspondences in their entirety. For this reason, I found it essential to trace, whenever possible, the existence of the archives of these clients. The British Library holds many archives that greatly enriched my research into the relations between bankers and politicians in the period under consideration.²⁸

As far as the Amsterdam market is concerned, I opt for those houses of commerce with strong connections with France and England. Therefore, in this work, there is no direct analysis of the financial market of Amsterdam on its own. Rather, I choose bankers like Hope, Voombergh, Hogguer and Crommelin who had prominent interests at stake in England and France. At the same time, I have included government sources, such as those of the British Foreign Office and of the French *Ministère des Affaires Étrangères*, describing the reactions of the merchant community in Amsterdam to the political changes.²⁹

In the French case, I preferred to look at bankers not individually but as a group, like those of the *Banque de France*, or to the world of the Stock Exchange as emerged from the police reports during the Napoleonic period. There are practical reasons for adopting this ‘collective’ perspective: first, bankers destroyed or dispersed the vast majority of financial documentation during the French Revolution in the hope of escaping the violent persecutions under the

²⁷ Another good reason to choose these banks is the large number of sources that they offer to the researcher. Thomas Coutts & Co. and Hoare & Co. are still operating as private banks and they hold very well-organized archives available to researchers. After the collapse in 1995, the bank Baring, including its extensive archives and art masterpieces, was acquired by the Dutch group ING and the archive is open to the public at the ING headquarters in the City.

²⁸ At the British Library, I combed through these different sources: the Auckland papers, the Dropmore papers and the Whitefoord papers. The first source offers an insightful view on the direct connection between Hope and the Foreign Office. The two other sources provide manifold details on the way Coutts dealt with his Scottish friends as well as members of the government.

²⁹ Concerning the Dutch part of my thesis, I worked in the *Amsterdam Stadsarchieef*, where papers belonging to a large number of Dutch bankers are available. Unfortunately, my ignorance of Dutch excluded a large study of the Amsterdam market in those years. Nonetheless, the study of business correspondence between Dutch bankers and foreign peers seemed to me a promising point of view for the assessment of the figure of Dutch bankers in relation to the evolving situation in France and England.

Terror; second, those French private banks that are still active today are not always willing to open their archive to researchers.³⁰ These obstacles convinced me to take the *Banque de France* and the government control over the Stock Exchange as benchmark cases. In this way, I aimed to offer a vision of the Parisian financial world that included both the *haute banque*, the high strata of the financial community, and the simple stockbrokers and speculators of the Bourse, what we can describe as the ground level of this financial community.³¹

The other large corpus of sources to explore was the ensemble of printed works circulating in England and France. Besides the work on the original pamphlets and newspapers available at the British Library and at the *Bibliothèque Nationale de France*, the databases ECCO (Eighteenth Century Collection Online), MOMW (Making of the Modern World) and the digital library *Gallica* offered an incredibly rich variety of printed works. Without these modern research tools my work could not have been completed.

Last but not least, I reviewed government documentation held at the British National Archives at Kew and at the French *Archives Nationales* and *Archives du Ministère des Affaires Étrangères*. In these archives, I studied documents produced by different branches of the government, as well as from Judicial Courts such as the Exchequer Court in the English case. Merchants and bankers in particular were active in different places and so their activity fell under different authorities. This explains the need to explore different areas of public archives and not just those immediately connected to economic activities.

This work is divided into eight chapters. These chapters do not follow a chronological or a geographical order. Rather they followed a thematic approach: the first three chapters aim to place the figure of the banker in the context of French and British society at the end of the eighteenth century. The following three chapters address the issue of bank activities in such turbulent times, looking with particular interest at the importance of information and risk in banking activities. Finally, the two last chapters highlight the complex relations between political powers and market actors in London, Amsterdam and Paris.

Chapter One introduces the main actor of the story: the banker. Through an analysis of the main publications of the time as well as handbooks and manuals, I provide a more defined image of the banker at the end of the eighteenth century. Then I focus my analysis on the

³⁰ In the early phases of this research, I was in contact with the bank Hottinguer in Paris, but they denied me access to their papers from the period herein studied. Instead, they kindly suggested that I should read the book by Max Gérard, *Messieurs Hottinguer, banquiers à Paris* (Paris, Draeger frères, 1972). Gérard had the opportunity to work on documentation not in the public archives, most probably still in the hands of the bank Hottinguer. This book is a great example of the prosopographical approach that seems to be the most appreciated by today's bankers.

³¹ The *Banque de France* digitalised the reports of the board of directors. Therefore, the researcher needs just to ask the *Mission historiques de la Banque de France* for a digitalised version of the reports.

crucial period of the apprenticeship, when the future banker learned the methods and techniques useful for his future work. Rather than offering just an overview of the different aspects of this business education, I offer the example of the young Alexander Baring, who was sent to Amsterdam to serve his apprenticeship in the Hope Bank. The last section of the chapter relies on Hoare's sources and allows an inside look at the functioning of a private bank.

Chapter Two focusses on the contentious issue of the suspension of payment declared by the Bank of England in 1797. This decision further increased the discussion on the burden of the public debt. The theme became the centre of a political clash between Thomas Paine, who predicted the collapse of the entire British financial system, and supporters of the funding system and its sustainability. Francis Baring did not miss the opportunity to express his position on his country's credit crisis. Bankers not only expressed their positions on such themes, but they also actively took part in the war efforts against France. The case of Robert Barclay illustrates how a banker could offer his network of acquaintances to provide information on the country's enemies.

Chapter Three shifts the attention from England to France. The French debt was even more burdensome than the English. The partial repudiation of the debt in 1797 was only the final step in a long process that started with the call of the General Estates due to the dire financial situation of the kingdom of Louis XVI. The chapter illustrates how the distrust towards bankers was already strong and deep-rooted before the many trials held under the Terror against financiers and bankers. After this period there were efforts to stabilise relations between finance and politics, and one of the most credible attempts to appease these two worlds were Pierre-Louis Roederer's editorial activities under the Directory.

Chapter Four is the first of three chapters dealing with banking activities in the troubled context of the Napoleonic Wars. The war between France and England did not bring a complete suspension of the transactions between bankers and merchants belonging to the two opposite sides of the struggle. Bankers faced growing risks as well as opportunities: the risks increased profits but could bring unbearable damages at the same time. The legal case *Bourdieu vs National Treasury* is highly representative of this dynamic: in times of war, bankers knew that property rights were not safe from government interventions. The risk attitude greatly varied within the financial community: while James Bourdieu took considerable risks trading with French citizens, Thomas Coutts severely restrained his lending activities even towards his most trusted British clients. Even when peace was restored, bankers faced the need to assess the counterpart risk. The Dutch banker Hogguer offers a

good example of this practice: financial soundness as well as personal characters and political connections were all taken into account.

The long Napoleonic Wars convinced some bankers to look for far-away markets, as illustrated in Chapter Five. The involvement of the Baring and Hope houses started as classic land speculation and brought the two firms in the position of being the European banks in charge of paying interest in the name of the American government in Europe. This rapid rise could not happen without the key role that Alexander Baring played in representing the American securities market as a safe and valid alternative for new investments. The young Baring could convince his father, as well as the Dutch partner, because he offered them a reassuring description of American society and politics, without hiding the risks, by stressing the many and important opportunities for foreign investors in the young republic.

Bankers and merchants were also quick to take the opportunities that a short period of peace could offer them, as emerges in Chapter Six. Here, the main attention is on an international operation involving Dutch bankers and English bankers transacting diamonds in Paris. The correspondence between Baring and the French banker François Laborde Méréville offers a penetrating view not only into the global elements of the transactions, but also into the “new” generation of bankers in Paris. Being the capital of an expanding empire, the French capital acquired new prominence as a financial market. Dutch investors did not withdraw their investments there until the beginning of the Russian campaign in 1812.

Chapter Seven highlights the relations between London bankers and the British government. Thomas Coutts, Francis Baring and Henry Hugh Hoare had direct contact with Cabinet Ministers as well as with high-ranking aristocrats. Many of the most influential politicians were their clients. Yet each of these bankers followed a different strategy in promoting their immediate interests or those of their close acquaintances. While Baring was directly involved in the political life of his country, he managed to push forward an action of lobbying in the problematic context of the invasion of the United Provinces by French armies. Coutts endeavoured to have William Pitt’s ear on cases concerning the promotion of some relatives or acquaintances. Notwithstanding his long-time familiarity with the Prime Minister, and particularly with his mother, Coutts was rarely successful. On the contrary, Hoare felt able to refuse financial services even to the Prime Minister.

The last chapter deals with the conflict-ridden relationship between Napoleon and the bankers. Looking at the evolution of the *Banque de France* in its first years, it emerges how the reduction of autonomy of the financial institution was the fruit not only of Napoleon’s suspicion, but also of mismanagement by the same bankers. Nonetheless, the bankers of the

Banque de France ventured to defend the autonomy of the institution with all means available to them. The government's control over the market was less ruthless than during the revolutionary period. Police reports on the Stock Exchange shows that a greater understanding of market dynamisms was taking root also in the administration, and even in a police officer's mind.

At the end of this long journey, during a troubled period that was increasingly risky for market actors, the figure of the banker between the three main markets of the time will appear less anonymous and more complex. This work offers neither a model nor a comparison between different types of bankers; rather, it aims to disentangle the ever-changing relation between power and market within the context of changing societies, such as those of the European countries here considered.

This disentanglement does not cause an over-simplification of the main traits of the bankers considered. On the contrary, this work aims to shed new light on banking practices in dealing with risk and uncertainty in economic transactions, as well as on political bargaining. At the same time, the relation between market actors and politics does not take place in a vacuum. In respect of this apparent truism, I take into account debates in newspapers and pamphlets, a non-spatial place where the hidden suspicions, intentions and fears towards bankers and their plans emerge.

CHAPTER ONE

The invisible hands: merchants and bankers between Paris and London at the end of eighteenth century

Si le Gouvernement laisse la Finance concentrer
tout l'argent dans les mains d'une petite portion de citoyens;
les princes et les sujets seront bientôt desséchés par ce corps dévorant.
Louis Sébastien Mercier, *Tableau de Paris*, v.11, pp. 370-371.

In this first chapter, I want to introduce and describe in detail the principal actors of this work: the bankers. It is impossible to consider a small group of people, as bankers were, and still are, without taking into account the society in which they lived. Before considering how bankers behaved in London and Paris at the end of eighteenth century, we need to understand who the bankers were. As obvious as it might seem, what we generally understand nowadays as a banker is not what a banker embodied at the end of the eighteenth century. Moreover, it is possible that the same bankers did not conceive of themselves as bankers, but rather as merchants or more broadly as businessmen. This is not just a speculative issue aiming to offer the most complete definition of banker, rather it is a way to understand how, through definitions and debates, eighteenth-century society perceived the role of bankers and their activities.

Therefore, the first part of this chapter concerns how words such as "bank", "finance" and "merchant" were conceptualised and employed in the public discourse of those times. The study of printed sources concerning the activities of bankers as well as the description of the financial world by 'outsiders' like Louis Sébastien Mercier helps to understand the 'embeddedness of the market'. With this expression, economic sociologists indicate how social relationships and general interactions within society influenced the way markets work.¹

The sources most valuable in this field are, on the one hand, the handbooks written for those who wanted to become bankers or those who were willing to invest in the Stock Exchange, and on the other hand, those publications with descriptions of the everyday life in the two capitals offering some insightful views on the merchant community. Besides these two genres, an enquiry concerning the definition and the understanding of the meaning of some

¹ On the use of the concept of 'embeddedness of markets' see, Bruce G. Carruthers *Economy/society: Markets, Meanings, and Social Structure* (Thousand Oaks; London, SAGE Publications, 2013), pp. 7-9.

terms used in the eighteenth century must include the *magnum opus* which had precisely as its aim the giving of clear definitions of everything: the *Encyclopédie méthodique*.²

In the second part of the chapter, I move on to consider how bankers were trained and how they operated in the financial markets and in the multifarious trade that interested these businessmen. Once the profile of an eighteenth-century banker emerges, it still remains to uncover through which process he became a banker. The study of a banker's apprenticeship is pivotal to our grasp of qualities and traits that were demanded of a young man who aspired to become a successful banker. In this section, I rely on some business correspondence about the apprenticeship of Sir Francis Baring's son, Alexander, with theoretical treatises concerned with the education of a banker. This particular case gives the opportunity to delve into the actual practices of a young man destined to become a banker. Furthermore, the study of a single case enriches the understanding of what it meant to be an eighteenth-century banker, because a profession cannot be wholly understood only by referring to the theoretical foundation and definitions applied to set its boundaries.

Finally, I aim to shed new light on the role of the banker at work within his walls. In other words, the focus will be on the complex relationships existing between employer and employees as well as on the organisation of time within a bank. Historians have tended to be more fascinated by the ability of the single banker, or his family, to run his business rather than looking into the first steps taken by bankers to build an internal structure within the bank. The Promethean character of the banker has led many to discard the relationships between the banker and his clerks as well as the bank as an establishment with certain architectural elements and safety requirements. At first glance, these elements appear of minor importance to understanding the figure of the eighteenth-century banker. Yet without taking into consideration these peripheral aspects, I would run the risk of offering another Promethean portrait of the pioneering "modern" bankers.

1.1 A thriving world: merchants and bankers in eighteenth-century France and England

In my risky navigation towards an understanding of the nature of an eighteenth-century banker, let me set sail from the safe harbour offered by the *Encyclopédie méthodique*. The

² For what concerns financial matters, see *Encyclopédie méthodique. Finances*. 3 vols. (Paris, 1784 – 1787). For an insightful overview on the political economy views included in the *Encyclopédie*, see Catherine Larrère, 'L'Encyclopédie Méthodique: une économie très politique', in C. Blanckaert and M. Porret (eds.), *L'Encyclopédie méthodique (1782-1832). Des lumières au positivisme*, (Geneva, Droz, 2006), 215–239.

entry *banque* in the *Encyclopédie méthodique* consisted of an historical excursus on the different models of banks diffused across Europe. In a few pages, the author explained the main functions of a bank — lending money to the state, accepting deposits and discounting bills of exchange — and illustrated the main positions concerning the establishment of a bank in a country. Thus the author reported the negative advice offered by David Hume and Lord Bolingbroke regarding the drawbacks that a bank could have on the circulation of money. At the same time the author of the article recalled how esteemed the Bank of England was: it was able to issue paper money because it enjoyed the greatest trust from everybody.

Needless to say, Law's Bank and its consequences for the French credit system also figured in the encyclopaedia article. However, no more than a few lines were devoted to this unsuccessful financial scheme that still haunted French debates concerning financial issues.³ Instead of describing other existing banks, such as those of Amsterdam, Hamburg, or Venice, almost the entire entry concerned the Bank of England. There were various reasons that made the Bank of England well-known in France: the abundance of treatises on economic policy written by English-speaking authors, such as James Steuart and Adam Smith; the rivalry between the two countries, and the lack of a similar institution in France. All these elements contributed to arouse interest of French public towards the British financial institution.⁴

Following this approach, the only banker worthy of some attention was the royal banker. This figure was created to advance money to the Crown on the guarantee of future revenues. However, this system had showed all its flaws for the state and therefore, in 1767, the function of the royal banker was reassigned to the newborn *Caisse d'Escompte* (Discount Bank). Thus, the only private banker that the encyclopaedia's author took into consideration was a private banker at the service of the Crown. However, such a figure was no longer active at the time when the *Encyclopédie* was published.⁵ The lack of an article on the figure of the banker might lead us to think that in French society, the place held by bankers was so irrelevant that it did not need to figure in the most comprehensive literary work of the eighteenth century. Such a conclusion would be erroneous and misleading, as I will demonstrate in what follows.

³ On the vividness of Law's scheme at the end of the eighteenth century, see Rebecca L. Spang, 'The Ghost of Law: Speculating on Money, Memory and Mississippi in the French Constituent Assembly'. *Historical reflections. Réflexions historiques*, 31, 1 (2005), p. 3.

⁴ The only hint at private activity in the field of banking is made in the first paragraph of the article: 'On n'entend pas parler ici du commerce d'argent, que signifie le mot *banque*, pris dans une acception générale', *Encyclopédie. Finances*, vol.1, p. 87.

⁵ See, *Finances*, 91.

The *Dictionnaire universel de commerce* by Jacques Savary constituted the pivotal book in the field of commerce for France as well as for other European countries. Published posthumously, in this four-volume book, the author offered a unique guide to all merchants and traders who had to know in detail commercial laws, accounting techniques and trade institutions.⁶ This dictionary offered market actors the necessary practical know-how as well as brief historical explanations of the evolution of certain institutions. In the first article dedicated to the ‘bank’, Savary spent more words than the encyclopedia author on the money trade that is the main activity of such institution.

The first element that Savary introduced together with the idea of money trade was the use of bills of exchange from one city to another to facilitate payments between merchants.⁷ The second element that the author stressed about the institution of a bank was the possibility that a noble could run this business. It was not the case in France, but in the republics of Genoa and Venice, the youngest son of a nobleman could be a banker without losing his title and privileges. Foreign bankers settled in France, because to be a banker there, they did not need to be a merchant or to be part of any guilds. In the eyes of Savary, this bizarre permission explained the large number of foreign bankers that operated in France.⁸

The flexibility of the profession and the lack of well-defined requirements can be taken as the main reason that makes it so difficult to have a clear-cut definition of what it meant to be a banker in France at the end of the eighteenth century. Also Savary did not describe what were the main activities of a banker, besides stressing the crucial role of keeping good book accounts in order to avoid any mishandlings of clients' funds. Notwithstanding the great freedom of action that bankers generally enjoyed in France, there were also some attempts by the Crown to have the upper hand over the bankers' community. One of these attempts consisted of the creation of an official list of bankers, residing in Paris, who registered their firm at the Treasury in order to see their names on the *Almanach Royal*. This inscription was not a requirement to work as a banker in Paris, but it was a clear opportunity to present the firm to a larger public.

During the eighteenth century, the number of bankers enlisted in the *Almanach Royal* increased from 51 in 1721 to more than 70 on the eve of the revolution. Not only did the number of bankers increase, but also their businesses became more and more complex.

⁶ Jacques, Savary Des Bruslons, *Dictionnaire universel de commerce, contenant tout ce qui concerne le commerce qui se fait dans les quatre parties du monde*, vol. 1, (Amsterdam, les Jansons, 1726).

⁷ Savary had extensively treated the use of commercial bills as one of the pivotal requirements for a good banker in his masterpiece, *Le parfait négociant ou Instruction générale pour ce qui regarde le commerce de toutes sortes de marchandises tant de France que des pays étrangers* (Paris, Louis Billaine, 1675).

⁸ Savary, *Dictionnaire universel de commerce*, p. 232.

Lending money and discounting commercial papers became only one aspect of the multifarious activity of a banker in Paris: investment in commercial companies, such as the Water Company (*Compagnie des Eaux*), fire insurance company or the well known India Company, as well as in state loans took the first position in many bankers' agendas. These two highly profitable, but highly risky, classes of investment created frenzy within the banker community in Paris as no other marketplace in Europe gave such generous yields.⁹

In this context, Louis Sébastien Mercier, a keen observer of Parisian life, proclaimed that: 'les banquiers sont les dominateurs de la France'.¹⁰ Bankers were described as powerful magicians who, with the help of unknown spells, brought money from every corner of Europe and then hid it somewhere in Paris. Mercier was stupefied by the pace of the circulation of money in the French capital, but did not know whether to judge this phenomenal circulation as positive or negative for general wealth. Facing this bold stream of money from private bankers in favour of the Crown, Mercier feared he might find himself at the resurrection of Law's system that had been characterised by a large circulation of paper money.

The French author did not condemn the fact that the state needed to appeal to private capital in order to sustain growing expenditure, and that as a consequence, the Crown opened loans in an attempt to find the necessary resources. Nevertheless, this endless stream of money toward the Crown risked taking these funds away from more profitable and useful channels such as trade, industry and arts. The targets of Mercier's remarks were useless wars, such as the military support that the French monarchy had granted to the rebellious American colonies, and the expenditures to build new and luxurious palaces.

Mercier's condemnation did not entail a complete refusal of financial methods to fund the national debt; rather, he was openly critical of the use of statistical and mathematical calculations at the service of unproductive debt. Mercier suggested that the development of the French economy could instead be favoured by the establishment of a credit institution on the model of the Bank of England.¹¹

⁹ In the second chapter, I will briefly deal with the impact of such frenzy on the perception of the banker by the press and pamphleteers. To have a general overview of the companies that triggered large speculative operations in Paris, see Jean Bouchary, *Les compagnies financières à Paris à la fin du XVIIIe siècle* (Paris, Rivière, 1940).

¹⁰ Louis-Sébastien Mercier, *Tableau de Paris. [Par L.-S. Mercier.] Nouvelle édition corrigée et augmentée.* (Amsterdam, 1783), vol. 1, p. 151.

¹¹ On the subject of the Bank of England, Mercier expressed his full esteem and appreciation in these terms: 'La Banque de Londres est devenue la Banque de l'univers. Pourquoi? C'est que le roi ne peut y mettre le doigt. Toutes les nations y placent leur argent de préférence, parce que les droits y sont si assurés: et si sacrés qu'il faudroit l'anéantissement entier de l'Angleterre pour en suspendre les payemens. [...] les capitalistes sont plutôt disposés à y mettre leurs fonds, qu'à les retirer dans les moments critiques. [...] Voilà ce que c'est une banque chez une nation libre, qui a de l'autorité et des droits. Elle est une mine d'or intarissable, la source de toute prospérité et une ressource à de grands revers' in Louis-Sébastien Mercier, *Parallèle de Paris et de Londres: un inédit*, Claude Bruneteau and Bernard Cottret (eds.). 1 vol. (Paris, Didier, 1982), pp. 85–86.

Mercier did not have any feasible solution for the conundrum of the growing debt, but made a plea for the old good days of Sully, Henry IV's Minister of Finance, when politicians tried hard to avoid all indebtedness towards private bankers. Recalling the golden age of Henri IV was a classical topos in the Enlightenment literature, where Diderot and Voltaire considered the "*bon Henri*" as the last French king who still cared for his people.¹²

Instead of launching an open denunciation against the fact that bankers held sway over the Crown's policy and the future of France, Mercier limited himself to hope for the best outcome: 'Les banquiers tiennent le gouvernail; laissons leur faire la manoeuvre, puisqu'elle est déjà fort avancée; et puissent-ils nous conduire à bon port!'¹³ Even though Mercier's last words on bankers sound more like a challenge than a full-hearted hope, the eclectic writer did not fully condemn bankers and their business. On the contrary, Mercier pointed his finger at *capitalistes* as those principally responsible for the dearth of money available to the common people.¹⁴

The *capitalistes* invested huge amounts of money in the state loans and also proposed this investment to the general public, who gave them their savings to invest. In this way, a few people had in their hands an enormous amount of capital that remained out of the general circulation. The main charge against these businessmen was that they speculated on the borrowed capital to lend it later at a higher interest. This despicable activity was called *agiotage*. Neither the *Dictionnaire universel* by Savary nor the *Encyclopédie méthodique* gave a clear definition of what were the main features of a capitalist, and whether any differences existed between a banker and a capitalist. Even so, it seems correct to assume that capitalists included any merchants, bankers or private subjects who were primarily interested in speculating on the numerous state loans.

Another group of people that were active in dealing with public finance were the *financiers*. This group of people were in charge of the royal finances and lent their credit and funds directly to the Crown in exchange for favours, especially privileges that could be bestowed upon their heirs. As Herbert Lüthy has rightly stated, *financiers* tended to belong to French Catholic families who succeeded in acquiring noble status and public offices, whereas bankers were for the large part foreigners who often belonged to Protestant networks, which

¹² On this point and as a good introduction to the *Tableau*, see Yolande Coste-Rooryck. *Le pari fou de Louis-Sébastien Mercier dans «Le tableau de Paris», 1781-1789 et «Le nouveau Paris», 1799: un réalisme militant*. (Paris, H. Champion, 2009), pp. 28–30.

¹³ Mercier, *Tableau de Paris*, vol.1, p. 154. (Author's translation: 'Bankers are at the helm; let them steer, because they have already started and we hope that they will lead us to a safe harbour.')

¹⁴ In a later volume of the *Tableau*, Mercier considered bankers responsible with brokers for the speculative investments in public funds: 'Le banquier, l'agent de change prennent des deux mains, et forment collusion', vol.11, p. 65, 1788.

preferred to deal with foreign markets through correspondents and had a larger portfolio with a variety of assets.¹⁵

Like Paris, London presented an incredibly diversified framework of financial actors, which included bankers, traders, brokers and merchants. No definitive boundaries existed between these groups, even if some features were specific to one group and were not present in another one. It was common for a merchant to have to deal with the classic operations that we usually think proper of a banker, such as granting credit, dealing with credit tools (bonds, bills of credit, short and long-term credit) and writing down all operations in merchandise and money in a register. Whereas the distinction between merchant and banker might not always be evident, a clearer distinction existed between the trader, concerned only with inland trade, and the merchant, who could be active in international trade and thus practise commerce.¹⁶

As far as banking activities are concerned, the most renowned example of a bank remained the Bank of Amsterdam, which facilitated the operations between merchants by settling their accounts opened in the bank. Besides this type of public bank, there were those which were constituted as joint-stock companies between people with a common interest, and those led by a private individual, or partnership, who risked their own capital. Malachy Postlethwayt, author of several treaties on the world of trade as well as the translator of Savary's works in English, enriched this taxonomy by adding a distinction between domestic bankers and foreign bankers.

The former group was active in the bullion trade and in discounting bills of commerce and investing in funds, while the latter group was specialised in dealing with foreign bills of commerce; these bankers always looked for good opportunities to speculate on the exchange between foreign trade centres, knowing the variations that allowed them to profit from drawing or remitting their bills. However, almost all bankers had started as merchants; Only in a second part of their career could they specialise in the commerce of money that was at the core of banking as it was conceived in eighteenth-century England. There were almost no

¹⁵ See, Herbert, Lüthy, *La banque protestante en France: de la révocation de l'Édit de Nantes à la Révolution: de la banque aux finances (1730-1794)*, (Paris: S.E.V.P.E.N, 1961).

¹⁶ The difference between trade and commerce is clearly stated by Mortimer as follows: 'Commerce (...) as a term of art, it constantly includes the idea of exchange, and, in its ordinary acceptation, it serves to distinguish the mercantile negotiations, carried on by the inhabitants of different nations with each other, from the operations of inland TRAFFIC, commonly known under the denomination of TRADE, and limited to a particular place or country' in Thomas Mortimer, *The elements of commerce, politics and finances, in three treatises on those important subjects. By Thomas Mortimer, Esq. Author of a Treatise on the Funds, entitled, Every Man his Own Broker*, (London, 1780). Nonetheless, this difference between merchant and trader was only the result of an historical evolution: '[...] In the early ages of commerce, the rank and profession of a merchant was neither so well understood, nor so clearly distinguished from that of simple inland traders, or shop-keepers, as it has been in modern times' p. 208.

barriers between the world of commerce and the world of banking, which borrowed strategies and capital from the former's techniques,.

Before going into the details of the process that moulded a young practitioner into a trained banker, it is necessary to present the world of the Stock Exchange and the other main institutions of the financial world on the two sides of the English Channel. In particular, I draw attention to the London financial institutions, such as the Bank of England and the Stock Exchange, that were considered as the main references also in the French world of business.¹⁷

The two pivotal institutions, which set the pace for all merchants resident in the City of London, were the Bank of England and the Stock Exchange. While the Bank of England was one of the consequences of the Glorious Revolution and of the attempt to introduce financial institutions following the Dutch model in England, the Royal Stock Exchange and more broadly the securities market had a longer history. The securities market existed before the opening of the Royal Exchange in 1564 by Sir Thomas Gresham with Queen Elizabeth's approval: merchants and traders already met in the taverns and in the shops of Change Alley and discussed news and the prices of goods as well as trade companies shares. The first lists of goods and shares prices were printed at the end of the seventeenth century and, during the period of the South Sea Company, coffee houses such as Jonathan's and Garraway's became the theatre of the frenzied speculations which led to one of the first examples of mania in Europe's financial history.¹⁸

The most conventional securities were those issued by the government: loans, three per cent consols and all other securities issued by the government with the aim of financing wars on the continent. Coming soon after government securities, there were those indirectly dependent on government, such as the East India Company and the Bank of England. Besides government securities and trade companies sponsored by the government, the securities market also offered the shares of insurance companies such as the Sun Fire Assurance, the London Assurance Company and The Hand-in-Hand Assurance Company.

The insurance companies mainly dealt with fire, life and marine risks. They had their offices in London and also in other cities of the country, and they played an important role in the management of small savings, thus playing an essential part in the mobilisation of capitals

¹⁷ The best introductory works on the development of financial institutions in eighteenth-century England are P. G. M. Dickson, *The Financial Revolution in England*, and John Brewer, *The Sinews of Power: War, Money and the English State*.

¹⁸ On the evolution of the London Stock Exchange, see R. C. Michie, *The London Stock Exchange*, pp. 1-40.

during the eighteenth century.¹⁹ These companies largely invested in government securities or trade companies under government protection because they considered these investments the safest available on the securities market.²⁰ Therefore insurance offices preferred to invest in government securities rather than risk their capital on more volatile securities, such as the Bank Stock, which offered higher yields, or the East India Company stock, which largely depended on events in India and on the political moves of the rival European countries. Insurance companies could also choose to finance private loans and mortgages, but in the second half of the century they limited these investments because government securities represented a safer and more profitable investment.²¹ Even though government securities attracted by far the most considerable part of investments, it cannot be said that the securities market was underdeveloped, because in the second half of eighteenth century, clear distinctions between the role, rules and laws of financial transactions were already enforced.

A first Act came out in 1697 which aimed to limit the number of brokers active in the City of London to one hundred. All brokers had to be licensed in order to act on the market, otherwise they could be sanctioned with fines up to £500. However, the laws regarding brokers and stock-jobbers were not actively enforced, and a large number of brokers operated without any licence. The costs of brokerage were around one quarter or one eighth of the operation. The boundaries between jobbers and brokers were not clearly drawn, even though the distinction was theoretically clear: brokers acted in the name of their clients, while jobbers acted as principals and dealt with brokers.

Another sign of the evolution of the London financial market was the diffusion of handbooks, pamphlets and other printings regarding the way of operating on the Exchange and describing the different funds available with their pros and cons.²² Terms such as ‘bulls’, those speculating on a rise in prices, and ‘bears’, those acting on the contrary premise, became familiar to all investors in funds. Operations without money, or selling the collateral for the

¹⁹ On life insurance, see Geoffrey Wilson Clark, *Betting on Lives: The Culture of Life Insurance in England, 1695-1775* (Manchester; New York, Manchester University Press, 1999). On the evaluation of risk in the process of selling insurances, see Robin Pearson, ‘Moral Hazard and the Assessment of Insurance Risk in Eighteenth- and Early-Nineteenth-Century Britain’, *The Business History Review*, 76, 1 (2002), 1–35.

²⁰ See, Philip Mirowski, ‘The Rise (and Retreat) of a Market: English Joint Stock Shares in the Eighteenth Century’, *The Journal of Economic History*, 41, 3 (1981), pp. 559–563.

²¹ On the insurance business during the eighteenth century, see A. H. John, ‘Insurance Investment and the London Money Market of the 18th Century’, *Economica*, 20, 78 (1953), pp. 137–158.

²² On the evolution of publications concerning the financial world during the eighteenth century, see Natasha Glaisyer, *The Culture of Commerce in England, 1660-1720*.

money borrowed, became so widely diffused that in 1734 an act was passed to prevent speculators from sell stocks which they did not own.²³

Publications like *The Stocks examined and compared or a guide to purchasers in the public funds* by William Fairman or the best-seller by Thomas Mortimer, *Every man his own broker*, clearly embodied this effort to offer new tools for understanding the financial market to a large number of investors.²⁴ In particular, Mortimer's essay enjoyed an incredible success, as proved by the fourteen editions published between 1761 and 1807.²⁵ Mortimer's aim was twofold: on the one hand, he proposed to unmask all bad practices used by stockbrokers that damaged their clients' interests; on the other hand, he wanted to offer a wide array of tools, enabling a large public to invest directly into the funds without requiring brokers' services. Mortimer, who had probably been a broker himself, was convinced that the only effective way to battle against speculation, bubble and time dealing was to make the role played by brokers within the Royal Exchange useless by giving the clearest explanation to investors about the nature of funds and their potential investments.²⁶

Mortimer offered a vivid description of the different stock-jobbers active on the London stock market: they were foreigners, Dutch and Jewish merchants, as well as English traders and merchants and English brokers who, with very little capital, invested in funds transacted in the name of third parties. In London, brokers settled their operations four times per year, in

²³ On the evolution of financial techniques in the London financial market, see Cope, S. R. 'The Stock Exchange Revisited: A New Look at the Market in Securities in London in the Eighteenth Century', *Economica*, 45, 177 (1978), 1–21.

²⁴ Fairman's aim was to present the different stocks available on the London market to a large public because he was convinced that investment in funds was within the reach of everybody: '[...] to furnish the means for any one acquainted with common arithmetic to make accurate observations for himself in the public funds' in Fairman, William. *The stocks examined and compared or, a guide to purchasers in the public funds ... By William Fairman ...* (London, Printed by H.L. Galabin; and sold by J. Johnson; and T. Boosey, 1795).

²⁵ A similar case of a successful book that ran several editions is *An interest-book* by John Castaing. See, Natasha Glaisyer, 'Calculating Credibility: Print Culture, Trust and Economic Figures in Early Eighteenth-Century England', *Economic History Review*, 60, 4 (2007), 685–711.

²⁶ See, *Everyman his own broker: or, A guide to exchange-alley. In which the nature of the several funds, vulgarly called the stocks, is clearly explained, and accurate computations are formed of the average value of East India stock for several years, from the current year. The Mystery and Iniquity of Stock-Jobbing Is Laid before the Public, in a New and Impartial Light. The Method of Transferring Stock, and of Buying and Selling the Several Government Securities, without the Assistance of a Broker, Is Made Intelligible to the Meanest Capacity; and an Account Is given of the Laws of Force Relative to Brokers, Clerks at the Bank, &c. With Directions How to Avoid the Losses That Are Frequently Sustained by the Destruction of Bank Notes, India Bonds, &c. by Fire, and Other Accidents. Also, an Historical Account of the Origin, Progress, and Present State of Public Credit, of the National Debt, Both Principal and Interest, of Banking, and of the Sinking-Fund; with Advice to Adventures in the State-Lotteries. To Which Is Added, a Supplement, Containing Rules for Forming a Judgement of the Real Causes of the Rise or Fall of the Stocks; and Several Useful Tables.* By Thomas Mortimer, Esq. author of the Elements of commerce, politics and finances. (London, 1785), 9th edition, p. XVI: "[...] but the grand object of this work always was, and still is, to persuade the proprietors of our public funds to transact their own business; to make them the managers of their own property; the only effectual method that can be taken to reduce the great number of stock-jobbing".

February, May, August and November, at times that were called discounter settling, a translation of the Dutch practice of discount.

Following the different rumours — the outbreak of a war, the sinking of cargo from Asia, the sudden death of a prominent merchant — brokers transacted their orders of selling or buying shares by writing them down in their account books, even though they did not actually buy or sell these shares. So brokers finally acted as if they owned the stocks which they were called to buy or sell by someone else.²⁷

The diffusion of news and intelligence, more or less reliable, provoked rapid and unexpected fluctuations in the value of stocks available on the London market. When news started to circulate in the coffee houses of the City, the community of brokers split into two halves: on the one hand, those who believed the incoming intelligence, and following its contents, bought or sold the stocks in their hands; on the other hand, those who did not believe in the latest information and therefore counteracted on the market the decision made by the other brokers. For example, bad news about English armies abroad could be circulated by merchants who wanted at any cost to buy a large amount of stock at a lower price and therefore the appraisal of a defeat could lead other brokers to sell stock, producing a decrease in the stock price. The day after, the broker who had spread the bad news of the defeat could buy stock at a lower price than the day before. Of course, brokers could not overuse this scheme because it might cost them their reputation and expose them as deceitful and unscrupulous.

The transactions on the floor of the stock exchange started at two o'clock and ended at four o'clock. Traders, merchants and brokers swarmed into the court of the Exchange where each nation — Jew, Italian, French, German — gathered in one area of the bourse and started to discuss goods, shares and news in their own languages. Gebhard Friedrich August Wendeborn, Minister of the German Chapel in London, described in these terms the vision one could have of the hustle and bustle of the stock exchange:

On viewing from a window, or a balcony within the area, the crowd below at full exchange time, it excites pleasure to see such a number of people busy below, and hearing the confused sound of so many voices, and so many different languages, ascending like the humming of bees.²⁸

²⁷ See, *Everyman his own broker*, pp. 48–54.

²⁸ See, Gebhard Friedrich August Wendeborn, *A View of England towards the Close of the Eighteenth Century* (London: Printed G.G.J. and J. Robinson, 1791) p. 337. It is interesting to point out that brokers, and in general the environment of the Stock Exchange, were often described using references and images of the animal world.

There is no doubt that the most praiseworthy and well-known description of the eighteenth century London Stock Exchange is that offered by Voltaire in his *Sixième Lettre* from the *Lettres Philosophiques*. The Stock Exchange is described as an incredible melting pot of people professing different beliefs, still collaborating to the "utilité des hommes". Muslims, Jews and Christians forgot all the differences between their religions once they were on the floor of the Stock Exchange and the only ones excluded from this communion of interest were those who were bankrupt.²⁹ Within the Stock Exchange, not only religious differences lost their weight, but also differences of status were minimized by the common thirst for further profits produced by speculation in the funds. Even though Voltaire probably exaggerated the traits of the broker community to support his ever-lasting battle for tolerance in modern societies, he dealt indirectly with a pivotal aspect of the eighteenth-century London Stock Exchange: the large presence of foreign investors within the number of holders of national funds.

The impact of foreign investors on the national debt was at the center of debates during the eighteenth century: on the one hand, there were those, such as the author of the pamphlet entitled *Bilan général et raisonné de l'Angleterre, depuis 1600 jusqu'à la fin de 1761* and Malachy Postlethwayt, who regarded with suspicion the large presence of Dutch capital invested in the English funds; on the other hand, Isaac de Pinto criticised this attitude of closure towards foreign investments, since he was convinced that they did not attain more than one eighth of the entire national debt.³⁰

Brokers who largely buy stock with the hope of raising its value were called "Bulls", brokers selling in advance their shares, expecting a drastic drop of value, were called 'Bears', and finally, those brokers who did not respect their deals were called 'Lame duck'. Also in this description of the Stock Exchange, the author employed the image of a swarm of bees to describe the bustling environment where merchants and traders of different nationalities met each other to buy and sell different stocks.

²⁹ Voltaire edited by Gustave Lanson, Société des textes français modernes. *Lettres philosophiques* (Paris, É. Cornély et cie, 1909), p. 74. It is evident that Wendeborn had in mind Voltaire's letter when he wrote: '[...] Without paying any regard to the distinctions of sects, or religious opinions, every one claims the character of doing justice to others, as a certain proof that this society in which we live, cannot subsist without virtue' in Wendeborn, *A view of England*, p. 337.

³⁰ '[...] je sai (sic) de science certaine, d'après tous les Banquiers de Londres, que l'Etranger n'a pas au-delà d'un huitième dans la dette nationale' in Isaac de Pinto, *Traité de la circulation et du crédit... par l'auteur de l'«Essai sur le luxe» et de la «Lettre sur le jeu des cartes» qu'on a ajoutés à la fin*. Amsterdam: M. M. Rey, 1771, pp. 2–3. For Postlethwayt see his invoice "funds" in Malachy Postlethwayt, Jacques Savary des Brûlons, Philémon-Louis Savary, *The universal dictionary of trade and commerce: with large additions and improvements, adapting the same to the present state of British affairs in America, since the last treaty of peace made in the year 1763. With great variety of new remarks and illustrations incorporated throughout the whole: together with everything essential that is contained in Savary's Dictionary; also, all the material laws of trade and navigation relating to these kingdoms, and the customs and usages to which all traders are subject*. (London, Printed for W. Strahan, J. and F. Rivington, 1774).

Postlethwayt, in his *Universal Dictionary of trade*, proposed to establish a "debt-paying fund" with the aim of discharging all the national debt and therefore freeing the country from dependence on foreign capital.³¹ On the contrary, De Pinto considered the foreign investments in English national debt as a clear sign of the reliability of this debt and its stability in comparison to other European countries, such as France or the Holy Roman Empire. Features such as the issue of loans at national level, the creation of a sinking fund, the approval by the Parliament of new taxes to sustain the loans and, last not least, the reliability of dividend payment made English funds particularly interesting for the Dutch investors.³²

Foreigners played an important role also in another financial institution of the City: the Bank of England. The safe and respectable building of the Bank of England stood where it is still visible today, on Threadneedle Street, from which it acquired its nickname of "the Old Lady of Threadneedle Street". The present building covers an entire block and is far larger than the building as it appeared in the eighteenth century, to which a new wing had just been added in the 1770s.³³

The establishment of the Bank of England dated back to the summer of 1694, when King William III asked for financial support from the City in order to sustain the military efforts against France in Europe as well in the American territories. The subscribers of the £1,200,000 loan, included the king and his wife, covered the sum in twelve days and this constituted the first act of the newly born Bank of England.

The first 1,272 subscribers were largely Englishmen, and of the first 500, at least 450 were Londoners.³⁴ This was largely due to the fact that the subscription of the entire capital had taken just twelve days and so foreigners and also people who lived far from London did not have the time to know about it. The number of proprietors kept growing during the century: in 1701, there were 1,903 proprietors, while in 1751, 3,294 proprietors had voting rights. In this year, there were probably around one thousand Dutch holders, of which at least one hundred held more than £4,500 in stock, thus making them eligible for the office of governor. Dutch

³¹ Postlethwayt, *The universal dictionary of trade*, vol. 1, p. 656.

³² On Dutch investments in English funds, see Charles H. Wilson, *Anglo-Dutch commerce & finance in the eighteenth century*, (Cambridge, University Press, 1941), pp. 75–78.

³³ '[...] The new wing, which has been added, is in the inside very well adapted to its purpose: but the outside, on account of the light being only admitted from the top, has some resemblance to the prison of Newgate, so that Plutus who is here confined, may complain [...] that he suffers great hardship by being restrained from seeing day light' in Wendeborn, *A view of England*, pp. 340–341.

³⁴ As Anne Murphy showed, there were also Englishmen from the countryside who invested their capital in the number of the original subscribers to the Bank of England. See, Anne L. Murphy, 'Dealing with Uncertainty: Managing Personal Investment in the Early English National Debt', *History*, 91, 302 (2006), 200–217. However, Murphy pointed out that provincial investors relied on news two days old and this delay could sometimes deeply affect investment and the placement of orders.

investors were not the only foreigners to invest in the bank stock: Swiss City Council or Canton authorities, Italian merchants and Flemish officers figured in the *Lists of proprietors* of Bank stock. Even in 1801, when the Netherlands was under French control, 287 proprietors of Bank stock had a Dutch address.³⁵

Governorship lasted two years and usually passed from the governor in charge to the deputy governor. The Court of Directors, which could be accessed by those who had at least £2,000 stock, gathered once per week and had the power to appoint and create sub-committees charged with specific tasks.³⁶ The most comprehensive body of proprietors was the General Court that assembled twice per year to decide the dividend. It is no surprise that such structured institutions needed a large number of clerks, cashiers, secretaries and accountants, which reached the number of 222 in 1763.³⁷

The Bank had as its main duties to issue bank notes, to lend money and to accept deposits, as well as to discount commercial bills. The Bank of England was not the first bank of issue, since the Bank of Sweden had been active since 1661 and also the Bank of Amsterdam had been established long before 1694. The new institution was not universally welcomed because many members of the landed aristocracy considered it a tool in the hands of moneyed men to influence the national government ruled by Whigs.

Therefore, another bank was created under the name of National Land Bank of England, which lent money on land securities. However, this bank did not last long, and in 1697, parliament issued an act declaring that no other national bank could operate without parliament's approval. During the eighteenth century, the Bank's capital grew extensively and each time that the charter of the Bank had to be renewed, parliament gave its assent in exchange for new financial aid.

It is difficult to quantify precisely the percentage of Dutch capital invested in English stocks, Bank stock, loans and annuities; they might vary from 20% up to 40%. What is safe to say is that English stocks were tradable at the Amsterdam Beurs, thus forming an integrated financial market.³⁸ Only at the end of eighteenth century, more precisely during the American

³⁵ A detailed analysis of foreign investments in Bank stock is offered by John H. Clapham, *The Bank of England, a history*. (Cambridge; New York: The University Press; The Macmillan Company, 1945), vol. 1, pp. 273–288.

³⁶ On the internal functioning of the bank and its body of clerks and officers, see Anne L. Murphy, 'Learning the Business of Banking: The Management of the Bank of England's First Tellers', *Business History*, 52, 1 (2010), 150–68.

³⁷ Clapham, *Bank of England*. pp. 108–113

³⁸ A keen appraisal of the different estimation of Dutch holding of British government debt is offered by Stefan E. Oppers, 'The Interest Rate Effect of Dutch Money in Eighteenth-Century Britain', *The Journal of Economic History* 53, 1 (1993), 25–43. For what concerns the integration of the London market with the

Revolution and the Fourth Anglo-Dutch War (1780-1784), did Dutch investors start to withdraw their capital from English funds and to invest them in American loans or French securities.³⁹ This outflow of Dutch capital had the consequence of raising the yield of 3% Consols, thus increasing the cost of financing English debt.⁴⁰

During its first one hundred years, the parliament renewed the Bank's charter six times as its financial aid was essential to support the military efforts of British troops all around the world. In 1749 loans to government had reached the total of £11,686,000, while the first loan to the Crown had consisted 'only' of £1,200,000. The growing dependence of the state on the Bank of England produced a twofold process which every new government had to face: on the one hand, there was no government which could not help asking for the support of the Bank, offering in exchange a new charter; on the other hand, the Bank's influence on political decisions triggered significant opposition in the ranks of Tories as well as of the country Whigs, who could not accept that the moneyed interest might shape the political life of the nation.

The outbreak of the Revolutionary Wars and the long series of Napoleonic Wars forced the English government to rely even more than before on the financial support of the Bank of England. Nonetheless William Pitt showed a considerate independence towards the Old Lady of Threadneedle Street, despite the financial straits of England and her allies on the Continent. Pitt had imposed his will on the Bank of England when, between 1790 and 1791, he had raised money for dividends up to £500,000 in order to replenish the Treasury. Bankers and those who had a right to these dividends presented a petition to oppose Pitt's plan and in Parliament, Henry Fox and Edmund Burke were defeated in their attempt to block the Prime Minister. The Court of Directors of the bank proposed to meet Pitt's demand by offering a £500,000 perpetual loan if Pitt dropped his bill concerning Bank dividends.

Not only did Pitt succeed in passing his bill, which raided the dividends money of the Bank, but he also demanded another £100,000 for the Treasury. Yet this was only the first step towards further easing credit from the Bank of England to the state: in 1795, Pitt asked the Bank to advance the gigantic sum of £4 million to support the Austrian Crown in their

Amsterdam Stock Exchange, see Neal, Larry. 'The Integration and Efficiency of the London and Amsterdam Stock Markets in the Eighteenth Century', *The Journal of Economic History*, 47, 1 (1987), 97–115.

³⁹ On the shift of Dutch investments from English funds to French securities and other foreign funds, see James C. Riley, 'Dutch Investment in France, 1781-1787', *The Journal of Economic History*, 33, 4 (1973), 732–760.

⁴⁰ The quantitative elements supporting the thesis of the integration, at least in the period after the end of the Seven Years' War, between the Amsterdam market and London market are offered by Robert V. Eagly and V. Kerry Smith. 'Domestic and International Integration of the London Money Market, 1731–1789', *The Journal of Economic History*, 36, 1 (1976), 198–212.

fight against French armies. During that year, the Bank advanced up to £2,280,000, when Pitt had promised that he would not exceed £500,000 as an advance. The Emperor took twenty-six years to partially pay back the interest on the loan, and from then on, Pitt preferred to adopt subsidies rather than loans that requested securities and implied interest to be discharged by the borrowers.⁴¹

The lack of clear distinctions between merchants and bankers was equally diffused in London and Paris. Nonetheless, the London market knew more solid institutions like the Bank of England, and even the stock market had a larger volume of transactions due to the growing interest in joint-stock companies. The increasing number of publications offering tips and suggestions in dealing with the stock market was evident proof of the existence of a larger public than in the French capital.

The Parisian market lacked a bank based on the model of the Bank of England until the establishment of the *Banque de France* in 1800. Nonetheless, the Parisian market had become particularly attractive to foreign investors due to the endless loans launched by the Crown to sustain the growing expenditures of the kingdom. Thus a large array of annuities attracted foreign bankers to invest in public funds, and many foreign bankers sat on the board of the main financial institution of the country: the *Caisse d'Escompte* (Discount Bank).

This creation was the outcome of Isaac Panchaud's reflections on the French and the British credit system. Panchaud had lived in London and knew from first-hand experience the British financial system and the pivotal role of the Bank of England in easing the credit circulation within the country. He was a convinced supporter of the need to establish a similar institution in France, where the scarcity of money often hindered the entire economy. The *Caisse* was created under the ministry of Anne Robert Jacques Turgot, but it took a more functioning shape under Jacques Necker's lead. Even though the latter was not so warm about this institution, he chose to implement it as much as he could. Necker invited some Swiss colleagues to sit on the board of the Bank, which became the main investors in the loans created by the Crown to finance its military intervention to support the rebellion of English colonists in America.

The Discount Bank achieved its aim of lowering interest on discounting commercial bills, but it was regarded as an institution in the hands of foreigners because, with the exception of

⁴¹ On the financial support that England advanced during the French wars, see John M. Sherwig, *Guineas and gunpowder; British foreign aid in the wars with France, 1793-1815* (Cambridge, Harvard University Press, 1969). For the traumatic effects of the Austrian loan on the British attitude towards her allies, see J. H. Clapham, 'Loans and Subsidies in Time of War 1793-1914'. *The Economic Journal*, 27, 108 (1917), 495-501.

Jean-Jacques Lecouteulx, all thirteen members of the board were foreigners.⁴² The political enemies of Necker, headed by Isaac Panchaud, forcefully decried the presence of so many foreign bankers at the helm of the Discount Bank: it was not acceptable that the credit of a country such as France should be in a few foreign hands.⁴³

Any description of the Paris financial market would remain gravely incomplete without a brief presentation of the Bourse. Situated in Rue Vivienne, close to the *Marché des Halles*, the floor opened to transactions only from midday until one o'clock, and the building of the stock exchange was closed at quarter past one. All responsibilities for the transactions fell on the *agents de change* (brokers), who were appointed by the king after the payment of the conspicuous sum of 100,000 livres. The number of brokers allowed to stand on the floor of the stock exchange fluctuated during the eighteenth century, until a decree on March 1786 fixed it at sixty agents.

The role of brokers was essential to the functioning of the Bourse: on the one hand, they were the only agents allowed to buy and sell shares owned by other merchants, bankers, or financiers; on the other hand, they fixed the current prices of each share every day as the outcome of the negotiations with other colleagues. Once the two brokers found an agreement over one price, the transaction took place, and that price became the current price that would be published the following day. All transactions were made orally and no written receipts were issued; the broker who noted in his carnet the deals that had occurred during the day produced the only written record.

At the eve of the French Revolution, Marie-Joseph-Désiré Martin authored a detailed handbook about finances and the Parisian bourse with the title *Étrennes financières ou recueil des matières les plus importantes en Finance, Banque, Commerce*.⁴⁴ Conceived as a book not just for specialists in financial transaction, Martin illustrated the various stocks that one could find at the Paris stock exchange in 1789. Almost all stocks available in Paris were the result of the various loans opened by the Crown during the 1780s. The most frequent way of raising money was to open a lottery, as it happened once in 1780 and twice in 1783, with an interest of around four and half or five per cent. Alternatively the Crown opted to launch loans, as it happened in 1782, 1784, 1785 and 1787. These loans were not always completely successful:

⁴² On the trajectory of the Discount bank in the last years of the Old Regime, see Manuela Albertone, *Moneta e politica in Francia: dalla cassa di sconto agli assegnati, (1776-1792)* (Bologna, Il Mulino, 1992), pp. 64–73.

⁴³ On this criticism, see H.Lüthy, *La Banque protestante*, pp. 460–463.

⁴⁴ On this book, see Robert Bigo, 'Une grammaire de la bourse en 1789', *Annales d'histoire économique et sociale*, 2, 8 (1930), 499–510.

in 1782, instead of raising 200 million livres, the final amount launched on the market was 100 million.

The system of loans adopted was particularly expensive for the state and logically profitable for investors: not only were potential investors assured of good interest rates (four and half and even five per cent), but they also received as an incentive a ticket (*bulletin*), which gave them life annuities or perpetual annuities which yielded up to eight or nine per cent each year. Thus, a lucky investor could count on the sum of the annual interest on the loan plus the extra interest in the case his ticket was drawn.⁴⁵

Beyond state loans, an investor could also find at the Paris Stock Exchange shares of the India Company, the Discount Bank and the Company of Water. The shares of the India Company, quoted at 2,000 livres, yielded five per cent but were subjected to taxation. The Discount Bank share was quoted at 4,000 livres and gave a dividend which fluctuated between 140 and 160 livres. Finally, the Water Company liquidated its capital, offering five per cent on its share worth 1,200 livres.

The London and Paris markets offered plentiful opportunities for bankers to invest and thrive. Yet they needed to develop adequate skills to avoid fraud or missing opportunities of high-return investments. A successful banker needed to know how to evaluate the terms of loans as well as to evaluate the general trends of the stock market. Such expertise required a long process of traineeship in different subjects such as foreign languages, accounting and bookkeeping techniques without neglecting the laws concerning loans or commercial transactions and the keen knowledge of foreign currencies and measures. A close look at manuals and actual cases of young merchants trained in banking activities reveals how many different skills were necessary to become an affluent banker.

1.2 'Improve your writing': the long way to becoming a banker in the eighteenth century. The case of Alexander Baring and his traineeship at the Dutch bank Hope & Co.

⁴⁵ See, Marie-Joseph-Désiré Martin, *Etrennes financières, ou Recueil des matières les plus importantes en finance, banque, commerce* (Paris, 1789), pp. 68–89. For a detailed overview of the French government finances, see John F. Boshier, *French Finances 1770-1795: From Business to Bureaucracy* (Cambridge, Cambridge University Press, 1970). On the fateful problem of the government debt in France, see François R. Velde, 'The Financial Market and Government Debt Policy in France, 1746-1793', *The Journal of Economic History*, 52, 1 (1992), 1–39. On the impact that debt had on the political debates during the entire French revolution, see Michael Sonenscher, *Before the Deluge*.

As we have seen, bankers were neither clearly defined nor easily recognisable as autonomous actors in eighteenth-century France. The lack of a clear specialisation to become a banker implied that banking activities fell entirely within the broad field of commerce. Therefore the best way to grasp the formation of a banker at the end of eighteenth century is to refer to the bible of commerce: *Le Parfait negociant* by Jacques Savary. This text, published in 1674, remained a unique guide to all those who aspired to excel in some branches of trade. Moreover, this text became a real best seller not only in France, but also on the other side of the English Channel, thus making a perfect bridge between the French and the British cultures of trade at the end of the eighteenth century.

Le Parfait negociant was incredibly successful because it was not only useful for all those interested in working as merchants, bankers, brokers and all possible businesses, but also because it was marvelously readable. Savary did not limit his work as a list of best practices in trade, but included a step-by-step guide for a young man who wanted to become a merchant. In this way, the book offered much more than a body of best practices to apply, because the author took seriously into consideration all aspects of the education needed to become a merchant, as well as the commercial techniques in the different sectors of trade.

The long journey to become a merchant started in early boyhood, but Savary appealed to parents not to force their children to choose a merchant career at any cost. As a matter of fact, commerce required a certain inclination that was not common in everybody, and it would be a terrible mistake to believe that commerce does not require any special qualities or disposition. Once parents were sure that their son wished to work as a merchant, continued the French author, they must provide him with the most suitable education. The pupil should start studying writing and mathematics at the age of seven. Then, he would need to learn the techniques of single and double-entry bookkeeping, the true cornerstone of the merchant world.

In Savary's view, a good merchant was more than a man able to write in a readable way and well-trained in accounting techniques. A merchant needed to learn at least Italian, Spanish and German and to be acquainted with foreign customs and traditions.⁴⁶ After this first period of training, the young candidate of the merchant profession faced a decisive step: the

⁴⁶ See, J. Savary, *Le Parfait negociant*, pp. 38–40. The study of languages and writing should not be taken as an endorsement advanced by the author for a humanist vision of the merchant. Savary suggested these studies only for practical reasons and he strongly spoke out against the study of ‘useless subjects’: ‘Il suffit pour rendre les enfants capables du Commerce, qu'ils soient sçavans (sic) en tout ce qui le concerne, les autres sciences leur font non seulement inutiles, mais encore tres nuisibles: car l'experience nous apprend que les enfans que les Peres et les Meres envoient au College pour étudier la langue Latine, apprendre la Grammaire, la Rhetorique, et la Philosophie, jusq'à l'age de dix-sept, ou dix-huit ans, ne sont jamais gueres prepares au commerce, et que de trente, il n'y en aura pas quatre qui s'adonnent à cette profession’, p. 41.

apprenticeship. The choice of the merchant house where the son would complete his apprenticeship was crucial and had to be well considered. The French author proposed three main criteria for this choice: the morality of the merchant, his professionalism and his zeal.⁴⁷

The period of apprenticeship could last three years in the case of an apprentice merchant, because this was the time required for being considered as a member of a guild. However, the bankers were not part of any guild and therefore were not bound by these strict rules. They usually sent their young sons either to some correspondents abroad, or to some friend who lived in a big city where the volume of business was bigger than at home. The young apprentice had to carry out all the assignments given to him by the merchant for whom he worked.

The apprenticeship was a unique opportunity not only for all the practical knowledge that the young apprentice could attain, but also because he could build important personal relationships within the merchant house where he worked. In many cases, the merchant might invite the apprentice to remain to work with him as long as he wished. Once the young apprentice won the full trust of his merchant, it was not unusual that the young man became part of the family, marrying one of the merchant's daughters.

The Savary model of merchant education was well diffused also on the other side of the English Channel. This result was due to the success that Postlethwayt's translation of the French work met with the British public. Therefore, the image of the good merchant in Britain was not so far from the model diffused in France: a good merchant was recognisable by the utmost respect for the promises that he had made to clients as well as to other peers. Honesty and integrity were the fundamental qualities with which every good merchant had to be endowed, because the aim of trade was not different from that of governments: general happiness.⁴⁸

Of course, such an idealistic view of the merchant life also implied respect towards competitors, a restrained pursuit of profits and frugality instead of luxurious manners. Even though it would be naive to believe that all merchants fulfilled such an attitude, it is safe to hold that such a vision had at least some weight in the everyday conduct of merchants. Moral qualities were only one aspect of the larger education that a good merchant received: a good

⁴⁷ See, J. Savary, *Le Parfait negociant*, p. 48.

⁴⁸ '[...] every trader is bound in following his occupation, to extend his views beyond his own emolument and advantage [...] as to advance the comforts, the prosperity, the intellectual, moral, and religious improvement, of his dependents, of his neighbours, of his countrymen, and, if his line of life enables him, of foreign nations, even in the remotest corners of the globe» in Thomas Gisborne, *An enquiry into the duties of men in the higher and middle classes of society in Great Britain resulting from their respective stations, professions, and employments* (London: Printed by J. Davis for B. and J. White, 1794), pp. 432–433.

knowledge of arithmetic and of foreign languages as well as good writing and knowledge of accounting were crucial to emerge as a successful merchant. At the same time, a respectable merchant had to know the principles of law and the more notable events not only of his country, but also of all the countries with which he had to deal for his business.

After having studied English for four years, our apprentice merchant needed to study at least three other European languages: French, which was universally spoken, Spanish, useful for all trade with the New World and Africa as far as the Cape of Good Hope, German, spoken in all Northern European countries and alternatively Italian for the Mediterranean trade.⁴⁹ Such a requirement of an extensive knowledge of foreign languages harmed the study of classical languages and the so-called liberal education, thus triggering a debate on the relevance of studying Latin and Greek for a merchant.⁵⁰

Once our apprentice merchant was well acquainted with all these European languages, he would have to start delving into commercial matters such as customs, taxes, usages of banks, bills of exchange, foreign currencies and the insurance business. At the age of eighteen, the young merchant was ready to test all the theoretical knowledge that he had previously acquired, and so he was sent to some merchant house at home or abroad. This period could last up to three years, and then the merchant was ready to come back to England and deal with whatever business in which he wished to venture.⁵¹

Up to this point I have just taken into consideration the theoretical assumptions related to the education of a young merchant, but what was the reality of this process? Did it follow the normative elements presented above or not? The cases of Alexander and George Baring seem well suited to answer these questions and they offer precious insights that enrich our picture of merchant education in eighteenth-century England.

⁴⁹ See Thomas Gisborne, *An enquiry into the duties of men* p. 213. The knowledge of different foreign languages was to be one of the main differences between a trader and a merchant: '[...] the wholesale dealer or shop-keeper's education may receive the addition of two years [...] to the attainment of the French language, which being almost universally current, may be useful to him in the common course of business [...] But he, who is designed for the comprehensive profession of a British merchant, must range through more extensive fields of science'.

⁵⁰ Whereas Gisborne was in favour of a liberal education 'to guard the youth [...] from falling into the trammels of prejudice, and habituating himself to partial and confined views of things', Mortimer considered learning Greek and Latin a waste of time. In his *Elements of commerce*, he bluntly condemned the study of classical languages: '[...] Parents cannot be guilty of a greater folly than to make lads thresh hard at Latin and Greek for ten or twelve years, when perhaps they will not have occasion, twice in their lives to speak, read or write, either of these languages'. p. 209. For the former quotation, see Gisborne, *An enquiry into the duties of men*, p. 469. As has been recalled above, Savary opposed the study of Latin, as well as of Philosophy or Greek. The French author considered that such study was not only useless for the young merchant, but also dangerous, because it could distract him from learning more practical knowledge like accounting techniques or other necessary tools for the merchant profession.

⁵¹ Mortimer, *Elements of commerce*, pp. 213–215.

Alexander Baring was the second son of Francis Baring, founder of the merchant house Francis and John Baring, which had moved from Exeter to London in 1777. Francis Baring decided to send his son Alexander to accomplish his apprenticeship in Amsterdam at the prestigious and well-known firm of Hope & Co., which was one of his closest clients and later would also become a partner in his firm.

In the summer 1792, at the age of eighteen, Alexander arrived in Amsterdam, where he started to work writing the financial operations in the register books of the house of Hope under the close supervision of one of the partners of the Dutch house, John Williams Hope, who had married the niece of the main partner of the house, Henry Hope.⁵² Alexander rapidly distinguished himself by his devotion to the work in the counting house, as he worked until late and gained the esteem of all the members of the Hope family.⁵³

It is not surprising that the young Alexander needed to improve some aspects of his work, and the sooner they were resolved, the better it would be for him and for the firm. The main reproaches advanced regarding Alexander's conduct concerned his bad writing and his attitude to postpone work that he could have settled on the same day. Henry Hope openly rebuked the young Baring for his way of writing: 'His scrabbling writing is in fact the whole objection and it is a capital one indeed because very often it is not lisible (sic), but it would be so if he could only take upon him to write away plain, without any curls or additions to the letters. I wish he could rectify it'.⁵⁴ Both these remarks were laid out because they could severely hinder the future career of the young Baring in the Dutch bank, as well as once he would be back in England.

Another prominent aspect of the education of a young banker was the management of his own resources. Alexander, like later his brother George, could not count on his own money, so he had to borrow from Hope partners, who turned the request to Sir Francis. In general, the young Baring did not meet any refusals to his requests, but what was essential for his training was to learn how to manage the money that he had received from others. It is not difficult to understand that the care given to money management was not just a moral problem, but rather

⁵² I will present more accurately the evolution of the two houses of commerce herewith quoted. Concerning the history of Baring & Sons, the best work remains Philip Ziegler, *The sixth great power Barings 1762-1929*. London: Collins, 1988. In the field of Hope & Co the most complete work is Marten G Buist, *At spes non fracta: Hope & Co*.

⁵³ '[...] Alexander was in his place on a fine morning, there he sits now from morning to evening fully occupied [...] He dines and supps there very often and goes every saturday and sunday at the country house, he is now as a brother in the house very much liked and indeed beloved' letter by Henry Hope to Francis Baring on 19th June 1792, in Northbrook papers (henceforth, N.P.) 1 A.3, Baring Archives.

⁵⁴ N.P. 1 A.3, Baring Archives, on 19th June 1792. On the importance of having a plain and clear writing in the world of banking, see Murphy, Anne L. 'Writes a Fair Hand', 19-44.

also an indicator of whether or not the young apprentice could be trusted with dealing with somebody else's money.

The fact that Alexander's writing was sometimes almost unreadable made all his work within Hope & Co. less valuable, and therefore it was in his interest to revise this aspect as soon as possible. Alexander's attitude to procrastinate was an alarming sign of his lack of order, something that a good merchant needed to fix when he was still young. Also in this case, the remark was made because the Hope partners wished that Alexander would amend his ways in the hope that he could one day work for them.⁵⁵

It is difficult to state whether Alexander's writing improved after these remarks: what we know is that in 1795, Alexander Baring was in charge of joint operations led by Baring & Sons and Hope & Co. in the United States of America. The young Baring had succeeded in becoming a respected merchant who had gained the utmost confidence of one of the most prominent merchant houses, Hope & Co. Whereas Alexander's period in Amsterdam can be considered a success, the same cannot be said for another Baring who was sent for his apprenticeship at Hope: George Baring.

George arrived in Amsterdam at the age of nineteen, where he worked under the supervision of Robert Voûte, one of Henry Hope's most trusted men. In contrast to his brother Alexander, George showed a certain inclination for excessive spending, gambling and carelessness towards money in general. Not only did the young Baring often lose his money, but he also spent it loosely on women and wine, disregarding all suggestions to live a sober life, appropriate to his profession. It is worth considering that people who had worked with the two young Barings attributed George's different attitude towards rules and work discipline to the fact that George had not profited from a public school education, as his brother Alexander.⁵⁶

⁵⁵ [...] Mr Williams Hope complained to me, that he did not every day finish his task, which in the consequence left him always in a hurry. I told him that order was always necessary and that it was always wrong to leave for a next day, what one could do the very day. I also entertained him of the necessity to satisfy in such a manner WH that confidence between them could rise in a high degree, from this I made him feel much of his future welfare could depend. As there was surely but one such house in Europe and that if he could become intimate with WH, he perhaps would keep such benefits from it, hereafter, that he should be able to enjoy at a further period such gratifications, as his age and position at present could not permit', letter by Robert Voûte to Sir Francis Baring, on 4th June 1793, N.P.1 A3.4, Baring Archives.

⁵⁶ Robert Voûte found a plausible explanation of the differences between George and Alexander in their different former education: '[...] you are young and rather inexperienced that the disorders under which you laboured in still younger years, is the reason why your father has been under the necessity of giving you another education than he followed with your brothers, who have been at public school, where numerous young men, accustomed them very early, to a different manner of conversation and contradiction, than you have been. From this it is my opinion, arises that kind of character you do possess in some what too strong degree, to have also great idea of your own powers and abilities, and of a certain sort of independence in your conduct, which at your

The situation became so hopeless that Voûte suspended any money transfer in favour of the prodigal Baring, but even this extreme measure remained without effect and the experienced merchant had to admit his complete failure with the young Baring: ‘I did all what a mortal could to take him (George) out of the bad road. But I have been unsuccessful and to my great sorrow for him, I can plead not guilty’.⁵⁷ If Voûte had known that George Baring would become a successful banker in Hong Kong, he would have been less desperate in his judgment of Baring's conduct in the Netherlands.

The relationship between the Hope partners and the young Baring brothers hinted at the peculiar environment of a merchant bank where partners and young apprentices treated each other as members of the same enlarged family. As it emerged from Alexander Baring's case, the young apprentice not only shared the same room with the employees of his merchant, but he also lived with the merchant's family. Alexander got acquainted with Hope partners and their families, spending the weekends with them at their country house, riding horses with Hope's sons, and having meals with the entire family gathered around the same table.

1.3 The internal life of an eighteenth-century British bank: clerks and partners at Hoare & Co.

Starting from this consideration, in the last section of this chapter, I want to examine closely life within the walls of a bank. The analysis of the working time, the internal rules and the relationships between partners as well as between partners and clerks offers an insightful view into the world of banking activities at the end of eighteenth century. From this perspective, the bank emerges as an enterprise with rules, divisions of labour, and a hierarchical structure. The majority of those who were called bankers worked alone or with a few clerks, thence historians tended to diffuse the image of the rise of banking dynasties as a solitary or family saga.

In contrast, I want to review the shop expenses of a London bank, Hoare & Co., to understand the relationship between partners and clerks as well as to see how bankers integrated into the city that surrounded the building in which they worked and lived. Another precious source to shed light on the relationships between partners and employees was the

early period of life and unexperienced as you are, will deceive you very often’, letter by Robert Voûte to George Baring, on 3rd August 1801, N.P. 1, A9.7.1, Baring Archives.

⁵⁷ Robert Voûte to Sir Francis Baring, on 26th December 1801, N.P. 1, A9.7.4, Baring Archives.

Memorandum begun on 7th January 1793, a diary written by partners who collected their correspondence regarding their workers and the everyday life of the bank.

Hoare & Co. is a good representative of the category of British bankers known as goldsmith bankers. Along with Gosling and Child's, Hoare was active in the business of lending capital to the wide array of borrowers in London and in the rest of the kingdom. The main clients of these banks were nobles and landowners who needed money to live up to their high living standards and to run their large landed estates.⁵⁸ The bank was run by a partnership between members of the Hoare family: Henry Hoare, Hugh Hoare, Charles Hoare, Henry Merrick Hoare and William Hoare.

The working calendar of the bank was shaped in fourths: the first quarter went from Ladyday (25th March) until Midsummer day (St. John's day, 24th June); the second quarter went from Midsummer Day until Michaelmas (29th September); the third quarter went from Michaelmas until Christmas; and the last quarter went from Christmas until Ladyday. Taxes were settled after Ladyday and clerks and partners received their wages after Michaelmas.

To become a clerk in this prominent bank, the applicant had to present references from other bankers and show some previous experience. The cases of William Dunn and Mr. South are exemplary of Hoare's policy of recruiting clerks. Dunn was an 18-year-old clerk with one year of experience in the Forster house of commerce. Mr. South was a more experienced clerk with seven years of work at Barclay's. However, seniority was not a decisive criterion for selection: once Dunn had shown that he had good accounting writing, he started to work at Hoare & Co. while the application of Mr. South did not succeed.⁵⁹

Once the applicant was hired, the life at Hoare's building in Fleet Street followed a clear schedule: breakfast was at half past eight and dinner was served at four o'clock in the afternoon. Breakfast and dinner did not mark the start and the end of the working day: breakfast was served after employees had worked some hours, and dinner was a meal followed by other working hours. The working day was complete after about twelve hours,

⁵⁸ On the history of Hoare & Co., see Victoria Hutchings, *Messrs Hoare bankers: a history of the Hoare banking dynasty*, (London, Constable, 2005). Recently, the Hoare bank has called the attention of historians with the book by Peter Temin, and Hans-Joachim Voth, *Prometheus shackled Goldsmith Banks and England's financial revolution after 1700* (New York: Oxford University Press, 2013).

⁵⁹ See, C. Hoare & Co. Archives (henceforth, H.A.), *Memorandum begun 7th January 1793*, on 29th January 1795. We know that the attempt to become clerk at C. Hoare & Co. was successful because in the *Shop expences* register that William Dunn received his first wage worth £45 on Michaelmas of 1795. For the case of Mr. South, see H.A, *Memorandum*, on 12th March 1798.

and the end of work was around seven o'clock. However, these assumptions were not valid for shopkeepers, who kept their shop open until late.⁶⁰

At least three clerks out of eight had to sleep in the merchant house, together with the porter who slept in the butler room and got up at six o'clock to allow the internal watchman to go back home.⁶¹ Whenever one of the clerks wanted to sleep outside of the Hoare House, he had to find another colleague to replace him. This rule was so strict that even after one of the clerks got married, he had to ask permission to sleep out.⁶²

One clerk attended to the warehouse and was in charge of updating the check ledger, sending letters to clients and tending to all kind of activities necessary to maintaining a good accountability of the transactions.⁶³ The partners adopted a system of rotation in attendance at work that saw each partner in charge of running the bank for a period of two or three weeks in a row. The relationship between partners and clerks were not always without hurdles: sometimes clerks were fired for their mishandlings of the job, but nonetheless, partners tried to maintain good relations with their employees as much as possible. For example, once the Hoare partners fired a clerk, Mr. Clark, who later due to his father's plea was hired again at the bank.⁶⁴

The number of clerks working in Hoare's bank grew from seven in 1789 to eleven in 1809. Until 1796, all clerks received the same wage of £80, later some of them received a wage raise up to £140.⁶⁵ There was no apparent reason for the choice of differentiating wages between clerks, although a tendency emerged to pay veteran clerks better than newcomers.⁶⁶ To have a deeper understanding of the wages paid at Hoare's, it is useful to compare these wages with those recorded during a series of years at the House of Commons. More

⁶⁰ The best account on working hours in eighteenth-century England is offered by Hans-Joachim Voth, *Time and work in eighteenth century London* (Oxford, University of Oxford, 1997), pp. 63–83.

⁶¹ See, H.A., *Memorandum*, on 30th September 1793, p. 10.

⁶² 'Mr Barry mentions that he was married on Sunday last, and request permission to sleep out' in H.A., *Memorandum*, on 13th September 1798, p. 71.

⁶³ See, H.A., *Memorandum*, on 23rd October 1795, p. 41.

⁶⁴ '[...] I forbore answering it till I knew the sentiments of my partners on the subject as I find your son had written to each of them: We have no doubt but the young man is fully sensible of the very great impropriety of his conduct and we lament that the nature of it was such as to destroy all confidence in him; his future conduct will we hope prove the sincerity of his professions. And may it makes some amends to you and your family for the great anxiety you have laboured under lately on his account.' in H.A., *Outgoing correspondence*, on 12th December 1793, p. 33.

⁶⁵ 'Mess. Noble, Morgan, Willoughby, and Claridge express their thanks for our Addition to their salaries. Lainchbury and Babbage said nothing' in H. A., *Memorandum*, on 6th October 1796.

⁶⁶ In 1809, Mr. John Noble, who had been working at Hoare's since 1784, received £160, while the last arrived William Chapman had £100, in H. A., *Shop expences*, p. 104.

specifically, the reported wages are available for the years 1797 and 1805, thus allowing a comparison of the "public service" wages with those of a private enterprise such as Hoare's.⁶⁷

As has just been mentioned, the eight clerks had an unevenly distributed wage raise in 1797. Two of them received £140, two others had £120, one clerk had £110, another one had £100 and the others remained at the previous wage of £80.⁶⁸ With the exclusion of the two first clerks, the others were paid much less than the wage reported in the "Annual Estimates" for the category of a clerk who could count on remuneration worth £135,2 s. 6 d. The situation did not change in 1805: as Table 1 (p. 29) shows, the wage raises remained well below the "Annual Estimates" for clerks employed in public service.

Even though clerks were less well paid at Hoare's, they remained largely within the scale of the high wage professions such as barristers, solicitors and surgeons. It is noteworthy that the private sector presented such a gap from the public sector concerning wages: it usually has been held that the two sectors did not present such remarkable differences.⁶⁹ Here is not the place to conduct a survey of the competitive character of the private or public sector at the end of eighteenth century; nonetheless, it is worth noticing that banking accounts can be used also to extract some useful data on private sector wages.⁷⁰

The Hoare papers offer the possibility not only of understanding the relationship between partners and employees, but also of opening a window to the consumption habits of bankers as well as to the multifaceted universe of artisans and workers who were called for the maintenance of the building in Fleet Street.

The world of livery companies and simple workers was incredibly well represented in the Hoare's papers: glaziers, upholsterers, bricklayers, carpenters, ironmongers, scalemakers and enginemakers all figured on the list of people at the service of the bank firm. Undoubtedly, the most prestigious artisan who worked for the Hoares was the artist Joshua Reynolds. He had painted in 1764 a wonderful painting figuring Mrs Richard Hoare with her little son, and

⁶⁷ I refer here to the article by Peter H Lindert, Jeffrey G. Williamson. 'English Workers' Living Standards During the Industrial Revolution: A New Look', *Economic History Review* 36, 1 (1983), 1–25. See Table 2, p. 4.

⁶⁸ See, H.A., *Shop expences*, p. 110.

⁶⁹ The seminal work on wages in England remains Jeffrey G. Williamson, 'The Structure of pay in Britain, 1710-1911', *Research in Economic History*, 7 (1982), 1–54. On the real wages and standard of living in eighteenth-century London, see L.D. Schwarz, 'The Standard of living in the long run: London 1700-1860', *Economic History Review*, 38 (1985), pp. 24–41.

⁷⁰ On this point, Williamson honestly recognised the lack of documentation concerning pay structures of the private sector in the eighteenth century: '[...] For the eighteenth century, however we have no way to test the public-private "competitive labor market hypothesis" [...] there is simply no alternative since service occupations in the private sector are so poorly documented' Williamson, 'The structure of pay in Britain, 1710-1911', 11.

the connection between the most renowned painter in England and the Hoare family continued until the painter's death in 1792.

Table 1

Comparison of wages between Hoare's clerks and "Annual Estimates", 1797, 1805.

| YEAR | HOARE'S CLERKS | CLERK ANNUAL ESTIMATES |
|---|---|------------------------|
| 1797 Gap between average Hoare's clerk wage and annual estimate: £27,49 (- 20,3%) | 2 clerks £140 2 clerks £120 1 clerk £110 1 clerk £100 3 clerks £80 Average wage: £107,77 | £135,26 |
| 1805 Gap between average Hoare's clerk wage and annual estimate: £29,22 (- 19,4%) | 2 clerks £160 1 clerk £135 1 clerk £125 1 clerk £111 4 clerks £100 Average wage: £121,22 | £150,44 |

Source: Hoare & Co. Archives, Shop expences.

Nonetheless, the expenses for the maintenance of the Fleet Street house were a small part of the annual disbursement: for example, in 1797, the sum of all artisans' wages was by far smaller than the sum received by the solicitors employed by Hoares.⁷¹ Another profession which profited incredibly from the work commissioned by the bank was the stationer. A stationer sold all possible kind of paper necessary for writing letters and business accounts, and recording transactions and deals. In the Hoare's case, the lucky stationer was Mr. William Farlow, who had his shop just few steps away from Fleet Street in the midst of the Temple Bar area, where he could count not only on the Hoare family, but also on the numerous barristers and solicitors who worked in the surroundings of the Royal Courts of Justice.⁷² Farlow sold paper, notebooks, wax, ink as well as bonds of payment or warrants used in tribunals or with the collector of taxes.⁷³ It is not surprising that one of the most conspicuous

⁷¹ In 1797, all house expenditures were worth £89,13 while the solicitor Robert Blake received £137. See H.A., *Shop expences*, pp. 110–111.

⁷² William Farlow's shop was in Old Mitre Court, which was between Hoare's house and Inner Temple. In 1797, Farlow received £208,10, exactly £71 more than the solicitor Blake. See, H.A., *Shop expences*, p. 111.

⁷³ For a complete list of products at sale at Farlow's, see *William Farlow, stationer, Next the Inner-Temple-Gate, in Mitre-Court, Fleet-Street, London; Selleth all Sorts of paper and parchment, ready Stamp'd or Unstamp'd, Wholesale or Retale* (London, 1740).

items of expense was exactly the 'postage' that comprised all taxes paid on official documents and all costs due to mail services.⁷⁴

Another important expense, which was related neither to the banking business nor to the maintenance of the house, was money allocated to various charities active in London in the neighbourhood of Fleet Street and in other neighbourhoods of the overflowing city. The Hoare family never forgot to fund their parish Saint Dunstan's with yearly donations on occasion of the 'charity sermon'. In addition to this donation, Hoare's partners never failed to pay parish tithes and taxes collected to restore the church and provide for the poor living in their neighborhood. Hoare diligently respected the tradition of "Christmas boxes", which consisted of bringing to the church some gifts for the poorest people who would open them the day after Christmas, Boxing Day.⁷⁵

The Hoare partners were particularly active not only in temporary subscriptions of money to different causes, such as French refugees, war widows and prisoners in France, but also in granting consistent funds to new London hospitals, such as the Bronslaw Street Hospital, the Westminster Hospital and the Lock Hospital.

These hospitals had been created in the 1740s to fight the rise of mortality among London's population. In particular, the Bronslaw Street Hospital, which later became the British Lying-In Hospital, had as its main mission to help married women in their pregnancy and fight against infant mortality. The Lock Hospital took care of all venereal diseases, which were not just considered as a moral threat, but also a severe problem for procreation rates. In general, charities were guided by religious and social considerations: on the one hand, subscribers to these institutions followed Christian teachings of helping poor and distressed people, on the other hand, they believed they contributed to the general wealth of their nation by improving living conditions in London.⁷⁶

Henry Hugh Hoare epitomised the figure of the philanthropic banker: he managed to support fifteen charities each year. During the period between 1789 and 1804, Henry Hugh never ceased to donate to hospitals that took care of poor mothers in need of assistance for their accouchement.⁷⁷ Alongside these institutions, Hoare supported the Lock Hospital and its

⁷⁴ During 1790s, the postage rose from £203 in 1790 to £333 in 1799, thus constituting alone more than 7% of the entire annual expenses to run the bank. See, H.A., *Shop expences*, pp. 104–114.

⁷⁵ Keep your indentation of the footnotes consistent, please! An annual donation to the church consisted of £10 for the charity sermon plus different sums allocated to the charity school or to the Eastern collection.

⁷⁶ On the creation of these hospitals and on London philanthropy, see Donna T. Andrews, *Philanthropy and police: London Charity in the Eighteenth century* (Princeton, N.J., Princeton University Press, 1989), pp. 54–73.

⁷⁷ Henry Hugh Hoare paid the yearly subscription to the Hospital of Brownlow street, later known as the General Lying-In Hospital, the Westminster Hospital, the City of London Lying-In Hospital. See, H.A., *Henry Hugh Hoare account*, pp. 16–150.

asylum for young women, both of which were active against venereal diseases as well as in the fight against prostitution.

Hoare did not neglect to support manifold initiatives in the field of education: he funded throughout the years charity schools in Barnes, a large area between Richmond and Putney, and he always subscribed to the *Society for Promoting Christian Knowledge* (SPCK), an Anglican association whose main aim was to diffuse through pamphlets and readings the main elements of the Christian faith. The London banker was attentive not only to charitable causes interested in the improvement of English society, but also wholeheartedly supported a universal battle such as the emancipation cause.

This battle was at the crossroads of different interests nourished by Hoare: on the one hand, the emancipation of former slaves who had fought with English landowners in America during the American Revolution, on the other hand, the interest in geographical explorations and travels that was so diffused at the end of eighteenth century. Thus Hoare dutifully paid the annual subscription to the *African Association*, whose aim was the exploration of the Niger River, to its secretary, Sir Joseph Banks, and at the same time, Hoare was on the list of subscribers to the *Sierra Leone Charity*.⁷⁸ The latter had a more pronounced anti-slavery character than the former, but both were expressions of the close link between the philanthropic and cultural efforts that élites led in eighteenth-century London.

As a member of a renowned family, Henry Hugh Hoare actively took part in the vibrant cultural life of the capital: he attended theatres, masonic lodges and political clubs like the Whig Westminster club. At the end of 1788, he did not miss the opportunity to fund his brother Richard's archaeological expedition to Italy, at Herculaneum. He attended the dinners organized by the Banker Association, of which he was a member, as well as being a member of the *Toxophilite society*, whose aim was the promotion of archery.⁷⁹

The subscriptions to these different clubs, cultural associations and medical institutions did not weigh so much on the final year expenditures: in the period taken into account, the expenditures on all cultural, philanthropic and medical institutions counted between 0,2% and 0,9% of the whole. What counted much more in the final account were expenses on refined consumption goods and gentlemanly wares.

⁷⁸ The London banker paid £5,5 on annual subscriptions to the *African Association* from the first year of this organization, 1792. Moreover, he granted the remarkable sum of £100 to Sir Joseph Banks to promote exploratory expeditions in Africa that same year. On the origins of this society, see Stephen J. Braidwood, *Black Poor and White Philanthropists, London's Blacks and the Foundation of the Sierra Leone Settlement, 1786-1791* (Liverpool, Liverpool University Press, 1994).

⁷⁹ The membership of the *Toxophilite society* was more a sign of prestige than a clear devotion to the sporting activity. For example, one of the most renowned members of this society was the Prince of Wales.

Our sophisticated gentleman banker spent a fortune on wine each year: Henry H. Hoare adored red wine, claret, from Bordeaux, Madeira and Porto from Portugal, and his house never lacked Sherry from Spain.⁸⁰ The London banker usually bought one pipe, around 33,3L, of Madeira and the costs of freight and duty in 1792, £33,11, were more than 50% higher than what he paid for the land tax in London. Unfortunately, there are no references in his accounts concerning expenditures for his wardrobe, but better accounting is available for the number of servants, carriages, dogs and horses because all these persons and items were subject to heavy taxation.

In the sumptuous house on the corner between St. James' Square and Duke of York Street, which Henry H. Hoare had bought in 1789 for the dazzling sum of £6,000, there worked between fourteen and nineteen servants.⁸¹ Hoare's wealth included eight horses, two four-wheel carriages and one two-wheel carriage. At the beginning of the nineteenth century, the London banker also began breeding horses, and there is notice of five gardeners working for him.⁸²

This portrait of Henry Hugh Hoare should not mislead into thinking that bankers led an aristocratic life, spending their land revenue on expensive wines, on rows of servants and on cultivating expensive hobbies such as horse breeding. Nonetheless, all these features were part of the life of a high-ranking banker at the end of eighteenth century. As will be studied later, all this wealth was still the outcome of more or less successful financial operations in public funds, and not just out of land revenues.

To sum up, the figure of the banker was not well defined and not limited to specific activities, beyond the general reference to the "trade of money" as the specific core of a banker's business. In France, banking was not within the guild system, thus allowing a certain

⁸⁰ See, H.A., *Henry Hugh Hoare account*, p. 26. Comparing direct taxes, paid on the house, land and windows, with customs paid on imported goods, Hoare's case fully confirms the assumption made by Patrick O'Brien: '[...] Between 1690 and 1815 the real value of receipts from this group of taxes (excises and stamps) multiplied more than tenfold [...] Families experiencing higher standards of living over the period 1688 to 1815 probably spent rising proportions of their incomes on the many commodities and services subjected to excise and stamp duties' in Patrick K. O'Brien, 'The political economy of British taxation, 1660-1815', *Economic History Review* 41, 1 (1988), 16, 27.

⁸¹ After 1792, the number of female servants was not required for taxation and therefore it disappeared from the books. However, there is no reason to think that the number of female servant decreased after 1792. Thence, my estimate is made counting the number of declared male servants and adding to it the number of female servants declared in 1792, which was seven.

⁸² In 1815, Henry H. Hoare declared having 21 horses, husbandry and 10 dogs (having more than one dog was considered a sign of luxury).

degree of overlap between the figure of the merchant and the banker. A similar laxity concerning clear-cut definition existed in England, with the exception of the clear differences drawn between a trader, active exclusively in the inland trade, and the merchant-banker who tended to run his business beyond national boundaries.

The large diffusion of Savary's works on trade and commercial institutions offered me a solid point of reference to match the theory of merchant apprenticeship to an example of a banker's apprenticeship. As such, Alexander Baring's case confirmed the Savary model: a good merchant needed to be trained in accounting techniques as well as in handwriting and languages.

Finally, the study of Hoare & Co. as an enterprise lifts the veil on the relationship between partners and employees and the internal life of a bank at the end of the eighteenth century. The figure of Henry Hugh Hoare completed the picture of the banker not just as a profit-seeking figure, but also as a well-established member of the financial elite in London. For this reason, I focussed my attention on the tastes, the social life and the consumption habits of Henry H. Hoare, rather than focussing from the beginning on his various financial activities.

This chapter aimed to 'build' the figure of the banker and to have some historical examples of this figure throughout the different steps of this career, starting with the apprenticeship. In the next two chapters, the focus will move from an inside view of the banking world to a view from the outside of the merchant world. Up to now, the image of the banker has been moulded with the use of sources produced directly by the same bankers or by people familiar with the trade world. Hereafter, my attention will move from the magnificent houses of the bankers to the heated public debate in the political arena as well as to the printed pages of newspapers and pamphlets. In this shift, I will lay a greater emphasis on the perception of the banker in society and, more precisely, on how political debate and the newspapers treated his role in society as a whole.

CHAPTER TWO

When bankers go to war: the English financial world in the midst of the Revolutionary Wars, 1796-1800

Only the bankers and businessmen had profited from the war.

John Dos Passos, *The Theme is freedom*, p. 4.

The London financial market could rely on the soundness of its institutions, such as the Bank of England and the Stock Exchange. Nonetheless, the involvement of the country in the long and costly French revolutionary wars affected the stability of the financial market starting from the Bank of England. On 27th February 1797, the Bank of England communicated that it would not discount any notes until its reserves were fully replenished. It was not the first time that the Bank of Threadneedle Street opted for such a drastic measure: in 1694, just one year after its foundation, the bank suspended payments for a few months; in 1745 a panic that spread in the City of London forced the closure of the Bank. However, the 1797 crisis led to the longest period of suspension from the gold standard in English history. Until 1821, no one could ask to have their bank notes discounted, thus figuring a system of fiat money so unusual for the British monetary framework.

The suspension of the cash payments stirred a large debate within the country on the usefulness of the bank, the legitimacy of the suspension, the eventual consequences for the British economy and its possible effects on the war against France. For the prominence of the author in the political and economic world, the pamphlet by Sir Francis Baring, *Observations on the establishment of the Bank of England and on paper circulation of the country*, stood out in the wave of publications that followed the suspension of payments.¹

This chapter intends not only to analyse this publication, but also to put it into the broad context of political debates which had been taking place in England since 1796 on the role of finances within its constitution. More precisely, Baring's publications assume another value when we consider them in the context of the struggle between England and France over

¹ Francis Baring published another pamphlet in answer to the many replies that his first work had received. This second work was titled *Further Observations on the Establishment of the Bank of England and on the Paper Circulation of the Country*, (England, 1797).

hegemony in Europe, as well as the internal debate on the sustainability of the English system of public finances and its ever growing debt.

In the deadly struggle between revolutionary France and England, the debate on public finance and its sustainability became a crucial battlefield. Thomas Paine's work *The Decline and Fall of British System of Finance* pointed to the excessive burden of the English debt as a cause that would bring an end to the hostilities. Paine's pamphlet inspired a wide debate between people with direct interest and knowledge in public finances. Paine's enemies dismissed his arguments as meaningless, but they all worried about the consequences that a publication like this could have on internal as well as on foreign investors in British obligations. These fears were not groundless: documents from the French Foreign Office suggest that Paine's work received great attention from French officers, up to members of the Directory, who thought of employing the pamphlet as a propagandist tool to hinder English credit.

As Baring's case shows, bankers did not remain idle in the face of this debate, but they contributed with their knowledge and expertise. While Baring intervened on the theoretical level, Robert Barclay offered his contribution to the Foreign Office by passing information and intelligence from Europe. Notwithstanding the risks involved in the activity of gathering intelligence on French activities in the Batavian Republic or along the Rhine, Barclay put his skills at the disposal of the Foreign Office.

It was not out of patriotism that Barclay took this risky path: on the one hand, his trade activities had suffered from the invasion of the left bank of the Rhine by French troops; on the other hand, he hoped that working for the government would allow him to apply for further jobs within the administration once his mission on the continent was over. Tracing Barclay's activities in the French archives permits us to understand how French authorities considered the English merchant and his activities, and whether they took measures against him or simply dismissed his role as harmless for the French Republic.

This chapter is structured as follows: in the first part, I contextualise the work on finances by Paine as part of an offensive against British credit and as a further argument for the necessity to end the conflict against France. Paine's arguments sparked off a disagreement on the state of English public finances and its main institutions, such as the Bank of England that went beyond English borders. Then, the focus will shift on the suspension of payment by the Bank of England in the winter 1797, and Baring's pamphlet as an example of autonomy from the political power as well as a personal contribution to improve the general situation of the British financial system. Finally, Robert Barclay's case will show how bankers could play a

direct role in the times of revolutionary wars, beyond their official business of financial brokering but dealing with another precious asset: information.

The period of the Revolutionary and Napoleonic wars has never ceased to arouse the interest of historians from far distant fields such as cultural history as well as economic history. For what concerns this latter field, the renewed interest in the end of the eighteenth century and the first years of the following one is largely due to Kevin H. O'Rourke and his analysis of how the Revolutionary and Napoleonic wars affected not only European history, but also the entire world economy.² As it emerges from a general review of the most recent literature on the period, historians have been more focussed on the issue of price convergency than on the political use of the situation of public finance in England.

Rather than focussing on a macro analysis of prices during the period of the French Revolutionary Wars, the main aim of this chapter is to look at individuals who played a crucial role in the ideological clash between France and England. At the same time, the chapter considers how actual bankers, such as Francis Baring and Robert Barclay, stepped forward to find new ways to deal with government policy on financial matters or played a hazardous role on the continent in the pivotal activity of gathering intelligence for the British government. This approach on the debates on British and French finances and the moves and countermoves taken by bankers aims to bridge the gap between current trends in economic history and cultural history that seem to become more and more distant on the understanding of the period of the Revolutionary Wars.

Looking at the evolution of prices around the world, O'Rourke pinpointed the general trend of rising prices of imported goods and the opposite movement for exported items, with the exception of the Asian market, where the collapse of the VOC and the end of the English East India Company's monopoly over Indian trade led to rising prices of commodities such as cloves and pepper. These effects were largely due to the Continental Blockade imposed by Napoleon and the consequent British embargo on all shipments destined for France.

Following O'Rourke's lead, economic historians looked with great interest at the price convergence within the English market and the main causes behind this trend. Looking at four factors which played a role in the price dispersion within a market, such as the weather, trade, military and policy events, Sacks convincingly pointed out that the English growth was due to the capacity of the internal markets to get prices right. Therefore, in times of disrupted external trade, war influenced domestic markets with the arrival of news concerning military

² Kevin H. O'Rourke, 'The worldwide economic impact of the French Revolutionary and Napoleonic Wars, 1793–1815', *Journal of Global History*, 1 (2006), pp. 123–49.

events as well as new developments in international trade.³ Brunt and Cannon showed that the movement of prices in England during the period from 1770 to 1820 did not reveal wide variance because the well-developed transport system cancelled the perturbations brought by the wars on the European continent.⁴

This rekindled interest in price developments during the Revolutionary and Napoleonic wars had followed a wave of studies on public finances in England during this period. As an outcome of his doctoral thesis, Patrick O'Brien published a long article on the impact of the long confrontation between England and France on British growth during the nineteenth century. The growing military expenditures from £16,6 million in 1793 to £55,1 million in 1817 forced the state to raise taxes and resort more frequently to the money markets. The nominal value of the national debt rose from £ 290 million to £ 862 million in 1815, but it must be considered that, during this period, inflation never ceased, so the net borrowing from the state amounted to £18 million in the first years of the war to decline to £12 million until 1812. Rising taxes on consumption goods depressed workers' wages, but at the same time, they provided for the repayment of interest due to holders of British debt.⁵

Using O'Brien's results, Bordo and White proposed a comparison between British and French finances during this war period and highlighted how England could go off of the gold standard and convertibility of bank notes because it enjoyed stable credit, while France levied more taxes under Napoleon than before because they could not rely on comparable credit, so borrowing from the market became harder and harder.⁶ A large debate arose concerning the argument that government debt crowded out private investment, thus slowing the industrial development of England in the first half of the nineteenth century.

Government borrowing attracted private capital in public funds on which there were no usury limits, unlike other private stocks. Whereas Williamson argued that the growing national debt hindered the industrial growth of the country as the decline of land rents testified, Neal and Mokyr pointed out that Williamson overestimated the debt without considering the foreign contribution as well as the segmentation of the securities market,

³ David S. Jacks, 'Foreign wars, domestic markets: England, 1793–1815', *European Review of Economic History*, 15, 2 (2011), pp. 277–311.

⁴ Liam Brunt, and Edmund Cannon. 'Measuring integration in the English wheat market, 1770–1820: New methods, new answers', *Explorations in Economic History*, 52 (2014), pp. 111–30.

⁵ Patrick Karl O'Brien, 'The Impact of the Revolutionary and Napoleonic Wars', 335–95.

⁶ Michael D. Bordo, Eugene N White. "A Tale of Two Currencies", 303–16. On the comparison between the country public financial systems, see, David R. Weir 'Tontines, Public Finance, and Revolution in France and England, 1688-1789', *The Journal of Economic History*, 49, 1 (1989), 95–124.

which offered various opportunities for investment.⁷ Similarly, Clark claimed that growing government borrowing took the place of land and house rents, which fell from one third of the gross domestic product in the first half of the eighteenth century to 18% one century later.⁸

The period of the Revolutionary and Napoleonic wars appeared particularly stimulating for those scholars interested in monetary issues, such as the suspension of the convertibility of notes to gold. Bordo and Kydland analysed the history of over twenty countries that followed the gold standard in the period before the outbreak of the First World War. Their conclusion pointed to the convertibility of the golden rule in times of war or disruption, thus placing the British case of 1793 in a broader perspective. Therefore, the suspension period in England was not an exception to the gold standard, but rather an effect of the contingency under which England was at the end of the eighteenth century. In sum, the possibility to suspend the gold standard facilitated countries, as England showed well in 1797, to issue debt and not heavily burden the country with further taxes necessary to raise capital used in the military effort.⁹

The Bank of England assumed such a pivotal role during the eighteenth century that Lord North considered it as part of the British constitution. As a matter of fact, the bank had enlarged its competencies every time the country had a new credit crisis expanding its discounting activity. For this reason, Lovell recognised its role of lender of last resort even though such power was not in the original and in the renewed charters of the bank.¹⁰ The suspension of cash payments did not diminish the role of the Bank concerning the discount of commercial paper.

On the contrary, the Bank largely issued bank notes to almost all traders and merchants who asked for credit. This expansion of commercial credit caused significant inflation and led to numerous bankruptcies between 1809 and 1810, when the beginning of the Spanish War triggered an expansion of the trade between England and Northern Europe because all French forces were diverted toward the Iberian Peninsula. In order to avoid further inflationary episodes, the Committee of Discount of the Bank issued a regulation limiting credit to borrowers by reason of their activity as wholesalers, simple middleman or bankers.¹¹

⁷ See, Jeffrey G. Williamson, 'Why Was British Growth So Slow During the Industrial Revolution?' *The Journal of Economic History*, 44, 3 (1984), 687–712; Joel Mokyr, 'Has the Industrial Revolution Been Crowded Out? Some Reflections on Crafts and Williamson', *Explorations in Economic History*, 24, 3 (1987), 293–319; Larry Neal, *The Rise of Financial Capitalism*, pp. 201–222.

⁸ See, Gregory Clark, 'Debt, deficits, and crowding out: England, 1727–1840', *European Review of Economic History*, 3 (2001), 403–36.

⁹ See, Michael D. Bordo, and Finn E. Kydland. 'The Gold Standard As a Rule', 423–64.

¹⁰ Michael C. Lovell, 'The Role of the Bank of England as Lender of Last Resort in the Crises of the Eighteenth Century', *Explorations in Entrepreneurial History*, 10, 1 (1957), 8–21.

¹¹ See, Ian P. H. Duffy, 'The Discount Policy of the Bank of England During the Suspension of Cash Payments, 1791–1821', *Economic History Review*, 35, 1 (1982), 67–82.

Public finances became one of the central themes of the reflections brought forward by democratic societies and radical intellectuals in England at the end of the eighteenth century. There is no doubt that the largest part of the cultural and political debate in England during the 1790s had as hinges the publications of Edmund Burke and Thomas Paine. Both authors addressed the momentous changes that the French Revolution caused in France as well as abroad: Burke blatantly refused all principles of the revolutionary movement in the name of the British constitution, which should not be changed by what had happened in France; Paine, on the contrary, exalted the French movement as a continuation of the American Revolution and a possible call for changes in England, where corruption and interest ruled the country.

As Albert Goodwin pointed out in his seminal work on the democratic societies in the period of the French Revolution, both authors addressed the same public: the Whig Party. On the one hand, Burke warned the aristocrats of the Whig tendency to not cede to the proclamations of the French Revolution that jeopardised not only the French aristocracy, but also their own position within British society; on the other hand, Paine appealed to those English nobles who were willing to change their society in light of the Enlightened ideas promoted by the American and the French revolutions.¹²

The Burke-Paine debate did not stand as a solitary voice concerning the French Revolution: writers such as William Godwin, Mary Wollstonecraft and John Thelwall voiced their expectations of a radical change in England as a consequence of the momentous events taking place on the other side of the British Channel.¹³ However, no other debate like the Burke-Paine controversy reached such magnitude and prominence at the end of the eighteenth century. Burke's publication of *Observations on the recent revolution of France* in November 1790 stirred up many replies from democratic societies, but Paine's *The Rights of Man* was by far the most heard and the most successful. Paine's had been published in two moments: the first part of *The Rights of Man* was published in the spring 1791, while the second one came out on February 1792. The great success of Paine's works was largely due to his acquired fame as the author of *Common Sense*, which had anticipated in similar terms the declaration of independence of the thirteen colonies from their motherland.

In the following pages, the attention will turn to one lesser known work by Thomas Paine, *The Decline and Fall of British System of Finance*. Notwithstanding the grandiloquent

¹² Albert Goodwin, *The Friends of Liberty: The English Democratic Movement in the Age of the French Revolution* (Cambridge, Mass.: Harvard University Press, 1979), pp. 130–135.

¹³ For an overview of the studies of the radical movement in England at the times of the French Revolution, see Michael Davis, 'Le radicalisme anglais et la Révolution française', *Annales historiques de la Révolution française*, 342 (2005), 1–23.

reference to Gibbon's work on the reasons that brought about the collapse of the Roman Empire, Paine's work on finances did not excel for its lack of originality or insightful analysis of the British funding system. This lack of originality is probably the reason behind the almost complete disregard of historians towards this text. Moreover, the text dealt with finances and so it did not seem to offer new political concepts or any consistent modifications to former positions held by Paine.¹⁴ Yet, this text can be fruitful for understanding the instrumental use of finance within the framework of the war between England and France at the end of eighteenth century. In other words, Paine's text on the British funding system can be dismissed for its internal flaws and lack of arguments or, as it is proposed here, as a threat to the English credit and so as a convincing argument against the continuation of hostilities against France.

At the same time, French authorities wanted to spread Paine's conclusions on the unavoidable fall of English finances to alarm the Dutch market where numerous capitalists had interests at stake in the English securities market. Even though Paine was not an expert in financial matters, he was one of the most renowned authors at the time, and his fame as the author of *Rights of Man* assured that even his smallest publications had the possibility of reaching a wide audience. Also the publication on the English system of finance enjoyed success: it went through more than fourteen editions, including at least two editions in the United States of America and a French and German translation.

There is no clear evidence that Paine's work was paid and directly commissioned by the Directory; even if it had been the case, the publication on the British financial system marked a clear example of how the war between republican France and the English monarchy was fought not only on the battlefields, but also on the level of discrediting the enemy's financial credit. This aspect has been less considered because scholars were more interested in the ways and means through which England supported the efforts of its European allies with large loans and subsidies during the last decade of the eighteenth century.

John Sherwig traced a history of English foreign aid from the beginning of the French? Revolution until the battle of Waterloo. Sherwig pointed to the internal debate around the authorisation to lend money to allies, such as the King of Prussia or the Austrian Emperor. At

¹⁴ A brief reference to the *Decline and Fall of the English System of Finance* is in W.A. Speck, *A Political Biography of Thomas Paine*, (London, Pickering & Chatto, 2013), pp. 151-152. Speck scorned Paine's work on finance as 'product of wishful thinking'. Richard Whatmore defined 'significant' Paine's work but he did not spend more words on it; see, ed. Denis Galligan, *Constitutions and the Classics: Patterns of Constitutional Thought from Fortescue to Bentham* (Oxford, Oxford University Press, 2015), p. 431. Even in her most accurate and painstaking reconstruction of Paine's thought, Carine Lounissi offered scant notice to Paine's pamphlet on the British system of public finance. See, Carine Lounissi, *La pensée politique de Thomas Paine en contexte: théorie et pratique* (Paris, Honoré Champion, 2012), 464.

the same time, this aid needed a network of bankers and merchants on the continent who were in charge of distributing effectively all the funds approved from London.¹⁵ Along with the bankers that ran financial operations in the name of the English government, spies and informants played an essential role in bringing English aid to French princes and other opponents of the revolution, wherever they were.

The case of William Wickham is by far the most suitable for understanding the spy network built up in Europe to hinder the success of revolutionary armies. After having studied at Oxford, Wickham moved to Switzerland, where he married a relative of the influential and rich Mallet family. Upon the outbreak of the French Revolutionary Wars, Wickham came back to England and started to work in the Alien Office, a branch of the Home Office in charge of monitoring suspicious activities in England. In 1795, Wickham was sent back to Switzerland to organise the network of *émigrés* inside and outside the French borders. From then until the peace of Amiens, Wickham was the main figure for all parties who plotted against revolutionary France.¹⁶

Wickham's activities left behind a paper trail, which is still available at the National Archives at Kew Gardens, where all documents belonging to the Home Office, the Foreign Office and the Treasury are deposited. Being a public officer, Wickham needed to report frequently on his activities abroad, and this explains why we know the breadth of his activities in Germany, France and Switzerland. At the same time, the British government could rely on a web of private citizens who offered information and updates from the different European cities where they lived.

Merchants and bankers were not the least appreciated informants that the government wished to have: they had access to an array of information that official diplomats risked to miss, such as on the movement of goods, financial activities and networks of democratic societies who covertly supported France. Thus bankers played a direct role in war times, not only by lending money to the government or facilitating banking operations on the continent, but also by providing intelligence on the economic situation of the enemies as well as proposing plans to weaken their credit.

¹⁵ John M. Sherwig, *Guineas and Gunpowder; British Foreign Aid in the Wars with France, 1793-1815*.

¹⁶ Wickham had been at the centre of two monographs: Harvey Mitchell, *The Underground War against Revolutionary France. The Missions of William Wickham, 1794-1800* (Oxford, Clarendon Press, 1965) and more recently Michael Durey, *William Wickham, Master Spy: The Secret War against the French Revolution*. (London: Pickering & Chatto, 2009). On the funding of the Secret Service during the time of the Revolutionary Wars, see Warwick N. Funnell, 'On his majesty's secret service: accounting for the secret service in a time of national peril 1782-1806'. *The Accounting Historians Journal*, 37, 1 (2010), 29-52.

2.1 Fighting on the public debt: Thomas Paine's Decline and Fall of the British system of finance and political economy in times of war

While the war between France and the First Coalition dragged on for the third year, the Directory sent citizen Louis Monneron to England with the mission to exchange prisoners between the two countries.¹⁷ As a well-known East India trader, Monneron was acquainted with many people in London and his knowledge of trade and business with England put him in the position to gather information on the status of the internal British market as well as the general feeling towards loans and stocks available on the financial market.

The British Cabinet looked with suspicion to Monneron's mission, and for this reason forced him to wait in Canterbury and to submit his proposals regarding war prisoners from there. In order to check all movements and meetings that Monneron planned to have, the British government assigned him an officer who was in charge of monitoring all the activities surrounding the French envoy. Being aware of this strict control, Monneron opted to stay in a hotel rather than in a house, so that he could meet easily with more people without being noticed. Monneron had the hard task of figuring out what was going on in England through the different and often contrasting reports he received from his acquaintances.¹⁸

Monneron remarked that investors had subscribed enthusiastically to the loan floated the previous year and this was probably due to the arrival of ships charged with goods from the Indies, which had brought large profits to those who had invested in them. As a matter of fact, the colonial trade was particularly profitable in those times because English merchants could take advantage of the lack of military defence towards the French and the Dutch colonies in the West as well as in the East Indies. Moreover, the great success of British loans was understandable in light of the remittals of capital by Continental capitalists worried by the shaken state of European powers. This strong flow of capital explained the good situation of the English stocks, which remained unaltered by the course of the war in Europe.¹⁹

¹⁷ See, Arnault Birembaut, 'La mission de Louis Monneron en Angleterre en 1795', *Annales Historiques de la Révolution Française*, 35 (1963), 103–4.

¹⁸ Monneron vividly described his way of dealing with contrasting opinion on the state of England: 'il a fallu me garantir des passions, et des préventions de tous les personnes, les uns trouvent que tout va bien, les autre que tout va mal. Il a fallu abonder dans les sentimens des premiers, pour les amener à convenir qu'il existoit des plaintes, des mécontentemens qu'ils trouvoient sans fondement, je combattois par des faits les assertions des autres. De cette manière je suis parvenu à découvrir la vérité à travers les nuages dont on cherchoit à l'obscurcir' in Archives Ministère Affaires Étrangères (henceforth, MAE), Correspondance politique (CP) 8/589, f. 50.

¹⁹ 'Les fonds publics qui sont le thermomètre de la situation et du crédit d'un gouvernement se soutiennent dans toutes les variations de la guerre' f. 50.

Similarly to Monneron, another French informant, who had long lived in London, shared his concerns about the steady level that English securities maintained despite the victories of the French armies on the Italian peninsula as well as in the German states.²⁰ While the English securities seemed not to suffer from the war efforts against the French Republic, voices circulated in London that the French credit was close to collapse under the weight of the war expenses.²¹ Considering the English situation in comparison to the French one, the informant paradoxically concluded:

Veuillez examiner [...] si une banqueroute ne seroit plus avantageuse que nuisible au gouvernement et au peuple anglais, et s'il ne vaut pas mieux pour nous que Pitt supporte le poids de la dette publique, comme un forçat traine les fers donc il est chargé.²²

If French observers considered the English system of public finance on the verge of a momentous collapse, many other commentators similarly concluded that France was unavoidably doomed to bankruptcy. One of the most outspoken critics of the situation of French finances was the Genevan exile François d'Ivernois, who lived in London after he had fled Geneva in 1782 to escape persecution by the aristocratic oligarchy. D'Ivernois was firmly convinced that France could no longer endure the war against the First Coalition because the assignats were rapidly losing all their value and this would force France to stop its conquest. The continuous issue of assignats without any safe guarantee triggered a skyrocketing inflation, which burdened the public finances that had been enduring major restrictions since 1789.²³

The Genevan economist considered the situation of French finances hopeless: without the Terror and the Law of Maximum, which strictly regulated prices and the use of cash instead of paper money, the assignats were out of control and had lost 80% of their original value.²⁴ Once the assignats had lost all their value, continued d'Ivernois, the French government

²⁰ One possible reason for this trend was that English forces: 'font des progrès effrayans dans les deux Indes, ils nous prennent sans cesse des batimens de l'état, et font à notre Marine une plaie que la paix seule pourra guérir'. CP 8/589, f. 324.

²¹ 'Les négociants de Londres sont persuadés, par leur propres correspondans en France, qui nos mandats ne peuvent soutenir le Gouvernement constitutionnel, et, tant que durera la guerre, nous devons nous attendre que la classe égoïste des banquiers unira ses efforts coupables à ceux des agioteurs de l'étranger pour avilir ce gage du crédit national' in CP 8/589 f. 256.

²² 'You may consider [...] whether a bankruptcy is more profitable than harmful for the government and the people of England and whether is not more advantageous that Pitt bears the burden of the public debt as a prisoner is forced to carry his chains' [author's translation], CP 8/589, f. 324.

²³ See, Francis d'Ivernois, *Coup-d'œil sur les assignats*. London, 1795.

²⁴ *Ibid.* p. 6.

would have had no other option than declaring bankruptcy, which had been avoided only through the excessive issue of paper money. D'Ivernois' aim was not just an open condemnation of the economic flaws behind the excessive recourse to paper money, but his goal was also political: to persuade the British public of the necessity to keep fighting the French armies because they would soon remain without any pay from the French state.

The Genevan exile was persuaded that revolutionary France would collapse as the Monarchy had done due to its negligent approach to public finances and, more specifically, to debt management. The French situation was not comparable to that of the American colonies during the War of Independence: even though both subjects had resorted to paper money, the American colonies could rely on a large coalition of allies and their credit was much stronger than that of the French Republic.²⁵ The insistence on the weakness of the French economy was understandable in light of the recent victories of the French armies in Germany that had forced Prussia to conclude a separate peace with the French Republic. At the same time, Spain also had decided to cease hostilities against France, signing a peace treaty in the summer in Basel. As a consequence, England risked being the only power to stand in the way of French hegemony over the continent: it became an issue of life and death importance to convince the English public opinion that the military successes of the French armies were condemned to fail because French finances were collapsing under the burden of inflation and debt.

D'Ivernois had already treated the argument of assignats as the main weakness of the French Republic when he replied to Madame de Staël's *Réflexions sur la paix adressées à M. Pitt et aux Français*. On that occasion, Madame de Staël expressed her personal conviction that France could stand any coalition of powers, so Pitt needed to find a way to cease the hostilities against France, otherwise the entire continent would meet a complete destruction. On the contrary, d'Ivernois was persuaded that Britain could endure more years of war because its trade was not dramatically hindered by the war, while France was collapsing under the inflation caused by the boundless circulation of assignats.²⁶

The debate on finances was intrinsically intertwined with the ongoing war between Britain and its allies against France. As such, the topic was ready to be explored by pamphleteers and authors who used the economic argument of the unbearable debt as a reason to call for the end of hostilities between Britain and France. No other pamphlet stirred such a lively and

²⁵ *Ibid.* p. 31.

²⁶ Richard Whatmore, *Against War and Empire: Geneva, Britain and France in the Eighteenth Century* (New Haven, Yale University Press, 2012), pp. 263-267.

overarching controversy as *Decline and Fall of the English system of finance* by Thomas Paine. At the time of the publication, Paine was by far the best known and most hated author on the British political scene. His *Rights of Man* forced him into exile to France, because his work was condemned and ritual burnings of his image and books took place under the auspices of loyalist organizations in different parts of George III's kingdom.²⁷

Paine found a safe refuge in Paris, was pronounced a French citizen, and was seated in the Convention; however, during the Terror, he was jailed and at risk of execution, and only Robespierre's fall saved him. Notwithstanding these traumatic events, Paine was confident that the Directory could defend the revolutionary conquests and stabilise the country. It was not clear whether Paine wrote his attack against British public finances on the order of the Directory, or whether it was his own idea to attempt to jeopardise British credit, which was already suffering under the stress of the large borrowings of allied powers such as the Austrian Empire and many German states. Paine was probably not a government hack, but French officials, within the Foreign Office as well as abroad, could not help but rejoice in the pamphlet and try to diffuse it as much as possible.

Before looking at the reactions to Paine's pamphlet on both sides of the English Channel, it is worth analysing the context of this publication. Even though Paine was no expert in financial matters, the issue of debt and how England and France dealt with it had already been at the centre of his reflections, as emerged in the work *Prospects on the Rubicon*. Published in 1787, this essay explored the possibility that England could intervene in the conflict within the Dutch Republic between the supporters of the Stadtholder and those who proclaimed themselves the true patriots, claiming that the Stadtholder was a threat to Dutch liberty and invoking the intervention of French armies to support their struggle. Paine argued that England was unlikely to take part in European conflicts due to the dire state of its public finances.

Adopting a fully convinced bullionist position, Paine harshly criticised the burgeoning circulation of "Bank paper", meaning the bank notes issued by the Bank of England, as a clear sign not of a growing credit, but of an imminent bankruptcy. In Paine's terms, 'bank paper is no more wealth than newspapers' because the real wealth is based on gold and silver and not promissory notes.²⁸ In general, Paine condemned even the principles of credit because they were based on credulity rather than on sound elements of wealth such as population, revenues

²⁷ On the ritual aspects of 'Paine burnings', see Frank O'Gorman, 'The Paine Burnings of 1792-1793', *Past & Present*, 193 (2006), 111-55.

²⁸ See, Thomas Paine, *Prospects on the Rubicon Or, an Investigation into the Causes and Consequences of the Politics to Be Agitated at the Meeting of Parliament* (London, Printed for J. Debrett, 1787), p. 32.

and volume of trade. The main target within Paine's critique of British finances was the growing debt that England had accumulated since the end of the seventeenth century. On this issue, the radical writer remarked that England paid in interest in 1787 the same amount as the capital borrowed in 1697 in occasion of the war against the United Provinces.²⁹

The funding system that England established to finance its wars on the continent was doomed because the weight of the debt sooner or later would become unbearable and no investors would risk their money in public stocks. The growth of the debt was directly related to the wars fought by England, and Paine hinted that the size of the debt doubled each war. Yet at this stage Paine did not labour to propose a clear ratio between the growth of the debt and the occurrence of war. He considered the funding system in fatalistic terms as a mortal being doomed to death, but straining the social balance within the population divided between those who lived out of the interest from the government debt and those who were burdened with higher and higher taxes, levied to pay the interest to debt holders.³⁰

The gloomy picture of British credit led Paine to appreciate the underdevelopment of the French economy, which was exposed to smaller risks in the entire credit system. The weak trade between France and the Indies meant a smaller outflow of gold towards the East and at the same time a larger amount of gold reserves within the country. Paine admitted that France did not enjoy a good credit, but even this disadvantage had a positive outcome: the paper circulation was restrained and the risks of bankruptcy were more limited than in the English case. Moreover, the English author praised the French debt because it was composed of a large number of life annuities that each year diminished because many debt holders passed away. However, this conviction was wrong, because the French government paid higher interest on life annuities, up to 6-8% yearly, than the English government paid in interest on its debt largely composed of securities, such as Consols at 3%.

In the period between the publication of the *Prospects on the Rubicon* and *The Decline and Fall of the English System of Finance*, Paine had increased his fame thanks to the great success of his works, such as *The Rights of Man* and *The Age of Reason*. The main aim of the author was to offer a credible and convincing explanation of the doomed fate of the British financial system. Paine had hinted in his *Prospects on the Rubicon* at the correlation between the growth of the British debt and the succession of wars fought during the eighteenth century, but he had not offered any detailed explanatory theory of this crucial development. Richard Price and even Adam Smith had remarked on the clear link between the number of

²⁹ Paine, *Prospects on the Rubicon*, p. 46.

³⁰ *Ibidem*, p. 48.

wars and the growth of debt, but they had limited themselves to observe this phenomenon without offering an analysis that could explain clearly this trend.

Paine not only claimed that he could point to the precise movement of the debt due to the wars, but he also advanced the forecast that the funding system as it was at the end of the eighteenth century could not outlive William Pitt.³¹ Paine remarked that the progression of the debt was one and half times the debt of the preceding war. From this assumption, buttressed by Adam Smith's figure on the English debt, Paine boasted that this simple ratio was the outcome of his observation, as Newton had described the gravitation ratio from the observation of the fall of objects.³²

On the one hand, Paine assumed a scientific stance looking at the growth of debt as a natural phenomenon that can be described through the formulation of a law; on the other hand, British debt was an historical phenomenon comparable to other cases in human history. Therefore, the British credit system recalled the American experience and the French assignats to Paine's memory. In both cases, the credit system relied on a large circulation of paper money that led to a dire movement of inflation with a dramatic impact not only on the transactions between private merchants, but also on the system of government payment. The English case was different from the two others because it did not issue all its debt, but it kept funding it. However, Paine reasoned that the outcome would be the same for the English system as it had been for the American and the French ones: a complete and disastrous bankruptcy. Paine calculated that the collapse of the British credit system would take more time, but it would surely come.

The comparison between the English case and the former experiences of the American and the French paper systems led Paine to suggest that eventual economic bankruptcy always triggered a political collapse that could be partial, as it had been the case for the United States of America, or it could be complete, as it had been in the case for revolutionary France. England was not so far from falling into the same distressed situation: a suspension of the payments by the Bank of England was quite certain because the gold reserves were near to end due to the large loans offered to the continental allies to fight against revolutionary armies.³³

The situation of the Bank of England was essential to understanding why Paine considered the fall of the British credit system unavoidable. As long as the bank pursued its functions of

³¹ *The decline and fall of the English System of Finance. By Thomas Paine, author of common sense, American crisis, rights of man, age of reason, &c.* Second edition. (London, 1796), p. 6.

³² *Ibidem*, p. 16

³³ *Ibidem*, p. 33.

discount bank for merchant bills and deposit bank, it did not run any major risk of bankruptcy, but when the government asked for funds directly from the bank, the risks of insolvency were higher. The Treasury asked for money from the bank in exchange for Treasury and Navy bills, which increased the amount of paper money circulating in England with the approval of the Bank of England. Without any further resources, the government was insolvent and, following Paine's reasoning, bankruptcy was the next step.

Paine's work on the English credit system knew a veritable success: the book ran fourteen editions in England, was translated in France and had two editions in the United States of America. The fourteen English editions did not differ from each other, except for their length: the first two editions had fifty-seven pages, whereas the other editions such as the last one or another one without date had fewer pages, like forty-two or even sixteen. This difference of pages without any variation of the contents of the publication meant an attempt to enhance the diffusion of the book by saving pages and thus making it cheaper and more affordable for a larger public. This rapid spread of Paine's virulent attacks against the British credit system alarmed numerous observers, who could not help but reply to the ideas expressed by the radical author.

Paine's work found a large echo not only in England, but also in other countries, as evidenced by the reply of a German author, Joersson, to *Decline and Fall of the British System of Finance* that had been translated also into German. The vehemence of Paine's attacks did not fail to call the attention of many British subjects who were not specialists in financial matters. Military officers, lawyers as well as stockbrokers took to the floor to rebuke Paine's gloomy depiction of English public finance.

Joersson's aim was to highlight how misleading Paine's continuous references to Adam Smith were. Indeed, the radical author had largely relied on Smith's criticism of growing debt contained in the second book of *The Wealth of Nations*. Joersson contested the subordination of the Bank of England to the government concerning the governance of the bank: whereas Paine claimed that the Bank was under the full control of the Treasury, Joersson underpinned the independence of the directors of the Bank of England that emerged every time the Treasury delayed the payments of interest on the money borrowed from the Old Lady of Threadneedle Street.³⁴

³⁴ See, S. A. Joersson, *Adam Smith Author of An Inquiry into the Wealth of Nations and Thomas Paine Author of the Decline and Fall of the English System of Finance. A Critical Essay Published in All Languages.* (Hamburg, 1796), pp. 33-35.

From his German perspective, Joersson noticed that the French Revolution and the arrival of revolutionary armies in many parts of Europe had led to a confused situation for what concerned property rights: requisitions, seizures and arrests made property at risk wherever French troops arrived. On the contrary, England stood up as a beacon of hope for all those people who wanted to save their assets from the fury of revolutionary armies. This peculiar trait of English society attracted a plentiful flow of wealth to England, thus buttressing its economy. As a consequence, continued the German author, Paine was completely off the mark when he stated that English wealth was decreasing because he did not consider the movement of foreign capital, as well as of foreign goods, towards England.³⁵

While Joersson focused on the misleading use of Smith's theory proposed by Paine, other British authors perceived the attempt to discredit English funds as a political move to provoke a collapse in the stock market as well as a lethal stroke to the country that badly needed all its economic resources to carry on the war against France. These authors understood what was at stake with *Decline and Fall of the British System of Finance*: it was a deliberate and explicit attempt to weaken England and its way to finance its war efforts.

The fear of Paine's success and his work's diffusion across Europe were the main reasons that brought a lawyer such as Ralph Broome to reply to the critics poised against the system of British finances.³⁶ Broome aimed to dismantle from its foundations the entire Painite construction and dismissed the comparison between the English case and the experiences of paper money enacted in the thirteen colonies in America as well as the *assignats* in France. The three examples could not be compared because in the North American and in the French cases, people were forced to employ paper money only on the security that they would be paid once the political revolution was completed and the new political order was established. On the contrary, the government in England did not issue bank notes and merchants freely accepted them as a means of payment.³⁷

Debunking the historical premises of Painite reasoning, Broome moved to consider the so-called law regulating the growth of debt. Broome turned Paine's conclusion upside down: the exponential growth of debt due to the recurring state of war did not imply an unavoidable bankruptcy, but showed clearly the broad sources of funding that the English government could mobilise in case of emergency.³⁸ Broome was aware that the British financial system

³⁵ *Ibidem*, pp. 73-76.

³⁶ See, *Observations on Mr. Paine's pamphlet, entitled the decline and fall of the English System of Finance; in a letter to a friend, June 4, 1796. By Ralph Broome, Esq* (London, 1796), p. 30.

³⁷ *Ibidem*, pp. 8-13.

³⁸ *Observations on Mr. Paine's pamphlet*, pp. 34-36.

was labouring under the large circulation of paper money, but this phenomenon was largely due to the country banks rather than the Bank of England. At the same time, Broome recognised the strained conditions of his country finances and for this reason he proposed to Pitt and his government to raise new taxes on luxury objects such as carriages, horse carriages and hounds.³⁹

Following a similar path, Lieutenant Colonel Chalmers forcefully dismissed the comparison between the bank notes issued by the Bank of England and the French assignats as “monstrous and irrelevant, as if he had compared the forged notes of a swindler to the bills of a Drummond, a Hope, a Child, or a Coutts”.⁴⁰ As a military officer, Chalmers worried that financial distress could lead England to accept a shameful peace with France. Chalmers invited the government to dismiss those who asked for reconciliation with France by implementing a new fiscal policy that enabled the country to continue the war.⁴¹ Therefore, he proposed to raise new taxes not only on luxury items, but also on travellers, colonies and trade companies whose existence depended on the success of England in the war against France.

Painite attacks against the speculative nature of the debt and the role played by stockbrokers did not remain unchallenged, as the work by Simeon Pope demonstrated.⁴² Pope could talk about the British financial system from his first-hand experience as an employee of the Stock Exchange. Pope rebuffed Paine’s argument about the easiness of concealing the true state of public finances that states had and private citizens could not exercise. Whenever a state was insolvent, continued Pope, the bankruptcy could not be hidden, whereas a private citizen with few clients could succeed in this attempt.⁴³

On the issue of the spectacular growth of English debt, Pope did not dismiss the fact in itself, but openly challenged the cause of this rise: whereas Paine attributed this escalation to the depreciation of the paper money in circulation to fund this debt — mainly Exchequer, Navy bills and bank notes of the Bank of England — Pope claimed that the debt expansion was largely due to the growing needs of a thriving nation. During the eighteenth century,

³⁹ *Ibidem*, pp. 64-65.

⁴⁰ *Strictures on a pamphlet written by Thomas Paine, on the English sytem [sic] of finance: to which are added some remarks on the war, and other national concerns. By Lieutenant-Colonel Chalmers, of Chelsea*. Second edition (London, 1796), pp. 14-15.

⁴¹ *Ibidem*, pp. 36-40.

⁴² *A letter to the Right Hon. William Curtis, Lord Mayor of the city of London, on the national debt and resources of Great Britain; Interspersed with Observations Financial, Commercial, and Political: and in reply to Paine’s «decline and fall of the English system of finance»*. By Simeon Pope, of the Stock Exchange, Gent. (London, 1796).

⁴³ *Ibidem*, pp. 10-12

continued the officer of the Stock Exchange, England knew an incredible expansion of trade and it certainly did not appear as a declining nation on the edge of an upcoming bankruptcy.

Clear examples of the flourishing status of English credit were the 1763 crisis and the four loans opened in the period between 1794 and 1796. In 1763, at the end of the Seven Years' War, a wave of bankruptcies hit the Amsterdam market, and London houses of commerce supported their corresponding merchants in lending them significant sums of money to stop the panic within the Dutch commercial community. In the period between 1794 and 1796 the English Crown called on investors and bankers four times to lend money to support the military efforts and grant financial aid to its continental allies against France. Every time these loans opened, the number of subscribers overwhelmed the stocks available. These two examples, concluded Pope, clearly demonstrated that the English financial system was in good health and that Paine's gloomy predictions of a fall were unfounded.⁴⁴

In the eyes of many English observers, Paine's attack against the English financial system aimed to strike the political constitution of the country and its political structure. Aware of this risk, Barrister Smith argued that Paine was completely misled when he challenged the English credit because it rested on the safe foundations of a stable political system.⁴⁵ Smith claimed that the failure of the North American continental and the French assignats were not simply due to the issue of paper money, but were the direct outcome of the political instability of the actors who issued the paper money. On the contrary, England did not fear paper money, even in a large circulation, because its political framework was solid and its political and economic institutions mirrored this stability.

The difference between England and the two other countries, continued Smith, was like the gap between a well-known banking house and a smaller and more recent banking house. When the former issued paper money, nobody would challenge the reliability of the paper and it would become currency. On the contrary, when the more recent bank emitted paper money, many bankers and merchants would not run the risk of accepting a commercial paper from a non-established house of commerce. This second banking house would rapidly collapse as a consequence of the lack of credit, and not for having issued paper money.⁴⁶ Smith did not deny the unlikely possibility of a general crash of the British system of finance, but as long as

⁴⁴ *Ibidem*, pp. 29, 43-44.

⁴⁵ *An examination of Mr. Paine's Decline & fall of the English system of finance, in a letter to a friend. By Joseph Smith, Barrister at Law.* (London, 1796).

⁴⁶ *Ibidem*, pp. 6-7.

the stability of the British government was not openly challenged, the system would not collapse under even strong outside pressures such as wars and economic crises.⁴⁷

As emerged from these publications, Paine's arguments were far from being flawless: his polemic aim to sap British credit and to alarm investors about the stability of its stocks led him to exaggerate his conclusions. His critics rightly pinpointed the impossibility of comparing the English case with the circulation of continental paper in North American colonies and the assignats in France. Similarly, the Painite law concerning the exponential growth of debt due to the wars fought by England was not accurate because it did not take into consideration the parallel growth of revenue as well as the rise of inflation during the eighteenth century. Nonetheless, the broad debate on Paine's pamphlet hinted that, as much as experts in the economic and legal fields could easily dismiss his theories, his voice could influence a large number of people, including investors in British stocks.

Paine's work triggered a divergent effect on the two sides of the English Channel: on the British side, it aroused many criticisms and fears of a negative return on the stability of English stock as well as on the will to continue the war; on the French side, it offered a powerful tool to weaken English credit on the continent and to wear out the British resistance to the expansion of revolutionary armies. In this part of the chapter, the analysis concerned how French authorities looked at Paine's publication and how they employed it as a war tool against England.

The French Directory learned of the British financial difficulties through the dispatches sent from the French agent in The Hague, François Noël. This agent had direct access to the Dutch merchant community in Amsterdam, which had large interests at stake in the British funds and so followed with apprehension the fluctuation of the quotation of stocks and the alarming news concerning the strictures of credit that the Bank of England enacted to save its reserves. At the same time, Noël paid great attention to the publications concerning the state of the British financial system because they could affect in a sensitive way the perception that Dutch merchants had of the British market.

A publication with the title *An appeal to the people of Great Britain, on the presenting alarming state of the public finances, and of public credit* could not remain unnoticed. Written by William Morgan, Dr Price's nephew and expert of insurances, this pamphlet offered a very dim outlook on British finances: the accumulated debt was no more bearable

⁴⁷ *An examination of Mr. Paine's Decline & fall of the English system of finance*, p.11.

even if the government raised taxes to collect £25 million, as they expected to do.⁴⁸ Moreover, the situation of the Bank of England was alarming: the loans given to the Emperor had left the bank without sufficient cash reserves, which restricted its lines of credit with private operators. Morgan blamed the Bank of England for having lent money to the government beyond its regulations and thus allowing the executive power to be funded without the necessary consent from parliament.⁴⁹

Noël praised Morgan's work and asked the Directory in Paris to translate it and publicise the publication in the French press. The French representative hoped that Morgan's publication could contribute to the failure of the new loans that the English government had launched.⁵⁰ A few days later, Noël received one hundred copies of Paine's work to be distributed to the Dutch community of merchants in Amsterdam. In the eyes of the French officer, the diffusion of Paine's ideas on the English system of finance seemed to have an immediate effect on the Dutch community: many bankers who had capital invested in English securities intended to withdraw it from there.⁵¹

At the end of the year, rumours of an eventual collapse of the entire British system arrived in the Batavian Republic and seemed to confirm Paine's prophecies.⁵² Nonetheless, the panic amongst London bankers did not hinder the government from finding bankers available to subscribe the new 18 million loan in December 1796. Paine's book risked to be dismissed as a futile pamphlet with no real impact, but an unattended event seemed to confirm his predictions: the suspension of payments of the Bank of England. It was not the first time in the history of Threadneedle Street that such a radical measure had been enacted, but the dramatic war with revolutionary France made such a move more ominous than ever.

2.2 The multifaceted engagement of bankers during war: Francis Baring and Robert Barclay at the end of the eighteenth century

The economic aspects of the suspension of payment of the Bank of England have been illustrated at the beginning of this chapter. Here, the focus will be on a pamphlet that supported the decision of the Bank of England to suspend the payment of all notes. Written by

⁴⁸ On the figure of William Morgan, see J. E. Cookson, *The Friends of Peace: Anti-War Liberalism in England, 1793-1815* (Cambridge, Cambridge University Press, 1982), pp. 58-59.

⁴⁹ *An appeal to the people of Great Britain, on the present alarming state of the public finances, and of public credit. By William Morgan, F.R.S* (London, 1797), pp. 72-77.

⁵⁰ See, A.N., AF/III/69, letters on 14th Germinal year 4 (3rd April 1796) and on 5th Floréal year 4 (24th April 1796).

⁵¹ See, A.N. AF/III/69, letter on 20th Floréal year 4 (9th May 1796).

⁵² *Ibidem*, letter on 24th Thermidor year 4 (11th August 1796).

Sir Francis Baring, *Observations on the establishment of the Bank of England and on paper circulation of the country* embodied a perfect essay in defence of the government policies that had led the Bank to suspend its payments. Baring's voice was one of the most authoritative on bank issues: as an experienced banker, he knew how the British financial system worked and, as a member of parliament close to the Pitt cabinet, he was familiar with the political dynamics that had led to such a momentous decision.

Baring followed a pragmatic approach to the financial situation that England faced in 1797: once the suspension of payment had been declared, the bank notes of the Bank of England should have been considered as legal tender.⁵³ Instead of discussing the speculative options to find a way out that did not entail the suspension of payment by the Bank of England, Baring aimed to find a durable solution to the problem of the lack of credit within the English system. The London banker reasoned on the recent history of the Bank of England as its valuable role of pivot within the British internal market, otherwise it would have remained impossible to interrupt the deadlock triggered by the suspension of the payment.

In 1793, the outbreak of the war with France caused a panic in many clients of country banks, who ran to the banks asking for their money. However, numerous country banks did not have the needed cash reserves to pay back their clients because they offered interest on the deposits and so they had needed to invest widely to pay this interest. As a consequence, country banks asked for help from the Bank of England to lend them money to pay their clients. Rapidly, Threadneedle Street perceived that the withdrawal of money put at risk its money reserves and so it decided to restrain its discounting activities. In this way, many country banks failed, but overall the financial system survived and solid banks thrived. Overall, Baring praised how the directors of the bank operated in those circumstances, with the exception of the timing of the limitation of credit that came too abruptly, like 'an electrical shock'.⁵⁴

In 1797, the suspension of payment, continued Baring, was largely due to the excessive withdrawal of gold from England to subsidise the allied forces in Europe and also by the panic created by rumours of a French landing in Ireland that led many people to withdraw their money. However, in this chaotic situation, Baring argued that nothing was safer and less

⁵³ Francis Baring, *Observations on the Establishment of the Bank of England and on the Paper Circulation of the Country* (London: Printed at the Minerva Press for Sewell, Cornhill and Debrett, 1797), pp. 73-74. On the pragmatic character of the bank this following passage is particularly significant: "My opinion is founded upon personal knowledge and experience [...] I have reprobated the principle (of making bank notes legal tender) which nothing but absolute necessity can justify. The question, however, is not whether we shall do that which in itself is most desirable and right? For something stronger than opinion has already decided the point: but, whether the public are disposed, from motives of prudence and foresight, to take the only effectual measure to prevent a return of those convulsions to circulation and commercial credit" in *Further observations on the establishment of the Bank of England*, pp. 6-7.

⁵⁴ *Observations on the Establishment of the Bank of England*, pp. 21-22.

threatened than the bank notes of the Bank of England: in the remote case of a successful French invasion, French armies would not have dared to destroy and ransack the Bank of England, whose wealth they needed to be in good order and undamaged.⁵⁵

As a consequence, paper money could be the safest medium that England had, as long as the Bank of England maintained its independence and government paper, such as Navy and Exchequer Bills, did not become legal tender, otherwise England would follow the same path that France had taken with the assignats. On this issue, Baring had an original view that did not mirror any of the recurrent criticism raised against the assignats in England: the assignats were not a reckless measure, as long as they did not become legal tender and prices were fixed for all supplies, thus fuelling a thriving black market.⁵⁶

The London banker not only considered the suspension of the payment irreversible, but he also demanded that the government take a step forward and declare the bank notes of the Bank of England legal tender. In the eyes of Baring, such a move did not come without guarantees from the bank, which needed to limit the issue of its bank notes according to the needs of the situation. Even though Baring supported the move of the government to ask for the suspension of the payment, in his vision, the separation between government and the Bank remained the golden rule: ‘whenever the hand of power interferes in the circulation or commerce of the country, it always proves injurious, and sometimes destructive’.⁵⁷

The London banker was well aware that the credit crisis of 1797 had no precedents in English history and he refused to minimise the terms to describe it as a simple failure of the system. If England wanted to avoid another crisis of such magnitude, it would be necessary to understand the terms of what was going on and not disguise reality with softer terms. Therefore, Baring was not afraid to define the suspension of payments by the Bank of England as a bankruptcy, and not as insolvency or a simple failure. This ‘bitter pill which the public has been forced to swallow’ needed to be acknowledged, for it was in order to make all efforts to avoid its recurrence.⁵⁸

Baring’s stance during the 1797 crisis shows how a market actor, such as a successful banker, maintained his independence of political power and at the same time pragmatically looked forward to finding new ways to collaborate with the government. The London banker neither radically contested the historical decision to suspend payments by the Bank of London nor underestimated the effects that such measure had on the British economy. Baring’s

⁵⁵ *Observations on the Establishment of the Bank of England*, pp. 61-62

⁵⁶ *Ibidem*, pp. 75-78.

⁵⁷ *Ibidem*. p. 46.

⁵⁸ See, *Further observations on the establishment of the Bank of England*, pp. 13-16.

independence helped define the 1797 crisis as the closest thing to bankruptcy that the British financial system would experience.

On this point, he was not far from the terms used by Paine in his *Decline and fall of the English system of finance* that had foreseen a bankruptcy for the entire English system because the position of the Bank of England was no longer sustainable. However, nobody could accuse Sir Francis Baring of being a radical or a hidden supporter of Paine's ideas: his respectable status and his extensive fortune kept Baring at safe distance from harsh criticism and allowed him to express his independent and pragmatic vision on the 1797 crisis.

As will emerge in Chapter Five, Sir Francis Baring was not unconcerned about the troubled situation in Europe and its effects on his business. Nonetheless, his fortune and status, together with his abilities, led him to find new ways to invest capital in safer activities. Among the many merchants and bankers active in England, there were not many that could enjoy similar conditions as those that Sir Francis Baring had in the midst of 1797 crisis. Therefore many businessmen had to deal with a complete disruption of their businesses and faced the necessity to find new ways to employ their knowledge of the markets and their personal networks towards new ends and purposes. In this last part of the chapter, I offer a telling example of how English merchants had to find new ways to operate in the midst of the Revolutionary Wars that had largely disrupted all trade in Europe. In this new scenario, merchants looked with interest to collaborate with their own government, as exemplified perfectly in the case of Robert Barclay.

Barclay had his banking house in Aachen. The Quaker family under the name of Barclay's in London was related to him, as well as the member of parliament from Kincardineshire, Robert Barclay Allardice.⁵⁹ The circumstance that led Barclay to start corresponding with Lord Grenville, the foreign secretary, was his direct observation of the flourishing smuggling trade of golden guinea outside England. Barclay offered his knowledge of exchange markets to the attention of the Foreign Office, and there were no doubts that in the winter of 1796, the issue of the drain of golden reserves was becoming one of the most debated in England.

Barclay reported that between November 1795 and January 1796, at least one hundred and fifty thousand guineas had been exported to Hamburg by the packet boats from Yarmouth. Such large illegal trade offered returns of around 8% to those involved in the shipment. They proceeded in the following way: French émigrés came on board of the packet boats bringing with them the sum of money to be smuggled. Once they disembarked in Hamburg, they could

⁵⁹ See, National Archives in Kew Gardens, Foreign Office (henceforth, F.O.), 38/1, letter to Lord Grenville, on 22nd January 1796.

ship the gold coin to Amsterdam, where the large number of bills drawn from Paris created a particularly high demand for gold coins. Alternatively, the smugglers could sell gold coins to English agents who badly needed them to pay the subsidies offered to the allies.⁶⁰

Another great advantage of being a merchant was the liberty to move across frontiers without raising suspicion of secondary intents beyond his customary activity of trading between different cities. Moreover, Barclay could rely on a wide network of acquaintances in the pivotal area between the Baltic and the Batavian Republic. Nonetheless Barclay's presence was noticed by French agents in the city of Bremen, where the Scottish banker passed on his way to Rotterdam. Moreover, an article was published in Dutch gazettes that warned against Barclay's true aims of travelling within the Batavian Republic.⁶¹ Confident of his wide network of acquaintances and friends in the Batavian Republic, Barclay started to double-cross the French authorities. Once he arrived in Amsterdam, he went in front of the committee of surveillance claiming that he was the brother-in-law of Lord Sheridan, one of the best known members of the Whig Party in England, and he had been sent by the opposition to find a way to cease hostilities between England and France.

Barclay promised to Lord Grenville to be more cautious in his informant activities without relying on other persons in as much as they were close to him. Nonetheless, the French agent Noël suspected the true aims of Barclay's travel at the precise moment of the gathering of the first National Assembly of the Batavian Republic.⁶² Barclay's second stay in Bremen aroused further suspicions because he was lodged in the house of the English vice consul. Also housed there was Colonel Don, whose name had been made in relation to the speculators active in Paris who betted against the value of the *mandats*.⁶³ Even the French Minister of Foreign Affairs Charles-François Delacroix asked for Barclay to be followed and put under surveillance during his travels between the Batavian Republic and northern Germany.⁶⁴

Barclay reported on the strained situation that the Batavian Republic was suffering: France had required the payment of a 60 million livres contribution and in order to pay this huge sum, Amsterdam's houses of commerce had to contribute. The Scottish banker also had direct knowledge of what was occurring within the Batavian National Assembly because he relied on his friend, Willem Anne Lestevenon, who would later take part in the Batavian committee

⁶⁰ *Ibidem*.

⁶¹ See, F.O., 38/1, letter to Lord Grenville on 29th February 1796.

⁶² See, A.N., AF/III/69, f. 179, letter on 12th Germinal year 4 (1st April 1796). In this letter, Noël expressed his doubts over the role of English opposition: ' [...] La France ne gagnerait rien au changement du Ministère Anglais, s'il passait au parti à l'opposition. on sens que l'opinion de ce parti est, que l'Angleterre doit empêcher par tous les moyens possibles que l'influence française en hollande n'y prenne raciness'.

⁶³ See, M.A.E., C.P. Hollande/591, f. 147.

⁶⁴ *Ibidem*, f. 330.

sent to Paris to discuss the terms of the treaty of San Ildefonso between Spain, France and the Batavian Republic.⁶⁵

The Scottish merchant was also active in suggesting financial operations that could weaken French *mandats* and lead French financial stability astray. The plan was to buy large amounts of *louis d'or*, around two hundred thousand, on the Amsterdam market where the florins had a favourable exchange rate with the French currency. Once this large amount was acquired, the French currency would be largely affected by such a drain, and therefore a new fall would have hit the *mandats* as well as all the other French paper money. Moreover, once this sum was in British hands, they could send it to England through Hamburg, or they could decide to use it to pay the subsidies to the allies. In both cases, there were few possibilities that such a sum would return to France, and thus the French currency would be damaged.⁶⁶

In 1797 Barclay returned to England and consolidated his position as appointed secret agent in The Hague, from where he communicated precious information relative to the size and strength of the Dutch fleet, which England feared as a major threat to its overseas dominions. The new position within the Home Office was the outcome of the good references that Lord Grenville had written for Robert Barclay at the end of his first mission to the Batavian Republic.⁶⁷ When the Scottish merchant made his return to England, French authorities did not suspect that he was double-crossing them; however, the situation changed when Barclay returned to the Batavian Republic in the autumn of 1797. At that moment, the French ministry in The Hague openly suspected that Barclay worked as an English agent with the aim of undermining French control over the Batavian Republic.⁶⁸

On 27th December 1797, Barclay received the order from the Dutch Committee of Foreign Relations to leave the country over the following fifteen days, or be detained. As a consequence, Barclay had no other option than to return to England and apply for another position. The occasion came during spring, when the newly appointed Commissioner of the Board of Trade, William Dundas, was looking for commissaries of accounts for the service of the English armies in Great Britain and in the West Indies. Also, this time, Barclay asked Lord Grenville to step in and obtain this position for him. Barclay did not miss the

⁶⁵ On the role of Willem Lestevenon during these talks, see Raymond Kubben, *Regeneration and Hegemony: Franco-Batavian Relations in the Revolutionary Era, 1795-1803* (Boston, Martinus Nijhoff Publishers, 2011), pp. 540-543.

⁶⁶ See, F.O., 38/2, n.d.

⁶⁷ See, F.O., 38/2, 20th May 1797.

⁶⁸ See, A.N., AF/III/70, letter on 16th Vendémiaire year 6 (7th October 1797).

opportunity to play the card of his personal experience as a banker that made him a perfect candidate for a position that required a good level of accounting and financial expertise.⁶⁹

Notwithstanding this elaborate scheme, Barclay did not obtain the position and decided to return to the Batavian Republic. It is not clear what the reasons behind this move were, as it was suicidal because French and Dutch authorities considered Barclay a British spy. Not surprisingly, Barclay was made a prisoner by a French privateer and was led to Paris, where he was confined in the Temple prison.⁷⁰ He could return to England only after the intervention of the First Consul, Bonaparte, who decided to release him as sign of goodwill towards England to open new peace talks and enhance the exchange of prisoners. Notwithstanding this ordeal, Barclay did not avoid further occasions of political activity: from 1802 until 1806, he held the parliamentary seat of Newton.

Robert Barclay's activities in the Batavian Republic and in northern Germany showed clearly how a merchant could rapidly shift from his habitual commercial operations to deal with information and news to offer to his own government. Barclay found himself in the midst of the Revolutionary Wars with no possibilities to continue his business, so he decided to work as an agent for his country. His former years as a merchant working between England and the continent enabled him to rely on a large network of contacts within and outside of the sphere of the merchant community. Moreover, Barclay's knowledge of financial matters put him in a position to offer insightful information to the British government on critical issues such as the smuggling of gold coins from England, the eventual financial operation that could damage French currency and the current political situation in the Batavian Republic.

Barclay's disrupted trade led him to look for ways in which to work effectively with the government by offering his own financial expertise. In the same context, Sir Francis Baring could express his own opinion on the current credit crisis, maintaining his independency from the government and offering his practical knowledge to find a way out of the risk of a bankruptcy of the English financial system. Such a scenario was at the core of Paine's work, *Decline and Fall of the English system of finance*. Even though this work was largely biased by Paine's sentiments of hatred against his motherland, it reached an incredibly wide public and became a powerful propaganda tool in the hands of French authorities.

⁶⁹ See, F.O., 38/3, 23rd March 1797.

⁷⁰ See, M.A.E., CP8/593, f. 26, 25 Brumaire year 8 (16th November 1799).

In the turbulent times of the Revolutionary Wars, merchants and bankers, such as Barclay and Baring, confidently dealt with political power by either offering their knowledge to the government or by giving their free and independent opinion of financial decisions issued by the executive power. As emerges in the following chapter, the situation was the opposite in France, where the dialogue between market actors had to be restored by the actions of some political actors. Whereas in England the spheres of politics and business were in constant flux and exchange, in France, the mutual dialogue and interchange between the two worlds needed to be built anew from the ashes left by the Terror.

CHAPTER THREE

A history of unchallenged distrust: French public opinion and bankers, 1789-1799

Le Banquier est un conquérant qui sacrifie des masses
pour arriver à des résultats cachés,
ses soldats sont les intérêts des particuliers.
Honoré de Balzac, *La Maison Nucingen*, 416.

Jürgen Habermas convincingly claimed that the public sphere (*Öffentlichkeit*) needed a market where private people were free to make their own decisions concerning acquisitions and the transmission of property rights.¹ As a consequence, only property owners constituted a public with clear, eventually contrasting, interests. Of course, the prominence of public opinion was not a product of the French Revolution, but had already emerged in the 1780s when Jacques Necker, minister of finance, stirred up controversy by publishing the budget of the state.²

The aim of this chapter is not so much to study the role played by bankers in the formation of the public sphere, but rather to analyse how the press treated bankers from the beginning of the revolution until the coup of Brumaire in 1799. In particular, I want to examine two aspects of the relationship between the press and bankers: first, the role of the revolution in shaping public opinion on bankers and more generally moneyed interest. Second, I show how both radical revolutionaries and conservatives had shared distrust and suspect towards bankers since the very early phases of the French Revolution.

Within the field of French revolutionary studies, there are many publications dedicated to the deleterious effects of the Revolution on the economic development of France.³ Following this trend of historiography, historians found a well-founded reason for the negative effect of the Revolution in the uncontrolled issue of *assignats*, which rapidly ended in a

¹ Jürgen Habermas, *The structural transformation of the public sphere: an inquiry into a category of bourgeois society* (Cambridge, Mass: MIT Press, 1991), (first edition 1962), p. 74. For a broad criticism on Habermas' concept of public opinion, see Massimo Rospocher, *Beyond the public sphere: opinions, publics, spaces in early modern Europe* (Bologna, Il Mulino, 2012).

² Habermas, *The structural transformation of the public sphere*, pp. 68–69.

³ One of the most critical voices on the economic consequences of the French Revolution is Florin Aftalion, *L'économie de la révolution Française*. More nuanced, and based on broader documentation, is François Crouzet, *La grande inflation*.

hyperinflationary movement. Beyond the failure of monetary policy, revolutionary leaders committed other economic sins that would taint the image of France for a long time: they actively restrained business and, during the Terror, they persecuted bankers and financiers.⁴

Rebecca Spang recently revised this gloomy picture by offering an original perspective on the practical use of *assignats* and the conundrum faced by revolutionaries between a free-market economy and the lack of current money needed to pay armies and public officers.⁵ Just as Spang nuanced the much decried monetary measure of the *assignat*, my first goal is to show that the revolutionary process starting in the late 1780s did not entail a radicalisation against bankers and the market because these critical positions regarding market operators were already present in the early days of the revolution, as in the last months of 1789. Therefore, these anti-capitalist sentiments were already diffused in Old Regime France.

However, I do not aim to trace back into the Old Regime the roots of an anti-capitalist mood of French political actors. It is far from me to adopt a Neo-Tocquevillian position on the political attitudes of revolutionary actors regarding bankers because, and that is my second goal, I aim to show that the revolutionary process brought a clear differentiation between moderate and radical voices on banking matters when they had to discuss the banking interest within the public sphere in the last years of the 1790s.

This study of public opinion between 1789 and 1799 focusses particularly on one element: the press. More precisely, I choose two moments within this period when it happened that the banking sector and more generally the role of bankers came under close scrutiny. The first moment was in the first months of the life of the National Assembly: between November and December, the Assembly faced the dire financial situation with the possibilities of issuing *assignats* on the security of the land confiscated from the Crown and the Church, or of giving the *Caisse d'Escompte* (Discount Bank) the power of acting as a national bank. Even though Necker's proposal to convert the Discount Bank into a national bank did not succeed, this proposal stirred up a large debate within and outside the National Assembly.

The second moment was during the Directory, between 1796 and 1799, when France resolutely dealt with its past debt with the payment of interest only for one third of the past

⁴ The most vivid description of the repression of bankers during the Terror is conveyed by Jean Bouchary, *Les manieurs d'argent*. Bouchary profited from the rich archival sources concerning bankers contained in the police files (F/7) available at the National Archives in Paris. Following Bouchary's work, also Herbert Lüthy described the persecution against foreign bankers and financiers during 1794.

⁵ Rebecca L. Spang. *Stuff and money*. Spang focusses her analysis on the practical use of *assignats* in everyday life rather than discussing their monetary soundness or the debate aroused by the endless issuing of new *assignats* on the French market. Moreover, Spang demonstrates that an economic measure such as the *assignat* had a clear political meaning, that is, the support of revolutionary credit, not dismissible in favour of an economic analysis.

obligations and the remaining two thirds discharged with other bonds called *bons*. This period also saw the reawakening of the discussion concerning the role of the Stock Exchange and which regulations were suitable for it. Furthermore, in this period the growing editorial activities of Pierre-Louis Roederer brought the political economy to the centre of public debate.⁶

Even though the two chosen moments are within the short span of ten years, they presented two completely different situations on an institutional, economic and international level. In 1789, France was still a monarchy, on the way to becoming a constitutional monarchy. The debt was a nightmare in Necker's mind as well as in those of all deputies, but it was not completely out of control. Finally, France was under the menace of a small group of émigrés, but did not yet have to face a broad coalition of powers.

A few years later, the Directory faced a completely different situation: the republican government desperately looked for a way out of the risk of bankruptcy, and at the same time faced an internal civil war, as well as a coalition of European states with the declared task of containing and dismantling for good all the innovations brought by the French Revolution.

Added to these differences is the fact that the number of newspapers did not remain the same during that decade and many newspapers published in 1789 had already disappeared in 1796. Notwithstanding the distance between the two moments, one common element makes the choice of 1789 and 1796-1799 as salient points appropriate for understanding the evolution of public opinion towards the banking sector: the vitality of the press.⁷

⁶ P.L.Roederer had actively written on the *Journal de Paris* since the start of the revolution. During the Directory, he founded the weekly *Journal d'économie publique, de morale et de politique* and later he published *Mémoires d'économie publique, de morale et de politique*. On the life of P.L.Roederer, see Thierry Lentz, *Roederer* (Metz, Ed. Serpenoise, 1989) and Kenneth Margerison, *P.-L. Roederer: political thought and practice during the French Revolution*, (Philadelphia, American philosophical society, 1983). On the use of the press made by Roederer, see Jean-Luc Chappey, 'Pierre-Louis Roederer et la presse sous le Directoire et le Consulat: l'opinion publique et les enjeux d'une politique éditoriale', *Annales historiques de la Révolution française*, 334, 1 (2003), 1–21.

⁷ The scholarly debate over the role of the press during the French Revolution is as wide and various as the literature dedicated to the revolution itself. A good bibliographical guide that makes a good point of departure is André Martin and Gérard Walter, *Catalogue de l'histoire de la Révolution Française*, (Paris, Bibliothèque Nationale, 1943) vol. 5, *Écrits de la période révolutionnaire. Journaux et almanachs*. A more recent appraisal of the revolutionary press, limited to popular newspapers and leaflets, is offered by Ouzi Elyada, *Presse populaire & feuilles volantes de la Révolution à Paris: 1789-1792 inventaire méthodique et critique* (Paris, Société des études robespierristes, 1991). To have a general understanding of the revolutionary press within the broader framework of the history of the French press, see Claude Bellanger, Jacques Godechot, ed. *Histoire générale de la presse française*. Paris: Presses universitaires de France, 1969, 5 vol. A valuable contribution to appreciate the role of the press in shaping a public space is offered by Jeremy D. Popkin *Revolutionary News: The Press in France, 1789–1799* (Durham, Duke University Press Books, 1999). More recently, Charles Walton worked on the evolution of the freedom of press between the Old Regime and the revolution in Charles Walton, *Policing public opinion in the French Revolution* (Oxford; New York, Oxford University Press, 2009).

By definition, 1789 embodies the beginning of a regime under which the press encountered almost no censorship at all; the period of the Directory was much troubled by purges against royalists or jacobins but it still remained a phase when, with some interruptions, there was the possibility of finding different positions within the press from the most radical jacobins to the most committed royalists.⁸ The fall of the monarchy in 1792 and the coup of Brumaire of Bonaparte would put an end to this extraordinary variety of newspapers and political pamphlets.

The main newspapers considered here for the debate about the establishment of a national bank in 1789 are: the *Patriote François, Révolutions de France et de Brabant, L'Ami du peuple* and *Les Actes des Apôtres*. The first three newspapers belonged to the patriotic party and at least the *Ami du peuple* by Jean-Paul Marat ranked in the extreme part of this group. On the contrary, *Les Actes des Apôtres* was probably the most influential voice in the conservative field.

For the period of the Directory, 1796 to 1799, I choose the following titles: *Journal des hommes libres, Journal de Paris, Journal d'économie publique, de morale et de politique* and *Les Actes des Apôtres et des martyrs* published by Antoine-Joseph Barruel Beauvert, who took the lead from Jean-Gabriel Peltier, former editor of the newspaper with the same title in 1789. In this case, two of these newspapers represented the moderate opinion (*Journal de Paris* and *Journal d'économie publique*) and both had as their editor P-L. Roederer; *Journal des hommes libres* was a strong herald of the democratic, or neo-jacobin position, while *Les Actes des Apôtres et des martyrs* was the most staunch partisan of the conservative creed.

3.1 The debate on the creation of a French national bank: old suspects and new fears in the early French Revolution

The halls of Versailles had resounded for three hours with Necker's promises that any bankruptcies of the nation would be avoided and the credit of the nation would rapidly be restored. Even so, in the large audience of deputies, there were many who remained unconvinced by the long speech of the Genevan minister of finance. In particular, Necker had largely eulogised the king for his choice of calling the Estates General, but he did not suggest what path had to be taken to restore the country's credit. Necker had simply reassured the

⁸ In a certain way, 1789 can be considered as the 'Big Bang' of the freedom of the press: 140 periodicals were published in Paris that year. See, Popkin, *Revolutionary news*, 33.

shareholders of the Discount Bank and of the French East India Company that all efforts would be put into place to duly respect all obligations.⁹

The minister was well aware that an institution like the Discount Bank largely depended on public opinion and, more particularly, on the political commitment to restore the credit of royal finances.¹⁰ Necker had not lost all his prestige and in the days following his speech, the stock quotes of the two financial institutions remained stable.¹¹ However, there was another conundrum looming over the Assembly as well as over the nation: the deep public debt, which had been the main reason for calling the Estates General.

Necker did not offer a single hint in the three-hours speech concerning how he wanted to resolve the debt problem. It is not difficult to guess the reasons behind the minister's embarrassment: on the one hand, to put on the table the option to levy new duties or impose new taxes would stir up an uproar from all orders from the nobles to the Third Estate; on the other hand, opening a new loan would worsen the already dire financial situation. The rapid political evolution drastically reduced the options available: on 20th June in the Tennis Court Room at Versailles, the Third Estate proclaimed an oath that all old taxes had to be considered void and that only the new assembly could vote for future fiscal charges.

The tumultuous summer did not do anything to improve the weakened state of finances: the fall of the Bastille, the peasants' rebellion in the country, and the scarcity of the tax collection brought France on the verge of financial collapse. Therefore, on 7th August 1789, Necker presented himself to the Assembly announcing the opening of a 30 million livres loan that yielded 5%, a much lower yield in comparison to the loans opened during the 1780s.

The Genevan minister was well aware of the risk of encountering fierce opposition in the Assembly, where deputies had abolished feudalism and all the institutions related to it just three days before. Loans had nothing to do with feudalism, but deputies could not help but

⁹ The most vivid account of Necker's speech at the General Estates is offered by Adrien Duquesnoy, deputy of the Third Estate from Bar-le-Duc: 'Est venu ensuite M. Necker: au moment où il s'est levé, il a été applaudi; il a parlé au moins trois heures. Il s'en faut bien que tout le monde ait été content de son discours; l'éloge du Roi y était répété à chaque ligne; point d'idées neuves en administration et en finances, mais ce qu'il y a de pis: annoncer clairement que les États ne sont assemblés que pour rétablir les finances, pour combler le déficit, qu'il a porté à cinquante-six millions; [...] Les galeries autour de la salle étaient remplies des gens de Paris ou des bureaux de Versailles, qui applaudissaient à tout rompre quand M. Necker parlait de ne pas faire banqueroute, mais il m'a paru que le tiers de l'assemblée était très mécontent: pas d'applaudissements, souvent un froid silence. Voilà la bataille engagée!' in Adrien Duquesnoy, *Journal d'Adrien Duquesnoy, député du Tiers état de Bar-le-Duc, sur l'Assemblée constituante: 3 mai 1789-3 avril 1790* (Paris, Picard, 1894), vol. 1, 7—8.

¹⁰ See, *Réimpression de l'Ancien Moniteur depuis la réunion des États-Généraux jusqu'au consulat (Mai 1789-Novembre 1799)* (Paris, Imprimerie D'A. René et C^{ie}, 1845), vol. 1, p. 1.

¹¹ Even though the Genevan banker maintained all his prestige, and his image remained intact, from the successful loans opened during 1780s, the trend of the Discount Bank shares seemed uncertain. While the Bank Discount closed on 7th May at 4,290 livres, only five days later, the price dropped to 4,215. For daily stock quotes, see *Journal de Paris*.

think of loans as the main factor responsible for the creation of the ruinous debt now affecting French finances. Necker tried to convince the Assembly that "this time was different": the *capitalistes*, as the minister called them, had every interest to take part in this loan because without these resources, there were clear possibilities that none of the reforms promoted by the National Assembly would ever see daylight.

Necker's appeal to capitalists' patriotism was not just pure rhetoric: it was in their interest to see a stabilised France where their activities would thrive on the basis of the extended protection of property rights ensured by the National Assembly. At the same time, Necker asked potential investors to think about the political consequences of their active participation in this loan, rather than just pondering the economic terms of the loan, undoubtedly less attractive than former ones.¹²

The deputies refused to comply with Necker's plan without having even received the qualified report by the financial committee (*comité des finances*) on the financial proposal. The opposition of the National Assembly was not just filibustering against the proposal conceived by a member of the executive branch, it was also a moment where new positions emerged concerning financial matters. The Duke of Antraigues, one of the main protagonists of the night of 4th August, expressed his firm opposition to the new loan because he could not think of a new loan without a related new tax to cover it.¹³ This principle, that each new loan had to be guaranteed by collecting new taxes, had been adopted within the English financial system since the early eighteenth century, but had never been systematically applied in France.

Finally, the National Assembly decided to approve the new loan, but it imposed a reduction of the yield to 4.5%. The debate on the new loan did not finish in Versailles, as it rapidly arrived on the pages of newspapers. The most attentive newspaper was the *Patriote François*, edited by the well-known journalist and politician Jacques-Pierre Brissot. Brissot was well acquainted with French finances because he was a close friend of Étienne Clavière, Genevan financier and economic advisor of Mirabeau, with whom he had completed a long journey through the United States just before the opening of the Estates General.¹⁴

¹² For Necker's speech on the loan, see Jérôme Mavidal and Émile Laurent (eds.) *Archives Parlementaires de 1787 à 1860* (henceforth, A.P.), (Paris, Paul Dupont, 1867) vol. 8, 362.

¹³ See, A.P., vol. 8, 366.

¹⁴ On the close friendship between Brissot and Clavière and their attention to the financial status of the country, see Richard Whatmore and James Livesey. 'Étienne Clavière, Jacques-Pierre Brissot et les fondations intellectuelles de la politique des girondins'. *Annales historiques de la Révolution française*, 321 (2000), 1–26. The journey in the United States was the occasion for Brissot to contemplate a young republic and all its political institutions. These observations turned into a book in 1791 by Jacques-Pierre Brissot de Warville, *Nouveau*

Brissot concurred with Necker that the loan gave capitalists an opportunity to step forward and show their patriotism.¹⁵ However, the initial enthusiasm rapidly faded away when the loan did not trigger the prompt reaction of the "patriotic capitalists". In the eyes of the revolutionary journalist, the failure of the loan could not be the reduction of yield from 5% to 4.5%.¹⁶ The reason for the failure of the loan lay in the lack of political understanding of capitalists and investors regarding the political meaning of this loan. The aloofness of investors meant that they did not understand the seriousness of the situation and what was at stake: the solvency of the entire state and the peaceful development of the Revolution.¹⁷

Brissot cannot be considered in any sense as an anti-capitalist opinionist for various reasons: his close ties with one of the many Swiss financiers in Paris, Clavière; his direct involvement in Mirabeau's press campaign against a bankruptcy in 1787; his strong belief that capitalists had all to gain from the success of the Revolution, which had decided to honour the previous debts. Nonetheless, Brissot held the *capitalistes* responsible for the failure of the first loan opened on the guarantee of the nation: bankers and merchants had lost their opportunity to be credited as true patriots.

Needless to say, Brissot's viewpoint did not count for a party or a consistent faction within the Assembly. Yet, it shows the first signs of the breach between the patriots and the capitalists, accused by the patriots of not taking the gravity of the grim financial outlook seriously. A much more influential voice was raised in defence of bankers and capitalists who had not answered the desperate call of the minister: Honoré-Riquetti, Count of Mirabeau. The Provençal deputy preferred to blame the Genevan financier for two main reasons: on the one hand, he did not want to point a finger at bankers because he considered them essential to the final success of the Revolution; on the other hand, Mirabeau never lost the opportunity to

voyage dans les Etats-Unis de l'Amérique septentrionale, fait en 1788. Par J.-P. Brissot [de Warville], (Paris, Buisson, 1791).

¹⁵ *Le Patriote François*, n. 12, (10th August 1789), 3.

¹⁶ The failure of the loan was acknowledged by Necker in a letter from 27th August 1789. From this letter, the National Assembly knew that only 2,600,000 livres had been collected from a 30 million loan. See, *A.P.*, vol. 8, 495.

¹⁷ '[...] je ne conçois pas comment les considérations de sûreté personnelle n'ont pas fait remplir l'emprunt au moment où il a été ouvert, et comment on perd le temps à raisonner sur l'intérêt de cet emprunt, au lieu de s'exciter les uns les autres à le remplir. Eh! Au'importe que cet intérêt soit à quatre et demi ou cinq pour cent? Les Banquiers, les capitalistes y pensent-ils quand'ils s'amuse à peser la reconnaissance qu'on leur doit ou qu'on ne leur doit pas? Croient-ils que ce soit le moment de comparer l'intérêt de cet emprunt aux effets royaux? [...] J'invite les Banquiers et les capitalistes à faire de plus sages réflexions. Aucune classe n'a plus d'intérêt qu'eux à ce que cet emprunt réussisse' in *Patriote François*, n. 17 (15th August 1789), 4–5.

weaken Necker's reputation in order to take his place or to put in that ministry some of his closest advisors.¹⁸

The failure of this first loan did not prevent Necker from opening a new one, which offered better terms such as a 5% yield, half paid for with old annuities that could guarantee higher returns, up to 8%. At the same time, this larger loan of 80 millions livres was a clear sign of the strained condition of French finances: without this loan, the French Crown could not count on closing the yearly expenses. However, this loan, just like the first, failed to reach its target: after one year, the loan had only achieved the sum of 44 million. No other options remained at the disposal of the deputies, beyond the much hated fiscal imposition. As a consequence, the financial committee conceived a patriotic contribution based on one fourth of the personal revenue of each citizen. This tax was temporary and it had to be raised between 1790 and 1792.

The patriotic contribution did not do much to improve the financial situation, which possibly even worsened due to the scarcity of money within the national territory. This emergency sharpened a major problem of the French system of finances: credit. The scarcity of current money and excessive hoarding were the logical outcomes of the lack of trust in the commercial paper that was used in everyday transactions. On 6th November, Mirabeau intervened in the National Assembly with a vehement speech against the Discount Bank and its ineffective monetary policy. In particular, Mirabeau held the Discount Bank responsible for spreading panic with its decision to suspend the discount of its *billets*, thus leading people to think that bankruptcy was the most likely outcome.

Once again, Mirabeau did not accuse all bankers of following their own limited interests against the broader interest of the nation. The Discount Bank had become Mirabeau's scapegoat because it had always supported Necker and it had also advanced 12 million livres to the Treasury after the failure of the two loans. The Provençal deputy evoked the precedent of John Law to paint the Discount Bank in the grimmest colours. Even though the comparison

¹⁸ In Mirabeau's view, to blame the bankers would create an unnecessary panic in the financial operators — he referred to capitalists, bankers, financiers, businessmen in general — who were already sceptical about the know-how of the National Assembly when it came to dealing with financial matters. See, *A.P.*, vol. 8, 461. In relation to Mirabeau's ambition, it is important to recall that the National Assembly decreed on 7th November 1789 that 'no member of the National Assembly will be allowed to be nominated minister during the current session' in *A.P.*, vol. 9, 718. This decree was the final nail in the coffin of Mirabeau's ambitious designs to become minister.

between the two financial experiences was preposterous, Mirabeau had touched a nerve: the relationship between the Discount Bank and public debt.¹⁹

Necker fully understood that Mirabeau's vilification of the Discount Bank aimed to weaken his position and so he decided to go to the Assembly to present a plan for a national bank.²⁰ The minister of finances had to face a financial situation that had become much more dire than ever before: not only did the state urgently need 80 million livres to close the fiscal year, but it had also owed 90 million to the Discount Bank, which had been forced to lend this sum to the government over the years.

On 14th November, Necker proposed to make the Discount Bank a national bank for a limited duration of time, ten to thirty years, with the task of issuing 240 million in banknotes. This emission would be followed by a capital increase of 50 million to be added to the original capital stock of 100 million, and at least 80 million would remain liquid in order to have a safe ratio between the new liabilities with the issued money and the cash reserves. In exchange for the privilege of issuing banknotes valid as current money in Paris and for public expenditures, the new national bank had to reduce the interest on the 70 million lent in 1787 as well as on a new 170 million loan. The Genevan banker hinted at the administrative structure of the new bank: the board would be enlarged to twenty-four administrators and the National Assembly would appoint six or eight independent commissioners in charge of monitoring banking activity.²¹

Brissot was not convinced by the plan of the new bank because it enhanced the impression that the state needed an external, private institution to revive its credit. Moreover, in Brissot's eyes, it was inconceivable that a discredited institution like the Discount Bank could become the tool to buttress the feeble national credit.²² The editor of the *Patriote françois* fully shared

¹⁹ Mirabeau's comparison between the Discount Bank and the Law scheme was not founded on any real basis because the former only unwillingly accepted to intervene in public finance, while the latter explicitly aimed to link the Crown's debt to the shares of the Mississippi Company. For Mirabeau's speech, see *A.P.*, vol. 9, 705–712.

²⁰ The idea of creating a national bank was not original: the Count Custine had deposited a project which aimed to constitute a national bank led by Necker, whose capital would be constituted by a 1% tax on all immovable properties. A Parisian notary, Duclos Dufresnoy, proposed to transform the Discount Bank into a national bank whose task would be to pay all interest due on government bonds. This project previewed that shareholders had strict control over the main choices debated in the board of council. Even before the calling of the Estates General, the issue of the creation of the national bank was on the political agenda: Calonne had put it in the proposals to be assessed by the Assembly of Notables. For Custine's and Dufresnoy's plans, see *A.P.*, vol. 9, 104–106; 363–370.

²¹ The plan for a national bank appeared quite complex also in the eyes of some attentive observers such as the journalist of the *Journal de Paris*, who sincerely confessed that he had not understood the plan. '[...] Nous ne sommes pas même sûrs d'en avoir saisi les vues et le dessein avec quelque exactitude; nous nous garderons donc bien d'en parler, car nous croyons qu'avant de parler d'une chose il faut la comprendre' in *Journal de Paris*, 15th November 1789, n. 319, 1479.

²² *Patriote François*, (15th november 1789), n. 99, 2.

with Clavière the hostility towards a national bank with the duty of issuing banknotes and a total monopoly on the paper circulation.²³

The debate over the plan for a national bank continued during all the second half of November. Deputies spoke out their opinion and fears regarding a new institution whose aim would constitute the main reason for existence of the same assembly: restore the national credit. Unsurprisingly, one of the most outspoken opponents was Mirabeau. The Provençal deputy not only challenged the economic aspects of the plan, but also raised the spectre of a national bank as a Parisian club of bankers set against the economic interests of the provinces.²⁴

The debate on the creation of a national bank rapidly intertwined with another debate that would later monopolise the attention of the deputies: the creation of the *assignats*. It is essential to remember the concurrency of these two debates, because just as with all other choices made by the Assembly, the adoption of the *assignats* also was not inevitable and it carried with itself many political as well as economic consequences. Here is not the place to make a counterfactual claim on the different outcomes of the Revolution with a national bank without *assignats*, but it is still relevant to point out the existence of an alternative to the course taken by the revolutionaries.

A veritable turning point within the discussion over the creation of a national bank took place in the session on 5th December. The floor was open to continue the debate on Necker's propositions as well as on the adoption of the *assignats* on the security of nationalised lands. This session had a major impact in the various newspapers that not only reported the contents of the debate but also extensively commented on it. Why was such interest raised by a simple session of the National Assembly? The main reason behind all interest stirred by this session lay in the fact that two bankers who were deputies took the floor to explain their personal opinion regarding Necker's plan: Jean-Barthélemy Lecouteulx de Canteleu and François-Louis Joseph Laborde de Méréville.

²³ 'Je ne propose point une banque nationale, je ne propose aucun établissement durable, servant à fabriquer, et à tenir en circulation ses papiers, dont le nom est devenue si redoutable en France. Je rejette au contraire ces monopoles. Je montre qu'ils sont inutiles aux finances du Gouvernement, que les banques de secours, multipliées dans le Royaume, laissées à la concurrence, et uniquement réservées à l'industrie productive, sont préférables à ces banques plus fameuse qu'utiles' in Étienne Clavière, *Opinions d'un créancier de l'Etat, sur quelques matières de finance importantes dans le moment actuel* (Paris, Buisson, 1789), 30.

²⁴ On the assembly debate over Necker's plan of a national bank many pages have been written. A broad reconstruction of this debate is in the book written by Robert Bigo, *Les origines de la Banque de France et la Caisse d'Escompte (1776-1793)* (Paris, Les Presses universitaires de France, 1927), 150–180. A more recent work which greatly helps to understand the cultural context in which this discussion took place is M. Albertone, *Moneta e politica in Francia*, 365–382.

Both men had been elected in the ranks of the Third Estate, both were experts in financial matters because they belonged to two distinguished merchant families. Lecoulteux was a banker, a member of a Norman family who had risen to the highest ranks due to their successful participation in the trade of silver pesos between South America, Spain and France. Thanks to this activity, one member of the family, Jean-Jacques Lecouteulx du Molay, sat on the board of the Discount Bank.²⁵

Laborde Méréville was son of the Louis XV's banker, Jean-Joseph Laborde. The young Laborde took part in the military expedition led by the general Rochambeau to support the American rebels against British rule. Once he had returned to France, he took an active part in the Cincinnati Society, as well as in the masonic lodge *Société Olympique*, which was under the guidance of the Duke of Orléans.²⁶ At the age of 24, Laborde had inherited from his uncle, Jean Pâris de Marmontel, the office of Keeper of the Royal Treasury.

In that period, the Treasury, in a major reform, was nationalised, with an ousting of the private financiers. Within this new framework, Laborde Méréville held the position of head of the General Caisse, which functioned as a pivot between the director of the Royal Treasury and the other caisses in charge of specific payments for war, colonies and other issues.²⁷ He was a member of the *Société des Trente*, which gathered personalities such as the Bishop of Autun Talleyrand, Mirabeau, the Lameth brothers and Dupont de Nemours. In the first months of the National Assembly, Laborde became a close ally of figures such as Barnave and the two Lameth brothers, who composed the so-called triumvirate at the head of the patriotic party.

Lecouteulx supported Necker's plan, observing that the Discount Bank had already acted as a bank of the state, and that it was in the interests of commerce that the proposed 50 million increase of capital for the bank should not fail. The deputy from Rouen buttressed his argument by stressing the importance for all commercial interests to have a national institution which could grant a solid credit. Lecouteulx was confident that the success of the

²⁵ Lecouteulx was one of the seven bankers with a seat in the National Assembly. For a large and detailed overview of the social composition of the assembly, see Timothy Tackett, *Becoming a Revolutionary. The Deputies of the French National Assembly and the emergence of a revolutionary culture (1789-1790)* (Princeton, Princeton University Press, 1996).

²⁶ On the biographical details of the two deputies, see Edna Hindie Lemay and Christine Favre-Lejeune. *Dictionnaire des Constituants, 1789-1791* (Oxford, Voltaire Foundation, 1991). Another important source to have more information on the two deputies is Thierry Claeys, *Dictionnaire biographique des financiers en France au XVIIIe siècle* (Paris, Ed. SPM, 2009), vol. 2, 39–42.

²⁷ On the Brienne's reform of the Treasury, see J. Boshier, *French finances 1770-1795*, 200–214.

plan would be complete because Necker's credit outweighed any risks and inconveniences within his plan.²⁸

Laborde's speech was more ambitious than all the other interventions that had followed Necker's speech on 14th November because it openly challenged the framework proposed by the Genevan minister and offered an alternative to the transformation of the Discount Bank into a national bank.²⁹ The audacity of Laborde was even greater if we consider that the assembly had been discussing Necker's plan for more than three weeks, during which time no deputy had gone beyond rejecting the minister's proposition or fully embracing it.³⁰

Laborde openly challenged the minister's proposal to issue bank notes up to 240 million because he considered this a clear imposition of paper money, which would soon cause a fall in the value of this paper. In Laborde's viewpoint, the limited issue of these bank notes was not a safe restraint to avoid the risk of hyperinflation, but rather was a clear sign of distrust towards this bank, for otherwise no limit would be set in advance. The young deputy invited the Assembly to go beyond on the classic model of ratio between cash reserve and notes, 1:3 or 1:4, because with no solid trust, even the safest ratio between cash reserves and notes would be meaningless.³¹

Another contradiction in Necker's plan was the idea to set up a national bank whose main shareholders would be private bankers. In this case, it was easy to imagine that these bankers would expect to receive a compensation for their services. On the contrary, if the bank received public funds that later had to be lent to the state, there would be no need to constitute such an institution. Instead of finding a tortuous path to save the Discount Bank, Laborde

²⁸ To give credit to the *Journal de Paris*, Lecouteux's speech was quite successful: '[...]ce discours a été très goûté, très applaudi; chaque mot on y voyoit l'homme instruit, on y sentoît l'homme qui aime le bien et le cherche avec sincérité' in *Journal de Paris*, n. 340, 1590.

²⁹ The courage of Laborde in taking the floor after the successful speech by Lecouteux is recognized by the *Journal de Paris*: '[...] Rien n'est plus difficile quelquefois que d'obtenir d'un succès à la suite du succès d'un autre; rien n'est plus dangereux que de monter à la tribune, lorsque ne sont pas encore expirés les applaudissemens qu'un autre a reçus, C'est ainsi pourtant qu'a paru à la tribune M. de la Borde (sic) de Méréville; il y a paru pour avoir un des plus beaux succès qu'on ait eu encore à l'Assemblée Nationale'.

³⁰ The state of discontent about the long discussion on Necker's financial plan is well depicted in the words of the deputy who intervened just before Laborde Méréville: 'Le Trésor public, Messieurs, est dans le dénûment le plus absolu [...] un mois vous reste à peine pour remplir vos engagements [...] Avez-vous du moins fixé sur un plan déterminé l'objet de votre délibération? Non, Messieurs, plusieurs projets vous ont été proposés. De nouveaux orateurs vont vous soumettre probablement de nouvelles idées, les systèmes se multiplieront, et vous embarrasseront sur le choix: leurs auteurs auront tout prévu, tout combiné, tout, excepté le temps qui est nécessaire pour en faire un examen approfondi [...] Cependant, c'est ce temps qui nous manque [...] Je proposerai que l'Assemblée nationale accordât la priorité au plan proposé par le premier ministre des finances: Secondement, que la discussion fût fermée pour tout autre plan' in *A.P.*, vol. 10, 395–397.

³¹ See, *Discours de M. Laborde de Méréville, sur l'établissement d'une banque publique, prononcé à l'assemblée Nationale, le 5 Décembre 1789, imprimé par ordre de l'Assemblée* (Paris, Imprimerie Nationale, 1789), 10–11.

proposed the creation of a new bank where joint private capital remained available to all merchants who needed credit.

The new bank would lend 150 million livres to the National Assembly in exchange for the privilege of trading in the precious metals needed in the coinage. Moreover, the new bank was to be in charge of the collection of all taxes and of the clearing of all provincial transactions by local tax officers. As it emerges from this summary description, Laborde's plan rested on two hinges: the first was the creation of a new private bank whose shareholders would promptly lend 150 million to the National Assembly in exchange to the privilege of being the bank of the nation, the second was a large restructuring of public finances required to be transparent and accountable in every transaction.

The new bank's capital would amount to 300 million livres: 50 million would constitute the cash reserve and the state could count on the remaining 250 million, paying as commission 0.5% in the first five years and 0.25% in the last five years. The new financial institution remained under the Assembly's close scrutiny and the minister of finances would be held accountable for the final balance's approval.

The plan presented by Laborde met with great acclaim in the Assembly, which applauded the young deputy and ordered the publication of the plan. Laborde's proposal did not go unnoticed by foreign observers: William Short, the American envoy in Paris, praised the project to Thomas Jefferson.³² The same evening, a committee of ten deputies was constituted to judge the validity of the different financial plans. Lecouteulx and Laborde were elected to be members of this committee, together with other deputies renowned for their expertise in financial matters, such as Dupont de Nemours, Anson and Talleyrand. In the end, Laborde's plan was rejected and the committee approved with some major amendments Necker's plan. Yet it remains interesting to analyse the debate that Laborde's proposal triggered in the press regarding the role of bankers within society.

Even though Laborde presented himself as opposing the minister of finances, Brissot did not buy into the new plan, which he stigmatised as "one hell summons another" (*Abyssus abyssum vocat*).³³ Brissot strongly contested the role that the new institution had to play in dealing with public revenues: the wealth of the nation would fall into the hands of a group of speculators. The patriotic newspaper pointed out other elements, which completely

³² See, Julian Parks Boyd, (ed.), *The papers of Thomas Jefferson* (Princeton, Princeton university press, 1950), vol. 16, p. 33.

³³ *Patriote François*, (6th December 1789), 2.

disqualified the project: the reference to the English model and the supposed inspiration drawn from Law's system.

It was true that Laborde had made a rapid reference to the Bank of England concerning the way private capital could have a public role once it was employed to strengthen public credit. However, Brissot contested the English model not on an economic level, but rather for its nefarious political consequences. In Brissot's view, the Bank of England had been for all the eighteenth century the financial tool which had made it possible for a small country like England to fight expensive wars on the continent as well as around the world. Brissot implicitly admitted the economic efficiency of an institution such as the Bank of England in granting credit, but considered that its existence increased the number of wars and the internal debt.³⁴

Brissot did not accept the emergency argument: the financial need of the state did not justify the creation of a bank, which would mean France running the serious risk of 'falling from Charybdis to Scylla'.³⁵ The only way out of the dire financial situation was a sharp reduction in the public expenditure, starting with a close revision of all pensions and royal court disbursements. The adamant refusal to contemplate any banking institution was the result of his unshakable conviction: 'all banks enrich few private capitalists and ruin nations'.³⁶

Camille Desmoulins wholeheartedly shared this assumption when he wrote, commenting on the different financial plans:

J'avoue que je pense à peu-près sur tous ces systèmes de finances, comme ce Marquis de Canillac, qui disoit un jour à Laws (sic), en présence du Régent: Monsieur Laws, vous m'avez volé mon système. Pour avoir de l'argent je fais des billets, et je ne paie pas; vous ferez de meme (sic). Je réclame l'invention, elle m'appartient.³⁷

The open distrust towards bankers and capitalists was a persistent topic in *L'Ami du peuple*, published by Jean-Paul Marat. The future leader of the Cordeliers paid a certain amount of attention to the world of commerce, as he showed during the debate over the exclusion of

³⁴ *Patriote François*, (8th December 1789), 3.

³⁵ *Patriote François*, (8th December 1789), 3.

³⁶ *Patriote François*, (14th December 1789), 4.

³⁷ 'I confess that I think more or less the same on all these financial plans than the Marquis de Canillac, who once told to Law, at the Regent's presence: Monsieur Law, you stole my plan. I issue notes to obtain money, and I do not pay; you are going to copy me. I claim the design, it is mine [author's translation]' in Camille Desmoulins, *Révolutions de France et de Brabant* (Frankfurt am Main, Keip Verlag, 1989), n. 3, 7th December 1789, 199–200.

bankrupted individuals from civil and political office. Marat strongly opposed Mirabeau's proposal of excluding not only bankrupted citizens, but also their heirs from running for political office, unless they had repaid all their relatives' debts. Marat could not accept that all those bankrupted should be considered thieves, liars and reckless speculators. The reality was by far more complex: bankruptcy could hit honest people as well as speculators. A law that made no distinction within the wide array of bankruptcies was an unjust law.³⁸

It would not be fair to claim that Marat had a certain sympathy for bankrupts, yet it is clear that the radical patriot did not have a black and white conception of market actors such as merchants and traders that were more exposed to failure. The same author could not claim to have a similar nuanced judgement when he had to deal with bankers or financiers. Marat's condemnation of bankers and capitalists was absolute with no possibility of redemption:

Les capitalistes, les banquiers, les agioteurs, tous intéressés aux spéculations du gouvernement, n'y sont de même que des ennemis déclarés de la patrie; tandis que les négociants, les marchands, les rentiers, plus attachés à la fortune qu'à la liberté, y font des vœux secrets pour le retour du despotisme.³⁹

However, the distrust and the hatred against bankers and capitalists was not a prerogative of the more ardent patriots, but it was a shared assumption among the most conservative opponents of the revolution. As a matter of fact, the most vocal attacks against the proposal of the young deputy came from conservative papers such as *The Journal politique national*, published by the Abbot Sabatier de Castries, and *Les actes des apôtres* by Jean-Gabriel Peltier.⁴⁰

This latter journalist did not spare sarcastic remarks on the project of a bank of private shareholders: he wished to have a bank led by philosophers, political economists, even

³⁸ See, Jean-Paul Marat, *L'Ami du peuple ou le publiciste parisien, journal politique et impartial*, 8th December 1789, n. 42, 107–108.

³⁹ 'Capitalists, bankers, speculators, all are interested in public funds speculation, yet they are open enemy of the motherland; while traders, merchants and annuitants are more attached to their wealth than freedom and they secretly long for the return of despotism [author's translation]' in Marat, *L'Ami du peuple*, (19th November 1789), n. 40, 93–94.

⁴⁰ These two newspapers have usually been labeled as "right-wing press". However, I personally prefer to use terms such as "conservative" or even "reactionary" in relation to these publications because in the first months of the National Assembly, there were no clear parties. Moreover, the main political cleavage in 1789 was not about monarchy and republic but rather about the distribution of powers between the Assembly and the king. To have a general overview of the conservative press during the French revolution, I refer to Jeremy D. Popkin, *The Right-wing Press in France, 1792-1800* (Durham, University of North Carolina Press, 1980) and William James Murray, *The right-wing press in the French Revolution* (London, Boydell Press, 1986).

journalists, rather than having a bank ruled by bankers, speculators and capitalists.⁴¹ This distrust towards bankers thrived on a great ignorance of the most basic fundamentals of banking theory. For example, the conservative newspaper claimed that a sound bank had to stock in its vaults a cash reserve worth at least twice its liabilities.⁴²

Therefore it is not surprising that the main criticisms against Laborde's plan were formulated not on economic aspects, but on the political consequences that a joint-stock bank could have on the entire French nation. The reactionary journalist condemned the plan because he considered the new bank a Trojan horse within the system of different political institutions. The menace of a new bank put in danger the entire Montesquieu paradigm of the separation of power:

Montesquieu avoit placé la perfection du petit nombre de gouvernements qu'il connoissoit dans la séparation des POUVOIRS. [...] nous dirons que si le plan de M. de la Borde, envisagé sous le point de vue des finances, est admirable; c'est, sous les rapports consitutionnels et politiques, une conception sublime, puisque nous lui devons un cinquieme POUVOIR, que nous appellerons, ainsi que l'êveque d'Autun, BANCAL.⁴³

Les actes des apôtres rebuked Laborde for his intention not only to speculate on the dire financial situation, but also to introduce behind a mask a new player in the political fight that was taking place in France. Another manner to indict the plan was to discredit the proponent: Laborde could not be trusted because he was more attached to his partners (*commanditaires*) than his electors (*commetants*) of Étampes. This accusation was not just a witty *jeu de mots*, but proclaimed a profound distrust of bankers who could not in any way be vested with the *volonté générale* because they always followed their private interest rather than the national one.

Therefore, the professed patriotism of Laborde was just a cloak to cover the real aim of his financial plan: a new way to speculate under feigned appearances of being a devoted patriot

⁴¹ Jean-Gabriel Peltier, *Les actes des apôtres*, vol.1, n. 3, 11.

⁴² 'Nous pensons, sauf meilleur avis, que M. de Lavenue auroit ajouté encore, s'il étoit possible, à l'idée qu'il a donnée de lui, en disant que les vols, les pertes, les falsifications, etc, doivent obliger une banque solide et nationale à avoir toujours en argent effectif le double de ses valeurs fictives' in *Les actes des apôtres*, n. 5. 14.

⁴³ 'Montesquieu framed the perfection of the few forms of government that he knew in the separation of POWERS. We will claim that Laborde's plan is admirable on the financial side, it is even sublime on political and constitutional matters. As a matter of fact, we owe him a fifth POWER, which we will call it, as the Bishop of Autun did, BANKING. (author's translation)' in *Les actes des apôtres*, n. 8, 4,6. The fourth power was the administrative power. Words in capital letters are as such in the text.

who worked for a stable recovery of public finances.⁴⁴ The passing of Laborde's plan was meant to put the final nail in the coffin of any possible reform in the French financial system that risked to go from 'the bank of a despotic state to the despotism of the bank'.⁴⁵

Another conservative paper which unleashed attacks against bankers and their political ambitions was the *Journal politique-national des États-Généraux et de la révolution de 1789*. The main journalist of this newspaper was the polemicist Antoine de Rivarol, who pointed the finger at the party of capitalists as the leading force behind the calling of the Estates General as well as the birth of the revolutionary National Assembly. This party had no specific program to implement, but was ready to offer active support to all those forces that were committed to the full repayment of all state debt to holders of public funds.

While the Third Estate eagerly claimed that the aim of the National Assembly was a new constitution, the capitalists strove toward one single goal: a national guarantee on state debt. In this view, the plan of Laborde was just the tip of the iceberg: the young deputy had in mind a director of the shareholders' bank with more power and prerogatives than the minister of finances.⁴⁶

The fear that bankers had reached such bargaining power over the political choices was not exclusive to the conservative field, but was present also in the most radical papers. Louis Marie Proudhomme offered a clear example of this attitude in his *Révolutions de Paris*: the radical writer denounced the bankers of the Discount Bank as blackmailers of the minister. The reasoning was simple: France could not count on its revenues, so Necker asked for money from the Discount Bank, which granted the loans in exchange for being considered a national bank.⁴⁷

⁴⁴ 'Les partisans des vrais principes verront avec plaisir découler du plan de M. de la Borde, qui ajoute cinquante mille actions au petit nombre de celles qui circulent à Paris, l'inestimable avantage de substituer à l'ancien et sordide agiotage, né du régime aristocrato-fiscal, un agiotage régénérateur, ennobli par sa source, et que nous croyons pouvoir appeler *constitutionnel*' in *Les actes des apôtres*, n. 8, 15.

⁴⁵ *Les actes des apôtres*, n. 8, 15.

⁴⁶ See, Antoine de Rivarol, *Journal politique-national des États-Généraux et de la Révolution de 1789, publié par M. l'abbé Sabatier et tiré des Annales manuscrites de M. le Cte de R*** [Rivarol]*. vol. 1, n. 3, 38. The expression 'parti des capitalistes' is used in *Journal politique-national*, vol.1, n. 5, 53. In another article, Rivarol publicly recognised the nefarious influence exercised by Laborde on the National Assembly: "Laborde-Mereville, Boscary et Dufresnoy; le notaire, méritent qu'on les tire un moment de leur coffre-fort; c'est à cause de l'énorme influence qu'ils ont eu sur les capitalistes, et par conséquences sur la Révolution" in *Journal politique-national*, vol.1, n. 13, 140.

⁴⁷ 'Le ministre n'a proposé ce plan qu'en avouant qu'il étoit contraire à ses principes, qu'il se ressent de la contrariété des circonstances, qu'il est possible d'en présenter un meilleur. Ne voyons-nous pas dans ce langage celui d'un honnête homme, à qui d'impitoyable agioteurs ont mis le poignard sur la gorge, et à qui ils ont dit: «tu aimes la patrie; tu veux la servir, la sauver; mais pour cela, il te faut de l'argent dans ce moment de crise; nous l'avons nous, l'argent? Eh bien! Tu n'en auras pas, à moins que tu ne fasses convertir notre compagnie en caisse nationale, c'est-à-dire que tu nous donnes le moyen de faire payer long-temps et chèrement à la nation le petit secours que tu nous demandes pour elle' in *Les Révolutions de Paris, dédiées à la Nation, et au district des Petits-Augustins, avec une suite de quelques papiers de la Bastille; le résultat de l'assemblée nationale; les*

As emerges from this study of the debate aroused by the proposal of a bank of shareholders, the distrust and hatred towards bankers and capitalists was already strong in the early stage of the revolution. Both conservative and radical sides of the political spectrum shared the profound conviction that bankers, as well as all other men with conspicuous interest in the world of finance, could never become patriots because they only cared about their private economic interest.

A small yet not irrelevant nuance in the criticism against bankers between conservative and patriotic authors can be detected in the strong belief of conservative opinionists that bankers and capitalists constituted a party, or at least a relevant political constituency, within the National Assembly. While radical voices such as those of Marat and Brissot raged against the fact that bankers wanted to play a role within revolutionary politics, conservative opinion leaders regarded this as a heinous reality: capitalists were already part of the political game.

3.2 A new role for banks in France? Pierre-Louis Roederer and the “normalisation” of banks within French society.

‘L'ordre, l'ordre; voilà l'objet de toute constitution, la tâche de tout gouvernement’.⁴⁸ This adamant belief can be considered as the motto of a very fascinating figure whose career started before the Revolution and ended during the Restoration: Pierre-Louis Roederer. Born in 1754 in Metz, and son of a lawyer active in the local parliament, Roederer followed in his father's footsteps and became councillor in the parliament of Metz. Later, he took part in the National Assembly and started to contribute to the newspaper *Journal de Paris*, where he intervened in the field of economics. His interest in economic themes led him to the publication of a weekly newspaper in 1796 (*Journal d'économie publique, de morale et de politique*), which, as the title hinted, addressed the most vital issues in economics as well as their relation to society.

The quest for order was particularly understandable once we consider France's peculiar situation in 1796: the country was still at war against a great coalition of European monarchies, with the flames of a civil war raging in different regions of the country, and a newborn constitution (1795) which delivered the executive power into the hands of five

nouvelles de province et étrangères, et interrogatoire des criminels de lèze-nation, papiers anglais et autres pièces, avec gravures, n. 23, 6–7.

⁴⁸ ‘Order, order, that's the aim of all constitution, the task of all government (author's translation)’ in P.L. Roederer, *Journal d'économie publique, de morale et de politique* (Paris, Imprimerie du Journal d'économie publique, 1796) vol. 1, n.1, 3.

people, thus creating a certain unsteadiness in the whole political system. Attempts to overthrow the Directory or to change the majority within one of the two assemblies, the Council of five hundred and the Council of Ancients, recurred with a high frequency.

The *coup d'état* against Robespierre on 9th Thermidor (27th July 1794) was only the first of a series of *journées* during which the political authorities were openly challenged: between 1st and 2nd Prairial (20th – 21st May), sans-culottes rose against the Councils to protest against price rises and to defend the Constitution of 1793. On 13th Vendémiaire (5th October 1795), it was the turn of royalists to rise up, an attempt quelled by the cannons of the young Bonaparte. Subsequently, a series of purges within the Directory or the assemblies characterised the few years before the successful coup led by Bonaparte on 19th Brumaire (9th November 1799).⁴⁹

The quest for order interested Roederer in the relation between public opinion and property in its protean forms. In the first months of 1795, an alarming rise in the prices of basic commodities led to a general movement against merchants accused of being the main culprits for this price rise. As an industrialist, Roederer was well acquainted with price movements and also with the rooted sentiment against merchants so diffused among the lower social (or socioeconomic) strata.⁵⁰ Therefore, he felt a duty to explain the price rise without blaming merchants, but by looking for other explanatory factors. Roederer pointed out that the excessive rise in prices was largely due to the excessive circulation of assignats, along with two more ‘political’ reasons: the unsteadiness of the republican government and the heritage of the Terror.⁵¹

Merchants and capitalists preferred to invest their capital in movable assets because they still feared some possible restraints on their immovable assets, such as land and houses. Roederer found surprising the large investments in transferable property because he considered investing in immovable assets more secure. Nonetheless, the Alsatian lawyer deemed all voices of plots aimed at unsettling the French economy groundless and the real cause as the disruptive economic policy of forced loans, seizures and the diffuse envy of private mansions and estates which all thrived under the Terror.⁵²

⁴⁹ Entire library shelves have been written on the short but decisive period of the Directory. For what concerns this chapter, the following works have been particularly useful: Georges Lefebvre, *La France sous le Directoire: 1795-1799*, (Paris, Éditions sociales, Messidor, 1984; James Livesey, *Making democracy in the French Revolution*; Isser Woloch, *Jacobin legacy*; Andrew J. S. Jinchill, *Reimagining politics after the Terror: the republican origins of French liberalism*.

⁵⁰ For Roederer the industrialist, see Kenneth Margerison, ‘P.-L. Roederer: The Industrialist Capitalist as Revolutionary’ *Eighteenth-Century Studies*, 11,4 (1978): 473—488.

⁵¹ *Journal de Paris*, (17th February 1795), n. 159, 639—640.

⁵² *Journal de Paris*, (18th February 1795), n. 160, 645—646. In the same article, it is worth noticing that Roederer reported the main accusations against bankers that were common during the Terror: ‘Est-ce avidité? Est-ce haine de la révolution? Est-ce complicité avec Pitt and Cobourg?’ Roederer dismissed all these

Roederer was not naive: he knew perfectly well that the ethics of bankers and financiers were not always faultless. For this reason, he hoped that an ethical control might be exercised on the activity of the stock exchange. Public opinion should avoid the easy exercise of finding the scapegoat for all flaws of the republic in the figure of merchants, but at the same time, public opinion was called to sanction with the utmost disdain all brokers and bankers responsible for misbehaving. The *Bureau de Commerce* could publish a report each day on what had occurred at the Bourse focussing not only on the stock prices, but also on the transparency of the floor operations.⁵³

The *Journal de Paris* paid keen attention to the issue of credit and to the related development of a sound banking system. It is reasonable to think that Roederer, who shared the ownership of the newspaper with Corancez, had to be the first supporter and attentive reader of the articles on the banking system published in his newspaper.⁵⁴ On this topic, the newspaper gave wide space and support to the works of a close friend of Roederer's: Camille Saint Aubin, professor of law at the *École centrale de Paris*.⁵⁵ In the spring 1796, Saint Aubin published a book on the positive outcomes of a system with numerous private banks founded on private credit for a complex economy such as France.⁵⁶ The law professor took as a model for the French Republic the system of free banking, as it had developed throughout Scotland, rather than striving to create a national bank that had strong ties with the central government.

The starting point of Saint Aubin's reasoning was the debate on the creation of a national bank, as described above.⁵⁷ Saint Aubin was not in favour of a national bank because he

accusations starting from the omnipresent claimed cause of all economic crises: human greediness. (Italics in the original text).

⁵³ *Journal de Paris*, (18th May 1795), n. 238, 561. On another occasion, Roederer expressed again his profound belief that within the building of the Bourse, there must be people controlling the morality of the financial transaction. However, here the author exaggerated and proposed to have an army of controllers on the floor: “[...] si un jeu criminel produit une hausse factice, le grand moyen de l'arrêter [...] c'est d'avoir dans l'enceinte de la bourse des *journalographes*, des *tachigraphes*, des *pasigrafes*, des *historiographes*, pour nous apprendre chaque jour ce que les joueurs se disent entr'eux” in *Journal de Paris*, 27th December 1795, n. 95, 392. (Italics in the original text).

⁵⁴ See, Thierry Lentz, ‘La Presse Républicaine Modérée Sous La Convention Thermidorienne et Le Directoire: Pierre-Louis Roederer, Animateur et Propriétaire Du «Journal de Paris» et Du «Journal D'économie Publique»’. *Revue Historique*, 292, 2 (1994), 297–313.

⁵⁵ A very praiseful review of Saint'Aubin's book was published on 4th March 1796, n. 162, 647—648.

⁵⁶ On Saint Aubin's biography, see Adolphe Robert, Edgar Bourloton et Gaston Cougny ed. *Dictionnaire des parlementaires français: depuis le 1er mai 1789 jusqu'au 1er mai 1889*, (Paris, Bourloton, 1889), 236. The title of the book published in 1796 about banks was: *Des banques particulières, ou moyens de ranimer l'agriculture, l'industrie et le commerce en France en y introduisant un papier de confiance, fondé sur le crédit des particuliers, par des établissements tels quels ils existent depuis longtemps en Ecosse*.

⁵⁷ ‘Parmi les ecricains éclairés qui, en 1789, discutèrent le sujet des banques, Laborde et Talleyrand démontrèrent, avec l'évidence la plus complète, l'absurdité d'une banque nationale, soit que le gouvernement la fasse administrer pour son compte, soit qu'il lui fournisse des fonds. Mais comme le grand objet dans ce moment, était de mettre de l'ordre dans les finances de l'État, ils furent naturellement conduits à imaginer des banques liées avec le gouvernement’, in Saint Aubin, *Des banques particulières*, 16.

feared two inherent vices of this institution: on the one hand, a national bank risked being despoiled by the government whenever the latter had compelling monetary needs; on the other hand, the national bank received a privilege in order to be established that went against the ideals of the Revolution.⁵⁸

The Scottish model of private banks worked as follows: merchants or investors deposited their money and received in exchange paper notes issued by the bank, which could be used as means of payment. The bank could also credit its clients once it had received a signed guarantee by the borrower as well by other people acquainted with the borrower. The banker paid an interest around 4-5% on the deposits, and his business was more profitable depending on the trust he had gained.

There were two prerequisites to Saint Aubin's reasoning: trust towards private bankers and distance between the government and private banks. As long as the government could intervene in the bank's choices or, even worse, ask directly for a loan, this bank could play an influence over government, and the other way round.⁵⁹ In Saint Aubin's opinion, the trust that a single person could acquire was easier to realise than the government credit, which was still struggling to recover from the Terror.

It must be recalled that Saint Aubin worked as an assistant of Lecouteux de Canteleu, who had every interest in seeing the realisation of a free banking system in France because he could claim to be one of the most renowned and trustworthy houses of commerce within the country. As described above, Saint Aubin referred to Laborde's plan as a good point of departure for his proposal, but he intentionally dismissed the fact that Lecouteux was one of the stronger supporters of Necker's plan, which aimed to create a central national bank.

The *Journal de Paris* did not always embrace the cause of bankers and it did not avoid criticism of certain attitudes and practices that still characterised the banking world. One of the most stigmatised vices of bankers was hypocrisy. While bankers expected their clients to pay their debts on time, the same seemed not to apply to them. Bankers kept living their lives with large expenses and luxury even though they were not so far from bankruptcy or, even worse, already bankrupted.⁶⁰

⁵⁸ Saint Aubin, *Des banques particulières*, 17.

⁵⁹ Saint Aubin, *Des banques particulières*, 40—42.

⁶⁰ This reflection on the hypocritical way of living of bankers was the content of a dialogue between a countryman and his banker who had gone bankrupt but even so continued to enjoy his life, as if bankruptcy never had occurred, going to theatre, taking carriages to move around Paris. '*Du sentiment des convenances* [...] Mon banquier qui a fait banqueroute ou mieux en termes choisis, à la mode à Geneve, a remis son bilan (il faut être poli) me voit à Paris, me dit: Je n'ai que du papier; mais il fait une légère inclination, et passe. Cet homme a bien rempli les convenances? [...] Un peu mouton, comme tant d'autres, je vais sur les Champs Elysees (à pied) passe sur le boulevard mon banquier et peu s'en fait que je ne reçoive le coup de fouet destiné à ses chevaux [...]

At the end of August 1796, Roederer decided to start a new newspaper, which enabled him to discuss topics and issues more broadly than was possible for him in a daily like the *Journal de Paris*. He continued to write in the *Journal de Paris*, where he signed his articles with a simple "R", but his main efforts were devoted to the *Journal d'économie publique*. This editorial initiative shows how strong was Roederer's belief in the importance of publishing a newspaper with a large space devoted to political economy. The *Journal d'économie publique* had four sections: the first section was dedicated to book reviews; the second gave space for readers' questions; the third offered a brief appraisal of news; and the last one concerned law proposals and commented on approved laws.⁶¹

This journal not only gave Roederer the opportunity to provide an extended commentary on the main political issues; it also enabled him to keep a safe distance from the events. The acquired detachment allowed Roederer to mould the *esprit public*, offering reasoned arguments and broad analyses. This new journal aimed to offer to a specific readership — public officers, merchants and bankers, and politicians — a well considered opinion useful in the process of law making or in the evaluation of highly specialised topics, such as those concerning credit, monetary policy or judiciary reform.⁶²

Roederer pointed out that the lack of political reflection was a consequence of the dire outcomes that philosophical ideas had generated in the previous years: people preferred to avoid extensive confrontation on political topics because they feared another Terror. It was to revive this public opinion that Roederer published his newspaper; otherwise, there was no hope of seeing once more an *esprit public*, in the sense of an active engagement in the general affairs, in Paris.⁶³

A central theme in Roederer's reflection was the sanctity of property rights. The author was profoundly convinced that order would never become rooted in France without a clear and

Hier, je vais aux italiens, je suis un habitué du parterre. Mon éternel banquier n'était il pas devant à l'orchestre à 6 francs, il est assis moi droit, il prend une glace je bois...de l'eau. En sortant la légère inclination protectrice a lieu. Sans doute cet homme fait non seulement les convenances mais ses convenances' in *Journal de Paris*, (30th September 1796), n. 8, 34.

⁶¹ See *Journal d'économie publique, Prospectus*, (27th August 1796), 2—3.

⁶² The aim of offering critical tools in order to lead the political activity is openly expressed: 'Je ne ferai ici aucune application; je ne poserai que des principes pour en deduire des règles de conduit' in *Journal d'économie publique*, (12th October 1796), n. 5, 277. I am profoundly convinced that Roederer wanted to shape political opinion rather than build a moderate force, the unaccomplished center. In his fully comprehensive article on Roederer and the press, Jean-Luc Chappey believed that Roederer pursued both tasks. See note 6.

⁶³ The description of the attitude of Parisian people towards active engagement in public affairs was pitiless: '[...] ses habitans (sic) n'offrent qu'un peuple dégénéré, abâtardi, dénué de ses anciennes grâces et incapable de vertus nouvelles, devenu cupide sans être plus solide, sérieux sans être plus grave; toujours vil jouet des modes, toujours indigne du ilen des moeurs; toujours parlant sans idée, toujours se répétant sans conviction et sans principes, toujours ridicule pour l'homme de sens, et méprisable pour l'homme de bien' in *Journal d'économie publique*, (21st October 1796), n. 6, 302.

definitive defence of property. In the author's view, property was a natural right because without property, one could not live even in the state of nature. Instead of criticising Rousseau's conception of property, Roederer fought against those self-proclaimed disciples of the Genevan philosopher and, willingly or not, put in Rousseau's mouth words he never wrote or pronounced.

The famous motto 'the fruits of the earth belong to us all, and the earth itself to nobody', which Rousseau wrote in his *Discours sur l'inégalité*, should not be taken — Roederer argued — as a political program to be accomplished, but as it was conceived: as a description of the state of nature. This was not in contradiction to the claim that property was a natural right, as long as one recognised that the right was a natural right whose enforcement was the aim of a civilised society. Moreover, it should not be dismissed that the same Rousseau, in his *Économie politique*, sanctioned property as the most sacred right of a citizen and that there could not be civil society without property.⁶⁴

These considerations on property were not just a theoretical appraisal of a complex concept; rather, they also tackled the practical consequences of the public outcry over property. Roederer warned that an excessive blaming of property could lead people to rise against those who were considered rich, such as shopkeepers, merchants, or simply owners of fancy houses. However, the uncontrolled plunder targeted only those who appeared rich: when newspapers blamed speculators or financiers, rioters ravaged boutiques and shops or ransacked private mansions.⁶⁵

The long article dedicated to property and its sanctity was the reproduction of a speech/essay that Roederer had given/written in 1793, when the popular movement in Paris had targeted boutiques and shops by reason of the scarcity of goods such as sugar and coffee.⁶⁶ Why did Roederer feel the necessity to republish in the spring of 1797 what he had written four years before? Were property rights again under attack?

The answer can be found analysing the main newspaper of the neo-jacobin (or simply republican) forces, which was the *Journal des hommes libres*. Founded in November 1792, its main contributors and editors were René Vatar and Charles Duval. Close to the position of the Jacobin club, the two editors continued to defend Jacobin positions even after Thermidor,

⁶⁴ See, *Journal d'économie publique*, (20th March 1797), n. 21, 118—132.

⁶⁵ '[...] c'est quand on a bien crié contre les agioteurs, les banquiers, les propriétaires de terres, que le peuple abusé pille les sucres et les savons' in *Journal d'économie publique*, (20th March 1797), n. 21, 133.

⁶⁶ A very original and groundbreaking interpretation of these riots is offered by Colin Lucas and Rebecca Spang, "Sans culottes, sans café, sans tabac: shifting realms of necessity and luxury in eighteenth century France" in Maxine Berg and Hellen Clifford (eds.), *Consumers and luxury: consumer culture in Europe 1650-1850* (Manchester, Manchester University Press, 1999) 37–62. The authors claimed that the riots were the clear demonstration that sugar and coffee were no longer luxuries for the lower strata of Paris' population.

especially in economic matters such as fiscal policy, price control and the means to bring the public debt under control.⁶⁷

On 21st February 1797, the Council of Five Hundred definitively dismissed the option to create a national bank that would lend money to the state. Following this decision, the role of bankers was increasingly challenged within as well as outside the Assembly. Two days later, the deputy Anne-Alexander Marie Thibault unleashed a violent attack against foreign speculators as those mainly responsible for the assignat depreciation. As a solution, Thibault proposed to expel all foreign speculators from the country so that the national credit would rapidly revive.⁶⁸ On the same day, a petition was introduced to the Council demanding the prompt closure of the stock exchange, described as a ‘hell cave’.

A few days after this debate, the journal launched its strongest attack against bankers, challenging their patriotism, which they had never shown towards the Republic. The open rebuttal of any national bank allowed the neo-jacobin newspaper to use the wide array of accusations against bankers used during the Terror:

Quels services signalés ont enfin rendus tous ces gens de *finance*? Quels sont ceux qui se sont acharnés, depuis si longtemps, à discrediter les assignats? Les banquiers.

Quels sont ceux qui font la hausse et la baisse avec tant de disproportion? Les banquiers. Quels sont ceux qui établissent leur fortune en ruinant le peuple? Les banquiers.

N'est-il pas généralement conçu que, depuis un an, les banquiers se sont ligüés pour faire tomber les assignats, afin de substituer leur papier au notre? Leur complot a parfaitement reussi.⁶⁹

The neo-jacobin newspaper started to vilify not only bankers and their financial operations, but also their political influence. In this view, the entire revolution had been a process of changing financial élites: France had moved from the expensive and inefficient regime of the *Fermiers Généraux* (Tax Farmers Company) to the more corrupt and unjust system of

⁶⁷ A good introduction to this newspaper as well as a general overview on its history is offered by Max Fajn, *The «Journal des hommes libres de tous les pays»: 1792-1800* (The Hague, Paris, New Babylon, Mouton, 1975).

⁶⁸ See *Journal des hommes libres de tous les pays, ou le Républicain*, 23rd February 1797, n. 118, 474.

⁶⁹ ‘Which are the remarkable services that financiers had offered? Who are the most relentless actors in discredit the *assignats*? The bankers. Who are responsible for such disproportionate ups and downs? The bankers. Who are those who enriched themselves ruining people? The bankers. Is it not well known that bankers have been conspired against the *assignat* since one year ago? Their plot has completely succeeded (author's translation)’ in *Journal des hommes libres*, (27th February 1797), n. 131, 488—489.

bankers. Yet, what was even worse was that bankers could count on deputies, who were bankers themselves, such as Lafon Ladebat, Lecouteulx, or Dupont de Nemours. These politicians had to be considered speculators, just like the other bankers.⁶⁹

The *Journal des hommes libres* made the criticism against bankers and financiers one of its most recurrent themes in this period. Thus, it was not surprising that sooner or later, the republican newspaper would target Roederer's journal. The clash between the two newspapers occurred on the occasion of riots in Paris to protest against the introduction of the *mandats territoriaux* (paper money secured on nationalised lands) as current money.

Roederer considered the riots as an anarchical movement, which could end in an open rebellion similar to what taken place in prairial year 3. The plunder of markets, shops and boutiques could not be justified as a protest against the decision of considering the *mandats* as current money, rather it was the dangerous rise of a poorly defined 'faction des anarchistes'. Therefore, Roederer proposed that a militia should be raised among the owners' young sons that would learn to stand up for the Republic. Once again, Roederer pointed out that all plunderers destroyed property and attacked supposedly wealthy people because they had been stirred up by obnoxious discourses against property and owners.⁷⁰

The reply from the *Journal des hommes libres* was a complete rebuttal of all the details about the riot, as reported by Roederer: there were no 'furios Jacobin' to stir up the crowd against merchants, the large presence of police agents led the republican observer to conclude that behind the riots, there was a project of merchants and other 'moneyed aristocrats' aiming to produce a shock in the market of the most needed staples. Even though the journalist recognised that Roederer could not be considered as a fool, he was an agent of the aristocracy and a committed speaker for the interest of the new aristocracy: the aristocracy of wealth.⁷¹

⁶⁹ 'Peuple français, malheureux Prométhée, le *vautour des banques* te devorera. Je les vois au nombre des législateurs, ces createurs de banques, ces avilisseurs de tout papier-monnoie, ces pompes aspirantes des fortunes particulières et du crédit public. [...] Hommes qui vous jouez impunement de la vie des hommes, du sort de la republique, createurs de banques, vous que je signale pour les premiers et les éternels agioteurs, dites-nous, avec l'impudence, la cupidité, la bassesse qui vous caracterisent, quelles terres, quelle villes, quelles provinces vous voulez envahir? Que votre soif de l'or et du pouvoir se tarisse enfin, mais que l'agiotage s'enfuie avec vous, qu'il serve de monuments à vos tombeaux prematurees' in *Journal des hommes libres*, (30th June 1797), n. 241, 973.

⁷⁰ See *Journal de Paris*, (2nd July 1797), n. 284, 1139—1140. The model of this young man came directly from the Ancient Greek, and the Alsatian journalist proposed it as a way to educate young pupils in sober republican behaviours. Otherwise, the risk was that all these young men would follow the current fashion: 'C'est à cet usage et non à la garde volontaire des corridors de nos spectacles, qu'on voudroit voir employé toute cette jeunesse française que la mode prend son fol empire, parce que la république néglige de s'en servir pour le sien'. From this excerpt, it also emerges how Roederer was committed to the republican cause? and he did not wish any return to the society of the Old Regime.

⁷¹ See *Journal des hommes libres*, (3rd July 1796), n. 244, 986. The journal recognized that Roederer was not a 'sot (fool)' but considered that he had overemphasised the role of commoners in the plunder in order to establish a military force to quell any possible disorder. This force would be use against republicans as part of a large plan to overthrow the republican institutions: '[...] dans les cabinets de l'aristocratie, les salons des banquiers, les

Roederer's main guilt consisted in being a staunch supporter not only of the new aristocracy of wealth but also one of the main proponents of the establishment of banks to strengthen the national credit. Over the following days, the polemics continued between the republican newspaper against Roederer and his supposed promoters, the bankers. On 8th July, the deputy Armand-Gaston Camus denounced that various bankers and supposed government agents had been surprised at asking *mandats*, the new value, at a lower price, thus favouring its discredit. However, Camus recognised that the series of operations said to be led by bankers to discredit the currency were not easily traced, even by the experienced officers of the Treasury.⁷²

The open denunciation of the bankers' manoeuvres to depreciate the current value of the *mandats* gave reason to the *Journal des hommes libres* to again take up the cudgels against bankers and their reactionary plans. Louis Leclerc, author also of the previous articles, complained that bankers influenced the Council also when it sanctioned unlawful actions committed by their peers. Whenever the Council proposed laws restraining bankers' activities, these projects went through so many amendments that when they became laws, they were almost ineffective. Moreover, the Council of Five Hundred rarely denounced senior bankers and limited its inquiries to second-rank agents or bankers that were not really influential.

Leclerc compared the eternal impunity of the top bankers with those newspapers which proclaimed to be attached to the constitution and to the republican institutions, yet never lost an opportunity to blame the government and obstruct its actions. Here, the reference to Roederer's journal along with other newspapers apparently loyal to the government was clear.⁷³ The article closed with a desperate plea for action against bankers who were corrupting the French Republic:

Legislateurs, directeurs, gouvernement adressez vous publiquement à ces sangsues, gorgées de l'or qu'ils pompent depuis 5 ans; [...] saisissez corps à corps ces

maisons de propriétaires, on conspire pour porter tous les jours plus haut le prix des denrées, [...] on avilit le mandat, on loue la marche du directoire, on établit un système de propriété ou d'aristocratie des riches".

⁷² See *Journal des hommes libres*, (9th July 1796), n. 250, 1012.

⁷³ 'Ces hommes atroces ressemblent assez à ces journaux qui, sincères amis du gouvernement et de la constitution de 95, respectent, adorent, défendent le gouvernement, mais doivent blâmer toutes ses opérations, s'opposer à toutes ses vues, contredire tous ses projets; et de même que ce fidèle journaux, chérissent avec tendresse le gouvernement, jusqu'à ce que, par leurs voix perfides, il aura exterminer tous les républicains; pour pouvoir plus aisément le détruire lui-même, de même que les banquiers aimeront les finances, tant que, par leur manœuvres, ils pourront attirer dans leurs coffres l'or du gouvernement' in *Journal des hommes libres*, (10th July 1796), n. 251, 1017.

voleurs publics de premier ligne [...] la morale publique renaitra chez le peuple français que l'agiotage a corrompu.⁷⁴

Roederer did not reply to the accusations brought against him, but instead he published in the *Journal d'économie publique* a long reflection on one theme that also had been treated by his political enemies: the complex relationship between interest and the political sphere. His opponents labeled Roederer as a representative of the bankers' interest, yet in Roederer's mind, what was the conception of the balance between interest and politics?

First, Roederer admitted the representation of interest through the constitution of a party. However, this party should not become a faction, meaning a sectarian group of people who aimed to overthrow established institutions.⁷⁵ Roederer was delighted that the 1795 Constitution was enforced and all the institutions previewed in it were taking their place within the new republican framework. Even so, the new constitution needed to become stronger and to have the full support of the large number of people. The Roederer formula to attain this vital equilibrium was that all constitutions needed to bear in mind the general interest without disregarding some particular interest that could be harmful or counterproductive to restrain.⁷⁶

Therefore, different actors had to collaborate in order to make the republic more loved and sound: journalists, writers and eminent deputies. All these groups were essential in gaining broad support from public opinion and Roederer was quite confident that, almost in every group, the republican forces were generally stronger than the royalist. The only dreaded enemies, which stood in the way of the success of the Republic, were the persistence of old behaviours, such as gathering in the *salons*, or new trends which led astray many people.⁷⁷

The relationship between interest and the political sphere attracted the attention of Roederer as well as of the *Journal des hommes libres* when the Directory approved the so-called bankruptcy of the two thirds. On 9th September 1797, the two Councils, under the pressure of the Directory, approved that two thirds of all floating debt would be paid with *bons* (warrants)

⁷⁴ 'Legislators, Directors, Government address publicly these bloodsuckers, bursting with gold that they have been pumped since five years [...] seize hand-to-hand these first-rank thieves of public wealth [...] the public moral will bloom within the French people which the speculation has corrupted (author's translation)' in *Journal des hommes libres*, (10th July 1796), n. 251, 1017.

⁷⁵ See *Journal d'économie publique*, (10th November 1796), n. 8, 367—386. Roederer was well aware of the risks that a party changed into a faction because the two forms shared a common nature: they were quick-tempered and potentially violent. Therefore, what was a faction could become a party, like the Jacobins had during the Revolution, and what was a party could be considered as a faction, as occurred with the Girondins.

⁷⁶ See *Journal d'économie publique*, (19th May 1797), n. 28, 416.

⁷⁷ See *Journal d'économie publique*, 29th May 1797), 35–48.

that could be used to buy the remaining *biens nationaux*, while the other third would be paid in cash.

On this occasion, both sides referred to the opinion of Saint Aubin, who considered this financial decision as being against the interest of fund-holders and also more expensive for the state. Moreover, a bankruptcy of two thirds could not help but weaken and damage the already feeble credit that the Directory Republic enjoyed. Surprisingly enough, the two newspapers shared the conviction that a partial repudiation of the debt was not a reasonable and politically wise decision. The *Journal des hommes libres* stressed how the system of *bons* would lead to a massive speculative rise in the value of lands, while the *Mémoire d'économie publique*, Roederer's new newspaper, insisted on waiting for a stable peace before making any significant change in the way of repaying the national debt.⁷⁸

The last part of this chapter is devoted to the analysis of a newspaper which resolutely opposed the Directory and even challenged the republican institutions themselves: the *Actes des apôtres et des martyrs*. This weekly resumed the tradition of the previous *Actes des apôtres* by offering a satirical conservative point of view of the main events happening on the political stage. The editor was Barruel, Earl of Beauvert, in Languedoc, who had already published against the Jacobins and had managed to survive during the Terror. One of his main arguments against the Revolution was the complete lack of credit that the revolutionary government had in financial matters.

Like many conservative newspapers, Barruel was extremely critical of Necker, who was responsible for putting in motion a huge change that ended in the collapse of the French monarchy. The conservative editor assigned responsibility for the dire financial situation to the Genevan minister and did not hesitate to compare Necker to the despised John Law.⁷⁹ Barruel mocked the entire revolutionary financial system with a history that saw Harlequin as the main character. He strove to recover all his credit, which risked to be reduced to nothing because of the depreciation of the *assignats* and later of the *mandats*. The poor Harlequin had

⁷⁸ See *Journal des hommes libres*, (1st October 1797), n. 135, 567–568 and *Mémoires d'économie publique, de morale et de politique*, (Paris, Imprimerie du Journal de Paris, 1799), (22nd September, 1797), 159–170.

⁷⁹ See *Actes des apôtres et des martyrs, rédigé par le Cte A.-J. de Barruel-Beauvert*, (Paris, Imprimerie des Actes des apôtres, 1797), 16th October 1796, n. 3, 18–23. Barruel hated Necker so much that he even preferred Cambon, responsible for the Treasury during the Terror, to the Genevan banker. Barruel detested Necker because he considered him responsible also for Louis XVI's death: 'Perfide, ambitieux, fourbe insigne, nouvel enrichi, sang-sue de ma patrie, philosophe révolutionnaire, athée, va te consoler avec Dumouriez. [...] C'est vous et vos amis qui l' (le roi) avez conduit à l'échafaud: son sang a rejailli sur vous; il vous a couvert d'une tache indélébile; elle se transmettra jusqu'à vos dernières générations' in *Actes des apôtres*, (5th March 1797), 273.

⁸¹ 'My ten thousands francs are not worthy more than one hundred crowns! It's disgraceful! If I did such, I would be consider a bankrupt or even a bandit! (author's translation)' in *Actes des apôtres*, 30th October 1796, n. 5, 5.

sold his house, receiving one fourth in cash and the other in *assignats*, which rapidly lost all their value and became useless to pay for everyday life transactions. Moreover, Harlequin had put his savings in an annuity that was liquidated in *mandats*, which also met the same fate of the *assignats*. The same Harlequin in his Italian French briefly resumed the desperate situation in these terms:

Mes dix mille francs baissent *al* point de ne valoir que cent *escudi*! *Ma c'est odieux!* *Ma si je faisais on pareil tur*, on me traiteroit *di banqueroutier!* *Di brigante!*⁸⁰

The hostility against the world of finance was not limited to a vivid criticism of all monetary policy enacted by revolutionary assemblies, it also personally targeted some bankers, as was the case of Lecouteulx de Cantelou. The banker, who sat in the Council of Five Hundred, had pleaded the cause of his partner, Augustin Quesnau, held in prison in Madrid. Lecouteulx asked for a prompt intervention to save his friend, who had committed no wrong except being a convinced French patriot.

In contrast to this reconstruction, Barruel accused Lecouteulx of abusing his position to get his partner out of jail, who had found himself there because he was a debtor. Barruel used this way of operating as an example of how much the business of banking had invaded the sphere of political action. Moreover, in this specific case, what was at stake was the legal constraint on debtors to repay their debts, which constituted the main guarantee for all creditors. This principle was under attack not just in this case, but all over France, where rapid inflation and then partial bankruptcy had favoured only those who had huge debts.⁸¹

As emerges from this chapter, the distrust and even the boundless hatred that many voices in France showed towards bankers and financiers was not an intended or unintended result of the French Revolution. The debate over the possibility of constituting a national bank at the end

⁸⁰ 'My ten thousands francs are not worthy more than one hundred crowns! It's disgraceful! If I did such, I would be consider a bankrupt or even a bandit! (author's translation)' in *Actes des apôtres*, 30th October 1796, n. 5, 5.

⁸¹ Barruel had no consideration of Lecouteulx, also in what concerned financial matters: 'Le citoyen Le Couteulx de Canteleu, qui de banquier est devenu législateur, sans que sa caisse s'aperçut de la metamorphose, et sans que les zéros de ses idées devinsset les unités de ses registres' in *Actes des apôtres*, 18th December 1796, n. 12, 8.

of 1789 is instructive to justify the claim above. The discussion within the Assembly and outside, in the newspapers, switched rapidly from economic considerations to political analyses on the role of bankers within revolutionary France. Even before the issue of the *assignats*, the war against the Hapsburg Emperor and his allies, the forced control of prices, and the Terror, bankers were regarded with suspicion and their presence on the political stage disturbed almost all deputies.

Therefore, hostility towards bankers and towards their influence on political decisions was one of the few things on which the most conservative as well the most radical deputies could broadly agree. Brissot's stigmatisation of the capitalists who had not invested in the loans under the guarantee of the nation was not so dissimilar to the harsh criticism that *Les Actes des Apôtres* reserved for Laborde and all his peers. The reasons behind the condemnation of bankers diverged on both sides: Brissot and the entire patriotic press rebuked the lack of interest shown by bankers towards the construction of a new political regime, which needed strong financial support; the conservative press reproved bankers and financiers for their active role in the first months of the Revolution, just to have their financial interest secured and under the protection of the National Assembly.

Under the Directory, this conundrum regarding the role of bankers within a republican society raised its head again. While both the radical press, like the *Journal des hommes libres*, and the reactionary one, like the new *Les Actes des Apôtres*, kept criticising the corrupt character of any relationship between finance and politics, Roederer left the possibility of finding a collaborative solution between the two worlds open.

As a solid defender of order, Roederer claimed that property had to be enhanced and put under strong protection by the system of laws. He never preached for a submission of the political institutions to the interests of bankers and, speaking in general terms, of owners; on the contrary, he pleaded for a full collaboration between the two worlds.⁸² Did he succeed in his attempt? In one way, one can conclude that he failed, because he had to cease the publication of the *Journal d'économie publique* following the royalist purge that occurred on

⁸² Roederer considered that there were three class of owners: owners of immovable wealth, owners of movable wealth, industrialists and men of science [I make this four classes]. He claimed that all type of owners had to be recognized with the title of citizens because all contribute in various way to the wealth of the nation. See, *Mémoires d'économie publique*, 21st October 1797, n. 3, 333–350. Roederer was particularly attentive in defending the position of industrialists within the French society because he himself had been invested in the glassware fabric of Saint Quentin since 1784. For Roederer the industrialist, see Kenneth Margerison, 'P.-L. Roederer: The Industrialist Capitalist as Revolutionary' *Eighteenth-Century Studies* 11, n. 4 (July 1978): 473–488.

18th Fructidor year 5 (4th September 1797).⁸³ However with the coup of 19 Brumaire and Bonaparte's rule through the new political regime of the Consulate, bankers achieved a position within society that would have been impossible to imagine during the years of the Terror.

⁸³ On the almost impossible feasibility of Roederer's plan of integrating owners' interest into Directory policies, see François Hinckner, 'Les débats financiers sous le premier Directoire' in Philippe Bourdin and Bernard Gainot (eds.), *La République directoriale: [actes du colloque de Clermont-Ferrand, 22-24 mai 1997]*. (Clermont-Ferrand, Société des études robespierristes, 1998), 693–703.

CHAPTER FOUR

Assessing risk in times of crisis: Merchants and bankers during revolution and war, 1792-1805

What money would be drawn out of Tellson's henceforth,
and what would lie there, lost and forgotten;
how many account's with Tellson's never to be balanced
in this world must be carried over to the next.
Charles Dickens, *A Tale of Two Cities*, 241.

4.1 When war changes rules: the unfortunate trade of James Bourdieu with France

On 8th March 1793 James Bourdieu was heading home from his counting house in Lime Street, in the heart of the City of London. Over the previous months he had been preoccupied with his commercial activities with France, especially after the outbreak of open war between France and the United Kingdom. He knew that he was running considerable risks in continuing trade with French subjects. However, everything had been going according to plan until that night when a judiciary officer delivered an injunction at his counting house to appear in court regarding his trade with French merchants.

Before we follow Bourdieu in his walk towards home and his worries about his risky investment with French merchants, it is necessary to take a step back and to have more information about him and his perilous business.

Son of a Huguenot merchant, who had fled from France after the Revocation of the Edict of Nantes, James Bourdieu had followed in his father's footsteps and had become a successful merchant. He was particularly active in the 1780s in the financial operations of drafting bills of exchange and procuring precious metals for the transactions of the East India Company between England and its Indian territories. Moreover, Bourdieu and his partner, Samuel Chollet, had a long history of trade relations with France: starting from the 1760s, they had collaborated with Jacques Necker to boost the activities of the French East India Company,

and they had also played a prominent role in the tobacco trade between the United States and France until this trade was taken over by the tax farmers in 1783.¹

The coming of the revolution in France opened new perspectives for Bourdieu & Chollet: they hoped to profit from the large consensus that their personal friend Necker exercised in the National Assembly, and expected that the universal revision of Old Regime institutions would open new opportunities for them on the French market. Bourdieu was profoundly convinced that from the ruins of the Old Regime the commercial equilibrium would change and favour those merchants willing to step forward and offer their services to the new revolutionary authorities.

Bourdieu did not remain idle and closely followed the legislative activity of the National Assembly during its first year, because he saw that the deputies were tackling the issue of the future of the tobacco trade as well as the French East India Company. Bourdieu did not limit himself to the reading of English or French articles relating the daily activities of the National Assembly; he could also rely on an insider source, Barthélemy Huber, close advisor of Jacques Necker.

Bourdieu nourished high hopes that the National Assembly would decree the end of the privilege granted to the French East India Company, favouring the opening of this profitable sector to all interested actors.² The expectations of the London merchant became real on 3rd April 1790, when the National Assembly sanctioned the end of the privilege on the trade with the Indies granted to the East India Company. However, this decree was vague about the fate of the company, whether it might survive or would have to shut down all its activities.

The Indies trade concerned a large array of goods and staples: from textiles to spices as well as manufactured goods and precious metals. These last were pivotal in supporting the value of a currency and they were in high demand on the Indian and the Chinese markets. Moreover, a safe and direct access to the flow of precious metals and foreign currencies coming from South America and directed to the Indies was mandatory if a country was struggling to support its own currency. In the spring of 1790 Necker was well aware that the French livre

¹ On the various trade activities that Bourdieu & Chollet ran before the French Revolution, see H. Lüthy, *La banque protestante*, vol. 2, 284, 382—383. An insightful analysis of 1780's concerning the development of divergent "politics of capitalism" between England and France is offered by Derek Jarret, *The begetters of revolution: England's involvement with France, 1759-1789* (Totowa, Rowman and Littlefield, 1973), 183—251.

² Bourdieu was convinced that the Assembly was in favour of withdrawing the privilege, as emerged in a letter to Huber: 'We shall be glad of your opinion about the future fate of the French new East India C. By our advices their exclusive privilege will be withdrawn and the trade laid open' in A.N., T 38, 26th January 1790.

was losing ground against the British pound and only a stable flow of silver and gold could balance this situation.³

As a shareholder of the company and close advisor of the ministry, Huber proposed to Bourdieu to raise a loan in London on the value of the goods ashore of the French East India Company. The London merchant declined Huber's proposal, suggesting that the most suitable market for that kind of operation remained Amsterdam, where merchant houses like Hope's were used to raising loans on East India goods.⁴

Even though Bourdieu did not accept the proposal of raising a loan on the London market, he recognised the importance of this operation to improve the French currency on the main foreign marketplaces, such as Amsterdam and London. A loan on one of these two main financial markets would bring an abundance of bills of exchange drawn from Paris to local merchants and bankers, thus enhancing foreign financial operators' trust towards Paris. Lack of trust was the main reason of the deep devaluation of the French livre against the British pound and the Dutch florin.⁵

Bourdieu's intent was not just to advise the French East India Company on the best ways to raise funds; he had set his eyes on becoming the only agent of the French company in London. The first step he took in this direction was to buy shares jointly with Mr Huber for the amount of 10,000 livres. Even so, the main obstacle to overcome was the composition of the Company Board. The Board of Directors met on 12th April 1790 and confirmed the nominees of the commissioners in charge of the supervision of the activities of the Board in the interest of all shareholders.

The London merchant felt contrasting sentiments towards the new composition of the company management: on the one hand, he rejoiced that his friend Huber and the merchant Louis Monneron had been appointed as commissioners; on the other hand, strong enemies of his remained at the table of directors, such as the Lorient merchant house of Thomas and Simon Bérard, and in the group of commissioners, the French banker Louis Greffulhe and the Scottish banker Walter Boyd. This pool of merchants and bankers had monopolised the trade

³ For a new perspective on the study of the East India Company not simply as an instrument of mercantilism, see Philip Stern, 'Companies monopoly, Sovereignty, and the East Indies' in, Philip J. Stern and Carl Wennerlind, (eds.), *Mercantilism Reimagined: Political Economy in Early Modern Britain and Its Empire*. (Oxford, New York: Oxford University Press, 2014), pp. 177-195.

⁴ See, A.N., T 38, 6th April 1790.

⁵ Bourdieu epitomised the lack of trust toward French livres depicting this episode: 'To show you to what a degree, the general prejudice exists against every thing that has the most distant connection with France, we were disappointed yesterday in a very large discount with Mr Gaussen because the Bills were reported to be French Bills, without any further enquiry. Mr. Gaussen was advised to take nothing that had Paris upon it' in A.N., T 38, 9th April 1790, (underlined in the original).

of the French East India Company during the 1780s and was associated in London with the house of Charles Herries, a direct competitor of Bourdieu.

Huber suggested to his English friend to submit his candidature for the agency of the company in London, but Bourdieu refused this suggestion because he feared irritating his old enemies who sat on the board. He envisaged another strategy to obtain the agency: to win the support of Monneron and remind the directors of his merits of furnishing financial support to the large grain acquisition required by Necker to avoid a famine in 1789.⁶ At the same time, Huber suggested investing directly in the Company because the international tensions between Great Britain and Spain along with the uncertainty about the future of the company had reduced the price of its shares by 15% between May and July.⁷

The possibility to gain the agency for Bourdieu was intertwined with a demanding request that Huber had advanced to him: to repay in full the debt of the Company towards C. Herries & Co. The liquidation of the debt towards the old agent of the Company offered Bourdieu the best occasion to present himself as the most credible candidate to replace his old competitors. Huber proposed to his friend that bills of exchange would be drawn on him for the sum of £100,000 and then Bourdieu had three months to discount them in the most favourable way.

Nonetheless, the London banker was not at ease with this proposal: on the one hand, he was ready to do whatever it took to become an agent of the French East India Company in London, on the other hand, his merchant house ran the risk of meeting distrust towards these bills issued by the French company, which could bring a terrible blow to its status.⁸ Moreover, Huber's promise to appoint Bourdieu as an agent of the Company was not supported by any clear confirmation beyond his friend's words. On 24th August 1792, the National Assembly put the final word on the uncertainty of Bourdieu towards this important operation: all joint-stock companies were abolished and the destiny of the French East India Company was a complete liquidation.⁹

⁶ See A.N., T 38, 23rd April 1790.

⁷ On 1st May 1790, East India Company shares listed at 980 livres, while at the end of July, it was possible to buy them at 850 livres. Bourdieu could not profit from this favourable situation because he did not have enough liquid assets at his disposal and the Discount Bank had stopped to discount consistent sums such as a large investment in the stock market. Therefore, Bourdieu could not draw bills of exchange in Paris with the certainty that these bills would not be discounted by the Discount Bank to facilitate his financial operation.

⁸ See A.N., T 38, 19th October 1790.

⁹ On the troubled process of liquidation of the Company and the related widespread corruption, see the seminal work by Albert Mathiez, *Un proces de corruption sous la terreur; l'affaire de la Compagnie des Indes* (Paris, F. Alcan, 1920). For a more recent assessment of the liquidation of the French East India Company during the French Revolution, see Elizabeth Cross, 'L'anatomie d'un scandale: l'Affaire de la Compagnie des Indes revisitée', in Michel Biard, Philippe Bourdin, Hervé Leuwers and Alain Tourret (eds.), *Vertu et politique: les pratiques des législateurs: 1789-2014* (Paris, Presses universitaires de Rennes, 2015), pp. 251-266.

His complete failure in his attempt to become an agent of the French East India Company did not stop Bourdieu taking an active interest in another trade that the National Assembly was called to regulate: the tobacco trade. This peculiar trade was under the control of the tax farmers, which bought this right from the Crown each year: in 1730, this right cost seven million livres, while at the beginning of the French Revolution, its value was thirty million livres.

In 1785, the tax farmers signed an agreement with the Philadelphian merchant Robert Morris, who became the only authorised supplier of tobacco for the entire French market.¹⁰ This contract was thought to increase commercial exchanges between the newborn republic of the United States and the kingdom of Louis XVI. However, the monopolistic position of Morris kept out other merchant houses willing to provide tobacco to the tax farmers, forcing them to respect the price and the quantity of tobacco furnished by the American merchant.¹¹

Bourdieu hoped that the National Assembly would not miss the opportunity to revise the framework of the tobacco trade by giving the tax farmers the possibility to deal with a larger number of merchant houses active in the tobacco trade. The London merchant knew that he had to win over the tax farmer responsible for the tobacco trade within the company. Therefore, he started to correspond with Alexandre Victor de Saint Amande who was in charge of tobacco supply on the French market.

Bourdieu showed his credentials starting from the role he had played in lending money to Necker in order to furnish corn to the city of Paris in the summer of 1789. The Anglo-French businessman did not miss the opportunity to recall his credit towards France: ‘the repeated services we have rendered the French government, particularly when we risked our fortunes and credit in procuring supplies of corn for the public services, in which we succeeded,

¹⁰ For a recent biography of Robert Morris, see Charles Rappleye, *Robert Morris: Financier of the American Revolution* (New York, Simon and Schuster, 2010). Concerning the role that Morris played in the early American Republic and the dire debt crisis, see Jacob Soll, *The Reckoning: Financial Accountability and the Rise And fall of Nations* (New York, Basic Books, 2014), pp. 158-163. On the prominence of Morris’ actions during the American Revolution and his collaboration with Alexander Hamilton, see Thomas K McCraw, *The Founders and Finance: How Hamilton, Gallatin, and Other Immigrants Forged a New Economy* (Cambridge, Massachusetts, Belknap Press of Harvard University Press), 2012, pp. 56-78.

¹¹ On the history of the tobacco trade between France and the United States during the eighteenth century, see Jacob M. Price, *France and the Chesapeake; a history of the French tobacco monopoly, 1674-1791, and of its relationship to the British and American tobacco trades* (Ann Arbor: University of Michigan Press, 1973). On the impact of tax farming and specifically of the tobacco monopoly on the general perception of public finances, see Michael Kwass, ‘Court Capitalism, illicit markets, and political legitimacy in eighteenth-century France: The salt and tobacco monopolies’, in D’Maris Coffman, Adrian Leonard, and Larry Neal (eds.) *Questioning Credible Commitment: Perspectives on the Rise of Financial Capitalism* (Cambridge, Cambridge University Press, 2013), pp. 221-250. The popular resentment against these monopolies explained the success of illicit trade and the smuggling of tobacco in France. On the contraband in France and the collusion of members of the Tax Farm with smugglers, see Michael Kwass, *Contraband: Louis Mandrin and the Making of a Global Underground* (Cambridge, Massachusetts, Harvard University Press), 2014.

though censured by the public voice here'.¹² The proclaimed neutrality of France towards an eventual conflict between Spain and England favoured the livres tournois against the pound thus reducing the unfavourable exchange between the two currencies. This positive sign, added to a good tobacco crop in the United States, seemed to Bourdieu to provide the perfect conditions for furnishing tobacco to the tax farmers.

However, Bourdieu's projects largely depended on the National Assembly that had to decide the fate of the tax farmers. On 13th September 1790 the National Assembly approved the decree promoted by Pierre-Louis Roederer who desired the free cultivation of tobacco in France and that all tobacco imports remain under a single supervision.¹³ There were no clear references to the future of the Tax Farm Company, but the lack of a specific mention signified that the company was not abolished.

Another important step that the Assembly took towards liberalisation of the tobacco market came at the end of November: it was decreed that the American tobacco was no more to be the only tobacco that could arrive on the French market. However, for Bourdieu the chance of becoming one of the new merchants dealing with the Tax Farm Company in the tobacco business vanished with the abolition of the Tax Farm Company on 21st March 1791.

Bourdieu strove to acquire an advantageous position within the French economy as the revolutionary authorities were rewriting laws and regulations, not only in the field of international trade, but also in the much less familiar and newer field of the selling of national goods (*biens nationaux*). These assets consisted of the lands and buildings that once belonged to the Church and were the guarantee of the *assignats*. Bourdieu did not think to invest directly in the acquisition of these assets, but instead he advanced his candidacy to become agent of one municipality.

The London merchant thought that he could entice English investors to buy once they had the possibility of understanding the opportunities offered by the selling of national goods. However, the selling of these assets never became a prerogative of the different municipalities, and so the figure of an agent in charge of promoting and placing these assets never became a concrete reality.

In September 1790 the end of Necker's ministry was the nail in the coffin of Bourdieu's commercial interests in France, leaving him without his most powerful political support. In the eyes of the London merchant, the lack of a strong executive in France not only deeply affected the stability of political life, but also contributed to an unfavourable climate for

¹² See, A.N., T 38, 23rd March 1790.

¹³ *Archives parlementaires*, v. 18, 738.

business transactions and investments. The reasoning of the English merchant was logical: without a solid executive power which assured the enforcement of contracts and the clear will to maintain internal order, no one would think to invest his capitals in a country like France, where there was no valid executive power to protect economic deals.

Bourdieu's disappointment resulted from the volatility of French public opinion, which changed rapidly and unpredictably, and from the confused legislative work undertaken by the National Assembly. The London merchant was not surprised that the revolutionary assembly had no clue concerning financial matters because few deputies were familiar with trade or with economic issues in general.¹⁴ In particular, Bourdieu did not understand the reasons that had led the National Assembly to approve the further issue of assignats, notwithstanding the clear opposition to this measure expressed by Jacques Necker.

Bourdieu was not in principle against the assignats: when they were issued as bonds on the sales of national lands, he was confident that this measure would enhance a circulation of credit so needed by the French economy. However, when the Financial Committee decided to issue further assignats up to the amount of 1,200 million livres, Bourdieu condemned this move as unsupported and responsible for a rapid drop in the value of the French livre, which was already losing ground against the British pound and the Dutch florin.¹⁵

The City merchant feared that the large issue of assignats would affect the Paris stock exchange and lead many Parisian investors to move their capital towards other markets. Therefore, he remained surprised that the Paris Stock Exchange did not react negatively to this major issue of assignats that might have a deleterious effect on the French currency. The reactions of the Parisian financial market remained completely erratic and unpredictable, even for a merchant who had a long experience of investing and trading on this market.¹⁶

While Bourdieu decried the uncertainty related to the establishment of a sound executive power, he was not so critical of the market volatility due to this instability. He openly claimed that no other marketplaces offered such large profits like those available on the Parisian market. When Huber was planning to leave Paris because the inflation made it almost impossible to live there, Bourdieu pleaded with his friend to remain in the French capital because of the investing opportunities available there.¹⁷

¹⁴ See A.N., T 38, 17th August 1790.

¹⁵ See, A.N., T 38, 10th September 1790.

¹⁶ '[...] it is very strange that the project of a further emission of Papers money should have occasioned so considerable a rise in your funds. I should rather have supposed the contrary but there is no answering for the effects of speculation and the manoeuvres of Stock jobbers' in A.N., T 38, 17th September 1790.

¹⁷ 'Is it possible that a man of your activity and general knowledge in business, should demur, whether you should remain at Paris, because it is attended with an additional expence? Would you forego such great scenes as

Samuel Chollet, Bourdieu's partner, described the main differences between the London and Paris Stock Market in these terms:

Nos gens s'argent sont des personnages d'un autre genre. Ils ne donnent rien de ce qu'ils appellent au hazard. Ils ne connoissent que securities du Gouvernement, ou liquides biens fonds en Angleterre. Ils n'ont nulle confiance en ce qui tient au commerce. Je vai (sic) vous en donner une preuve bien frappante. Le Fond de notre Banque est a 187 et ne donne que 7% de dividend. Le fond de notre compagnie des Indes ne vaut pas 170 quoi qu'il donne 8% de dividend. Cependant ce premier est préféré parce que l'autre leur semble venir du commerce.¹⁸

Bourdieu preferred a more volatile market, as it was in Paris, than a more stable and secure market as was the case in London. Nonetheless, he was not an unscrupulous investor willing to take part in hazardous speculation. For example, at the beginning of 1791, Bourdieu advised Huber to sell his India shares because he had already made a 30% profit on them and therefore he could be fully satisfied with his financial operation. In Bourdieu's view, when you gain 30% on a stock investment, it is safe to sell it even though you can expect to have a further rise of the stock price. This golden rule confirms that the City merchant did not scorn speculative investment as far as they did not breach this rule.¹⁹

Over the course of 1791 Bourdieu diverted his investment to English government securities because he did not trust the stability of the French Crown, especially after the attempted flight of Louis XVI in June. However, Bourdieu was not only a banker, his main business was trade, and in particular he was specialised as an agent working for foreign bankers or investors. The figure of the agent was pivotal in businesses such as drawing bills, procuring large credit and being represented by someone respected and trustworthy in a prominent market such as London.

Moving out capital from the Paris stock market did not result in the end of Bourdieu's involvement in the trade with France. In the summer of 1792, two directors of the Discount

are now opening, in order to lessen your expences by retiring to a cheaper places. What part of the world comperent the like scenes for you? I do contend that there is no place where a fortune is so soon acquir'd as at Paris, by such men and so connected as Mr Huber' in A.N., T 38, 28th September 1790.

¹⁸ 'Our investors are different (from those of Paris). They do not invest in what they call hazard. They rely on government securities or liquid immovable property in England. They do not trust at all everything related to trade. I will give you a clear example. Our Bank Stock values 187 and it offers 7% dividend. Our East India Company stock values less than 170 even though it yields 8% dividend. Yet, the first stock is chosen because the latter is related to trade (author's translation)'. See, A.N., T 38, 21st December 1790.

¹⁹ See, A.N., T 38, 28th January 1791. In this specific case, Bourdieu was right: India shares valued at 1,360 livres on 18th January and nine months later they were at 1,231 livres.

Bank, Vincens and Laffon-Ladebat, reached out to the City merchant asking him to become the bank's agent in London. At that moment, France was suffering a severe reduction in gold and silver reserves as well as a strong inflation due to the excessive issue of assignats. The Discount Bank was struggling to acquire precious metals and foreign currencies to support the French livre. There was no market for these operations better than the London market and so the Discount Bank needed someone willing to be its agent in England.

When the offer of the Discount Bank reached Bourdieu, the political and economic situation had dramatically changed from the period when the London merchant was interested to become the agent of the French East India Company or the counterpart within the tobacco trade. France had declared war on the Austrian Empire, where the more eminent princes and émigrés had found a safe refuge. The slave rebellion in Haiti and the loss of all the profitable Caribbean staples constituted a deadly stroke for the merchant communities of French Atlantic cities such as Bordeaux, Nantes and Le Havre. The unsettled state of the French economy greatly hindered the profuse war efforts: it became harder and harder for the treasury to find the resources needed to pay the revolutionary armies engaged in the conflict against Austria and its allies.

Notwithstanding this grim picture, Bourdieu gave his fateful consent to the proposal of becoming the agent of the Discount Bank for all large acquisitions of silver, gold and foreign currencies. As a compensation for his agency, the Discount Bank guaranteed Bourdieu a 2% commission over all the transactions he led for them in London.²⁰ In this case, the small commission was still particularly in Bourdieu's interest because the purchase orders of the Discount Bank amounted to millions of French livres.

He could not foresee that the neutrality of his country would end in a few months when France declared war in January 1793. Yet what troubled Bourdieu's mind more was that the

²⁰ Bourdieu fought to receive a 2% commission also when he advanced his candidature as agent of the East India Company in London. However, at that occasion he did not succeed in convincing the Company that the rule of 2% commission was universally shared: 'it is the universal custom of all companies of which I will give you a few examples. The late French East India Company paid us a full commission upon a negotiation of £700.000. The Farmers General always allowed a full commission to their agents of 2% upon their purchases, which amounted upwards of £400.000 a year. Our own East India Company in their great purchases of tea in Holland and elsewhere, have always allowed the full commission; in short there is no instance, but in such characters as the present administrateurs, of an attempt to reduce the settled, established act of commission; it is a mesquinerie, truly characteristic of the present administrations' in A.N., T 38, 30th April 1790. On this seemingly small commission is illuminating this passage: 'Another point to remember is that the profit rate was not everything. One has to bear in mind the volume of capital invested. If this was very large, thanks to borrowing [...] the profit, even if interest charges were low, still represented a great deal of money. Compare this with the small-time moneylender quoted by Turgot or the village userer: such men sometimes charged exorbitant interest rates, but they were lending their own money to small borrowers. They might amass a stockingful of gold coins or acquire land from a defaulting peasant, but it would take generations to build up a real fortune' in Fernand Braudel, *The Wheels of commerce* (New York, Harper and Row, 1982), vol. 2, 429.

disruption of his trade on behalf of the Discount Bank did not occur because of a prize realised by French privateers, but happened as a formal injunction issued against him by the attorney general. The terms of the injunction delivered at the counting house on Lime Street were extremely severe towards the merchant house Bourdieu & Chollet: not only was their trade with the Discount Bank to cease immediately, but also all coins and precious metals bought for the Discount Bank were seized as the property of His Majesty because they belonged to enemies of the Crown.

Before going into the details of this process, which concerned not only the merchant house of Bourdieu & Chollet but also the Bank of England, it is worth offering a detailed description of the commercial relations between the English merchant house and the French Discount Bank. Vincens, who remained director of the Discount Bank until the month of December 1792, ordered Bourdieu to acquire on the London market the largest possible amount of gold, silver and coins that contained either of these two metals. Once Bourdieu and his partners had hoarded a substantial amount of coins and metals, they loaded their precious merchandise on board boats sailing to Calais. Here, Caffieri, a banker resident in Calais, was charged with supervising the operation of unloading and remitting the shipment to Paris.

As simple as this process appears, there were many variables that concurrently played a decisive role. First, it was not an easy task to find on the London market large quantities of Spanish *pesos* or French old and new golden *louis*. Therefore, Bourdieu had to consider buying on the foreign market and drawing his bills of exchange on foreign merchants and bankers active in the field of monetary acquisition. Second, Bourdieu shipped the receipts of his investment together with the coins and metals asking to the Discount Bank to credit him with that sum. Finally, Bourdieu had to hope that the Discount Bank's bills drawn from Paris would be accepted also on the London market, otherwise all the bills in his hands would be worthless.

Bourdieu started his purchase of foreign currencies and money on the Spanish market, but he also tried unsuccessfully to buy gold bullion from the Bank of England.²¹ The first shipment of gold bullion and foreign money, such as Mexican and Spanish *pesos*, amounted

²¹ 'Nous avons fait un nouvel essai aujourd'hui pour avoir dix mille onces d'or de notre Banque (Bank of England), mais sans fruit. Ils ne veulent vendre ni or ni argent' in *Appendix to the Appellant's case*, in National Archives (henceforth, N.A.) Treasury (TS) 11/671, 15. On mines and silver trade between Mexico and Europe at the end of the eighteenth century, see Barbara H. Stein and Stanley J. Stein, *Edge of Crisis. War and Trade in the Spanish Atlantic, 1789–1808* (Baltimore, John Hopkins University Press, 2009), 162–187.

to £325,807 18 s. 10 d.²² This trade was recorded under the title of "Bullion Account 1" and it included business transacted between the end of April and the last day of July 1792.

Soon after the completion of this first period, Vincens supported Bourdieu in his business of purchasing golden and silver bars as well as Mexican *pesos* and French *louis*. This time, Bourdieu purchased almost only pesos and gold for a final amount of £330,284 13s, 6d. which also included Bourdieu's commission. As happened for the first account, this second bullion account was balanced and closed at the beginning of October. The two accounts were valued at around 25 million livres in the French assignats.²³

The Discount Bank kept charging Bourdieu with the same task also in the month of November 1792. The risk of such large purchases of precious metals and foreign currencies was a general rise in the gold price, which was usually related to the demand for this metal by English merchants dealing with the Indian trade. Bourdieu acted rapidly on the London market to buy as much as he could in the shortest possible time. Nonetheless, the London merchant depended on the orders that arrived from Paris and he had to await the detailed instructions issued by the Discount Bank before he invested on the London market. Sometimes, the gold price could vary by few pennies at ounce in a few hours. The fastest and safest communications were between Vincens and Bourdieu, the more profitable and more secure the gold purchases were.²⁴

The storm of the war was coming closer and closer to England but Bourdieu kept running his business for the Discount Bank, trying to profit from the volatility of the French currency. For example, when on 6th November 1792 revolutionary armies defeated Austrian troops at Jemappes, Belgium, Bourdieu profited from the rise of the French currency to discount the bills drawn on him by the Discount Bank. However, this rise of the French currency was ephemeral and the trade on the two sides of the Channel became more risky and expensive with a rise in the assurance prices on the precious cargos.

²² See N.A., TS 11/670, *The Answer of James Bourdieu the older Samuel Chollet and James Bourdieu the younger Defts to the second amended information of Sir John Scott Knight his Majesty's Attorney General on behalf of his Majesty informant*, 25.

²³ See, N.A., TS 11/670, *The Answer of James Bourdieu*, 3, 26.

²⁴ '[...] il y a des propriétaires qui s'attendent au retour du prix de 63d. et qui ne veulent pas vendre [...] si votre courier extraordinaire avoit pu arriver dans la matinée de vendredi dernier, tout votre ordre auroit pu être exécuté le dit jour' in N.A., TS 11/670, letter to M. Vincens, 13th November 1792. The role of fast communication became even more prominent when the volatility of the French livres became highly unpredictable. Therefore, Bourdieu asked to Vincens to send him news on the trend of the French currency as fast as possible: '[...] Si vous aviez quelque raison de le presumer (the rise of the French currency) avec fondement, il faudroit nous le faire scavoir même par un courier extraordinaire, parcequ'alors nous suspendrions toutes traites, afin de vous faire jouir des meilleurs changes' letter to M. Vincens, 25th December 1792.

The City merchant was well aware of the deterioration of the political situation: England remained neutral but the country's position could change rapidly and proceed to military intervention against France. Moreover, the feeling that a war was coming made it even harder to sell the numerous bills of exchange on Paris that Bourdieu received as payment for his offices.²⁵ Notwithstanding the growing difficulties related to this business, Bourdieu opened a fourth account with the Discount Bank in the month of December 1792.

In the pursuit of a new way of purchasing *pesos* and *louis*, Bourdieu did not refrain from dealing with French bankers such as Cottin, Gauge and Girardot who resided in Paris. Even though they lived in the same city as the Discount Bank, Bourdieu made clear to his French partners that they always also needed to refer to him in these transactions.²⁶ The City merchant kept shipping *pesos* and gold during the entire month of January, and the day after Louis XVI's execution, he notified his French counterparts that to close the Account n. 3, they would need to send or draw on the London house a sum of £43,000 to buy the remaining 297,750 ounces of *pesos*.

A growing apprehension overtook Bourdieu in the last weeks of January because the open breach of the relationship between France and England seemed to come closer and closer.²⁷ Every minute was precious for delivering the largest quantity of piastres and gold to the other side of the Channel because after the outbreak of a war, no more direct communication could subsist between the two countries. The feared outbreak of war happened on Friday, 1st February 1793, when France declared war on England. That same day a shipment of 100,000 *pesos* bought by Bourdieu arrived in England, but when the London house tried on the following Monday to send them to France, they were notified that French authorities had raised an embargo on all British shipments.

Bourdieu was well aware that a war between the two countries had become unavoidable after the execution of Louis XVI. Even so, he deplored the aggressive attitude of the revolutionary government in raising an embargo with disastrous consequences not only for the entire French trade, but also for the revolutionary finances, which were in desperate need

²⁵ To avoid an excessive amount of bills on Paris, Bourdieu asked Vincens to send them gradually in order to give him time to sell them: 'En consequence, nous vous prions de nous remettre graduellement tout ce que vous pourrez tandis que de notre côté nous tirerons ce que nous pourrons' in N.A., TS 11/670, 21st December 1792. Another way of avoiding to have in the portfolio too much paper on Paris was to buy bills in other places, such as Genoa or Leghorn, as Bourdieu did at the beginning of 1793.

²⁶ See, N.A., TS 11/670, letter to Laffon Ladebat, 8th January 1793.

²⁷ There are no direct references to the king's execution within Bourdieu's letters at the end of January 1793. Nonetheless, the city merchant started to employ worried expressions about the need of closing this business: '[...] Nous sentons tout l'interet de la célérité et nous ne perdrons pas une minute [...] Nous vous promettons bien de ne pas perdre une minute dans leur expéditions' in letter to Laffon Ladebat on 29th January 1793.

of precious metals for the coinage.²⁸ The war forced the London merchant to formulate new possible strategies to continue his business with France: one potential way out was to draw bills on the Spanish market. At the beginning of March, Spain was still neutral and it was always helpful to have bills on the Spanish market because *pesos* came from there and the exchange was stronger in Madrid than in Paris. However, also this option did not last because at the end of the month, Spain entered into a coalition with England, Prussia and Austria against France.

While bills of exchange circulated between Paris and London, thus allowing Bourdieu to receive his payment, thousands of ounces of *pesos* and gold remained idle in the vaults of the Bank of England. The attempt to ship bullion and coins on neutral vessels had failed because the treasury had adamantly refused to grant Bourdieu this permission.²⁹ At least the City merchant was pleased that his 283,107 ounces of *pesos* (around 8 tons of coins) were in the safe hands of the Bank of England rather than in the customs offices.³⁰

The injunction of the Attorney General John Scott shattered Bourdieu's certainty that his *pesos* were safe beyond any reasonable doubt. The Attorney General restrained Bourdieu from any operation on the deposited bullion and coins at the Bank of England and at the same time, the Bank was forced not to give access to Bourdieu's account to anyone. The formal ban on all bills drawn on Bourdieu's account at the Bank of England closed the only channel still open between Bourdieu and his French counterparts.³¹

Bourdieu was at a loss to understand how was it possible that some property under the tutelage of the Bank of England could be put under seizure. He could not believe that the authorities were blowing the international credit of the Bank of England. Meanwhile, his main priorities were twofold: on the one hand, Bourdieu and his partners had to find a convincing defensive explanation to develop in the process in the Exchequer Court; on the other hand, they had to find the best way to convey this unfavourable news to their French clients.

²⁸ '[...] la privation qu'il éprouve maintenant de matières d'or et d'argent, est son propre ouvrage' in N.A., TS 11/670, letter to Laffon Ladebat on 12th Febraury 1793.

²⁹ See N.A., TS 11/670, letter to Laffon Ladebat on 26th February 1793.

³⁰ '[...] Vos piastres sont beaucoup mieux à la Banque qu'à la Douane; nous sommes surs qu'on n'y touchera pas' in letter to Laffon Ladebat on 26th February 1793.

³¹ 'The said defendants should be prevented from disposing of the said coin and bullions that then the said debts should not be liable to pay any bills of exchange which should be drawn upon them by the said Messr. Vincens and Laffon Ladebat [...] the said bills were drawn for the purpose of procuring the value of the bullion or coin to be remitted to France after it was found that the said coin and bullion could not be sent to France [...] it clearly appears that such bills were only contrivance to get the value of the said coin out of this country after it was found impossible to send such coin in specie to France' (underlined in the original) in N.A., T.S. 11/670, 37–40.

In a long letter written on 12th March 1793, Bourdieu shared his surprise about the decision of seizing all *pesos* and bullions on his account at the Bank of England.³² The City merchant explained how he intended to proceed in front of the Court of the Exchequer: first, he insisted on his role as simple agent of Vincens and later Lafon Ladebat; second, Bourdieu presented the Discount Bank as a private bank and not as a government institution; finally, he had submitted his case to the Foreign Office to have it dismissed.

This letter did not arrive to Laffon Ladebat before 18th March, when the consequences of the injunction on the coins and bullion deposited at the Bank of England started to be effective. Laffon Ladebat could not understand how a solid institution such as the Bank of England could be barred from its operative standards for political reasons. As a consequence, the French banker threatened to retaliate for the aggressive move of the seizure of his property, suspending all payments of dividends on French funds due to his English clients.³³

Bourdieu was well aware that the only way to regain the full trust of his French client was to succeed in the hearing at the Court of the Exchequer. On 19th April 1793, the Attorney General accused Bourdieu and his merchant house of purchasing a large amount of coins and bullion badly needed by the French National Treasury. All these transactions, explained the Attorney General, remained licit as long as there were no open hostilities between France and England. As soon as an open war was declared between the two countries, all properties belonging to citizens of enemy nations had to be considered the property of His Majesty.

Instead of challenging this principle, Bourdieu's attorney claimed that all the transactions between the defendants and the French bankers were on the account of the Discount Bank and therefore all bullion and coins seized at the Bank were not Laffon Ladebat's property, but the Discount Bank's. Moreover, a large number of shareholders within this company were not French but Swiss, Dutch or even English subjects.³⁴ Therefore, the seizure of the bullion in the Bullion Office of the Bank of England concerned not only French enemies, but it affected the whole European merchant community. The suit against Bourdieu & Chollet — continued the defence of the French-English banker — not only jeopardised the credit of that merchant

³² ‘Ce procédé est d'autant plus extraordinaire, qu'il est sans exemple, que dans aucunes des guerres précédentes on avait exercé des represailles de cette nature [...] une saisie la Banque que toute Europe regarde comme un lieu sacré, est une chose inouïe’ in N.A., TS 11/670, letter to Laffon Ladebat on 12th March 1793.

³³ Laffon Ladebat was annoyed with the late notice of the seizure of his goods that risked to compromise his credit and damage the business relationship with Bourdieu for good: ‘Not having view of it from you I thought it had only been an absurd falsity the protest of my drafts taught me how much I was mistaken even before your letter of the twelfth reached me, the affair was sufficiently important for me to expect to have received the earliest advice’(underlined in the original) in N.A., TS 11/671, 28.

³⁴ See, N.A., TS 11/671, 33–34.

house, but spread the panic that further suits could concern other English merchant houses active in foreign trade.³⁵

The defendants stressed their role as agents on the account of the Discount Bank, which was a private shareholders company and not a government enterprise. In particular, the coming of the Revolution put an end to all attempts by government authorities to exercise control over the Discount Bank, which lost any privilege and so became a private company as many others in France.³⁶ Bourdieu strongly rebuked the argument that his merchant house had worked for the French National Treasury because his only counterparts were Mr Vincens and later Mr Laffon Ladebat.³⁷ Furthermore, the City merchant denied that his house had any dealings with Cambon who was at that time the director of the financial committee and so a political figure within the revolutionary convention.³⁸

Even so, the Attorney General demonstrated that the London merchant house knew that their large purchase of bullions and coins were in favour of the French National Treasury, as Bourdieu & Chollet acted as the agent of Laffon Ladebat, who worked on the account of the French National Treasury. The Attorney General claimed that Bourdieu was aware of the final destination of his purchases through the correspondence between the London merchant and his French counterparts. Not only did Bourdieu know that the final destination of all bullion and coins purchased was the French National Treasury, but his French peers also had repeatedly avowed that they worked under orders of the French National Treasury.

Another proof of the political nature of the Discount Bank and its commissions was offered by the necessity to pay a higher premium on shipping insurance of the precious cargo at the end of 1792. At that time, no hostilities had broken out between France and England and therefore a normal business between two private companies would not need any further insurance in times of peace. Therefore, Bourdieu knew about the political meaning of his business with Laffon Ladebat and he tried to secure it from any consequent risks.³⁹

The court of the exchequer claimed that the king had all rights to seize bullions and coins deposited at the Bank of England because the Magna Carta restrained this royal prerogative only in the cases of foreign citizens living in England. Bourdieu's case did not fit within this

³⁵ See, N.A., TS 11/671, 21.

³⁶ This argument was suggested to Bourdieu by the same Laffon Ladebat: 'La caisse d'escompte (since the month of april one thousand seven hundred and ninety) is nothing more than a commercial partnership without influence or interest common with the government' (underlined in the original), in N.A., TS 11/671, 28.

³⁷ See, N.A., TS 11/671, 55.

³⁸ See, N.A., TS 11/670, 3.

³⁹ The clearest passage within the correspondence between Bourdieu and Ladebat on the political nature of their business is the following: '[...] we have at our bank the dollars which it was not possible to ship [...] the want which it (French government) now feels of gold and silver is its own fault' in N.A., TS 11/673, 8.

framework: Vincens and Laffon Ladebat, the two French businessmen with whom he was dealing, lived in France and therefore ‘debt and goods found in this realm belonging to alien enemies belong to the king and may be seized by him’.⁴⁰ Thus, the king could decide to use this right at his discretion and at any time in the name of the law of war (*de jure bello*).⁴¹

It remained to justify whether His Majesty could exercise his right also when the seizure of goods concerned a private and renowned institution like the Bank of England. The judges of the Court conceded that Bourdieu's case was a unicum in the history of the financial institution; nonetheless, the lack of precedents did not bind the king in this specific matter. Acknowledging the delicacy of the situation, the king had proceeded to issue an injunction towards the Bank of England concerning all bullion and coins deposited in its Bullion Office on the account of Bourdieu.⁴²

In Bourdieu's view, the most controversial point was not the seizure of the goods of his clients, but that all the bills of exchange he had received on the credit of his account in the Bank of England were no longer available. His demand was to be reimbursed at least all bills issued before the injunction he had received on 9th March 1793. This measure would enable him to recover part of the expeditures incurred during the transaction with Vincens and Laffon-Ladebat.

On 19th December 1801, the Court of the Exchequer issued its final judgement on the case *National Treasury vs Bourdieu*, declaring lawful the seizure of all bullions and coins on Bourdieu's account at the Bank of England. Moreover, the Bank of England was charged to sell the entire seized account, which amounted to 395,682 ounces of New Mexico *pesos*, 2,000 ounces of New French crowns (*écus*), and 4,889 *louis d'or*. Money resulted from this huge sale would be invested in the purchase of 3% consols.

Bourdieu could not interfere with the Court's rule and his entire bullion account was invested to purchase £173,463 of 3% annuities, credited to Abel Moysey, Deputy of His

⁴⁰ See, N.A., TS 11/673, 14.

⁴¹ In the Anglo-American theory, private property belonging to belligerents was subject to confiscation. This aspect was the consequence of considering war as a conflict between individuals belonging to enemy entities. On the contrary, the Continental theory considered war a conflict between states and individuals enemies only accidentally. It is worth highlighting that in 1796, the American judge Patterson expressed his dissent towards this practice ‘considered as a relic of barbarism’. The 1812 war was another crucial moment in the definition of the government limits to seize property. In *Brown v. United States*, the Supreme Court, led by Chief Justice Marshall, ruled that only the legislative could authorise any confiscation of enemy property within the nation. See Turlington, Edgar. ‘Treatment of Enemy Private Property in the United States before the World War’. *The American Journal of International Law*, 22, 2 (1928), 270–91. It is surprising that the *Oxford Public International Law Encyclopedia* at the entry ‘enemy property’ did not mention these changes happened in the first decades of the nineteenth century. See Hans-Georg Dederer, ‘enemy property’ in *Oxford Public International Law Encyclopedia*, Max Planck Encyclopedia of Public International Law, Accessed 27 June 2016. <http://opil.ouplaw.com/view/10.1093/law:epil/9780199231690/law-9780199231690-e294>.

⁴² See, N.A., TS 11/673, 19.

Majesty Remembrancer of the Exchequer Court. Bourdieu's son, who was 28 years old at the time of the lawsuit, filed an appeal against the Court of the Exchequer's decision. James Bourdieu had died in 1805, so his son was the only survivor among the defendants and he strived to recover at least part of the loss sustained on all bills of exchange issued by the house of Bourdieu & Chollet & Co. He filed an appeal in the House of Lords in which he did not challenge the merits of the decision made by the Court of the Exchequer, except for the complete refusal to refund to the merchant house the bills issued before the injunction issued by the Attorney General.

In 1806, the Attorney General, Sir Arthur Pigott, decided to consider Bourdieu's appeal because the appellant had applied to the "grace and the favour of the Crown", withdrawing all legal claims on the previous decision made by the Court of the Exchequer.⁴³ Therefore, the Attorney General asked the treasury which sum could be assigned to the merchant house concerning the bills of exchange issued before the seizure came into effect on 9th March 1793.⁴⁴

John Wishaw, an audit commissioner, proceeded with a close analysis of all bills issued by the London merchant house in order to evaluate how many had been accepted "fairly and *bona fide*" by Bourdieu and his partners before the seizure of their goods. From this analysis, it emerged that the bills prior to the seizure added to 4% interest on them amounted to £50,512. However, Harrison refused to include in this sum the bills remitted by Dominique Joseph Garat, who had succeeded Jean Marie Roland at the Interior Ministry, even though the London house had received these bills the day before of the seizure of the goods.

This evident discrimination was explicable on the basis of the special mission that the French Interior Minister had entrusted to the London merchant house: to purchase on European and American markets the large amounts of corn and flour so much needed on the French market. The French government paid the merchant house with numerous remittances that before the seizure of goods on 9th March 1793 amounted to £11,113. However, Bourdieu and his solicitor refused to disclose all the correspondence between the merchant house and the minister Garat and thus made it impossible to state the *bona fide* of these transactions.⁴⁵

After more than ten years of trials, appeals and written memorials, the nephew of James Bourdieu obtained the reimbursement of £50,512 that the Treasury accorded him as a

⁴³ The Attorney General acknowledged the risky situation in which the London merchant house was: 'it is obvious that if Messrs. Bourdieu and Company are not permitted to receive any reimbursement out of the fund in this cause, they are in the greatest danger of sustaining the entire loss of the money which they advanced in payment of those bills accepted by them upon the credit of that fund'. See, N.A, TS 11/675, 1.

⁴⁴ See, N.A, TS 11/675, 9.

⁴⁵ See, N.A, TS 11/675, 9—13.

gracious act of His Majesty towards a merchant house which otherwise would strain to survive. The other partners, James Bourdieu and Samuel Chollet, could not enjoy this small reparation because their lives ended before the end of the lawsuit.

4.2 Refraining from risk: Thomas Coutts and the 1797 credit crisis

Not all merchants and bankers were ready to run the risks that Bourdieu did in agreeing to do business with the Discount Bank. If Bourdieu was convinced of the necessity to take some risks to earn a larger profit, there were many other bankers who professed prudence as their greatest virtue and abhorred any inclination towards risk-bearing operations. The best example of the figure of this "prudent banker" was Thomas Coutts. He perfectly embodied the "Fleet Street banker", whose main activity consisted in lending money to the most eminent members of English society.⁴⁶

Thomas Coutts was a member of a Scottish family active in trade that moved to the English capital, attracted by the opportunities available on the London market. In 1761 Thomas joined his brother James in a partnership, which lasted for fifteen years; then, in 1775, the bank became known as Thomas Coutts & Co. In the following years, Coutts opened the partnership to two brokers, Edmund and John Antrobus, and then to his nephew, John. What made the fortune of Coutts and his firm was the personal friendship that linked the Scottish banker to his countryman Lord Bute.

Bute was a mentor of George III, and for a short period (1762-1763) was his prime minister. As a result of this connection, Coutts became the banker in charge of the Privy Purse whose main duty was the administration of the personal income of the sovereign and his family, a role that has continued to the present day. Having reached this outstanding position, Coutts rapidly enlarged his clientele, which included relevant members of the English political scene such as William Pitt, the Duke of Wellington, and the Foreign Secretary Lord Grenville.⁴⁷

Notwithstanding his status of well-established banker within London society, Thomas Coutts had married a humble woman, Susannah Starkie, who was the housemaid at his

⁴⁶ On the distinction between 'Fleet Street' and 'West End' banking, see D. M. Joslin, 'London Private Bankers, 1720-1785', *The Economic History Review*, 7, 2 (1954), 167—186. On the clientele of a 'Fleet Street banker' such as C. Hoare & Co., see Peter Temin, and Hans-Joachim Voth, *Prometheus shackled Goldsmith Banks and England's financial revolution after 1700* (New York, Oxford University Press, 2013), 74–94.

⁴⁷ There are several books dedicated to the history of the firm Thomas Coutts & Co. The most complete and accurate is the work by Edna Healey, *Coutts & Co 1692-1992: the portrait of a private bank* (London, Hodder & Stoughton, 1992). Others works dedicated to the bank written in the first half of the twentieth century are: Ernest Hartley Coleridge, *The life of Thomas Coutts, banker* (London, New York: John Lane; John Lane Company, 1920) or Ralph M. Robinson, *Coutts', the history of a banking house* (London, J. Murray, 1929).

brother John's house. Thomas had no male heir, but had three daughters: Susan, Frances and Sophie. After Susannah's death in 1815, Coutts decided to marry an actress, Harriot Mellon, thus scandalising once more the hierarchical British society. The two unconventional marriages of Thomas Coutts might lead us to think that he did not try to meld into the aristocratic ranks. On the contrary, all his daughters married members of the landed aristocracy: in 1794, Susan married George North, 3rd Earl of Guilford and son of the former Prime Minister Lord North, , in 1800 Frances married the Marquess of Bute, John Stuart, and in 1793 Sophia married Sir Francis Burdett, baronet and member of parliament.⁴⁸

The seat of the bank was at 56 The Strand, where Thomas Coutts also resided. Around fifteen clerks worked there under the direction of Coutts, who was helped by the brothers Antrobus, John and Edmund, and his nephew Edward Marjoribanks. Whenever Coutts wanted to leave London for some period of time, he could largely rely on his partners for the direction of the affairs. In general, he remained particularly attached to the Strand establishment and even after he had bought a sumptuous house on Stratton Street, close to Green Park, he often felt 'a sort of hankering after old haunts, and to return to the Strand'.⁴⁹ The Scottish banker enjoyed a solid reputation at the end of eighteenth century and his bank figured as one of the most trustworthy institutions; therefore, he could dedicate more time to the future of his family and in particular to the education of his daughters.

For this reason, Coutts left England with his daughters to go to Paris at the end of 1788. The three young women then stayed at the Pentemont Abbey, where young ladies of the French aristocracy completed their education before marriage. Therefore, at the outbreak of the French Revolution, Coutts had his three daughters in Paris and, notwithstanding that the first news of troubles in Paris arrived in England, he did not bring them back from the French capital.⁵⁰ The French political crisis was in the banker's opinion the outcome of the lack of authority of Louis XVI and his incapacity to stabilise his kingdom by granting some reforms and restraining the more radical pretensions.

⁴⁸ At least in Sophia's case it is not possible to speak of a planned marriage, as Coutts explained: 'The match was of their own choice and having met the approbation of all His family, I hope they will be very happy' in a letter to Lady Chatham, on 16th August 1793, N.A., Public Record Office (henceforth, P.R.O.) 30/8/29. Also in the case of Frances, it seemed that the father had no role in the wedding of his daughter: '[...] The marriage is altogether Miss Coutts' own choice I hope she will find it productive of future happiness. If so Mrs. Coutts and myself ought to be content tho we may not cease to be surprised and indeed my daughter had so uniformly declined all connections tho very equal in all respects and unobjectionable that I had begun to think she would always live single', on 15th September 1800.

⁴⁹ See a letter written to his close friend Caleb Whitefoord on 8th February 1796, in Add Ms. 36595, British Library, f. 323.

⁵⁰ '[...] the troubles however at Paris are become rather alarming tho I flatter myself by the letters today there is not any danger as their (his daughters) residence is much respected' letter to Lady Chatham, on 16th July 1789, in Public Record Office (henceforth, P.R.O.) 30/8/29.

Coutts was reluctant to be worried by news coming from France because he saw that the English economy was recovering from the long American Revolutionary War, harvests were good and abundant, and the prospect of peace assured a rise in public funds, where many of his clients had large interests at stake.⁵¹ Reassured by the positive outlook of the British economy, Thomas Coutts set off for the Continent, where he travelled in France, Italy and Germany. Coutts visited the main Italian Courts, Turin, Florence and Naples, with prestigious letters of introduction written for him by the Secretary of State, the fifth Duke of Leeds.

These letters were not the ordinary letters of introduction that any English subject could request from the government, but fully recognised the status of Thomas Coutts as a 'banker to His Majesty'.⁵² During this long trip through Europe, Coutts was pleased to observe that Pitt's ministry avoided the outbreak of a war with Spain and for this, it gained the admiration of many European rulers. In the same way, Coutts could not help but be pleased that 'the growing prosperity that appeared when I left England will not be interrupted'.⁵³

However, the peace was not as sound as it had seemed to Coutts: news of troubles in Brabant between patriots and supporters of the Austrian rulers arrived in London, and the situation in France did not seem to be moving towards a peaceful solution. For these reasons, Coutts decided to return to the Continent to bring back his daughters, who had remained in Paris after his first European trip. Once the entire family was together under the same roof, it seemed that Europe with all of its troubles faded away in Coutts' thoughts. When the first voices in favour of a military intervention of revolutionary armies against the Austrian emperor rose in France, Coutts was concentrating on celebrating the growing British economy:

the growing prosperity of this country must greatly contribute to your comfort and happiness. Indeed I believe the produce of the taxes, the increase of Arts and manufactures, the high price of Stocks, and the prespect of even redeeming the

⁵¹ In a letter to his client Lady Chatham, William Pitt's mother, he wrote about the economic situation of his country: '[...] all the public payments are in a similar state of forwardness, without any apprehension of war, and the comparative situation of this country with neighbouring nations, being so favourable, I do not despair of seeing the price of the public funds as high and every feature of prosperity as strong as before the last ruinous war' on 12th September 1789, P.R.O. 30/8/29.

⁵² See, Dropmore papers, Add. Mss. 59541, British Library, f. 8.

⁵³ See, letter to Lady Chatham on 6th August 1790, in P.R.O. 30/8/29. A few days before the declaration of war by France against Austria, the only worry of Coutts was the English success in India: '[...] there is the strongest probability that Lord Cornwallis will accomplish every purpose of the War in India, and I flatter myself we shall then be secure of long peace and tranquillity, and the continuance of the general prosperity which at present seems to exceed all expectation and makes this country the envy of all Europe' letter to Lady Chatam on 6th April 1792, P.R.O. 30/8/29.

expenditure of the American War exceed the expectation of the most sanguine, while it astonishes men of more desponding tempers.⁵⁴

It is not difficult to imagine that Coutts may have been surprised and worried when France declared war on the Austrian Empire on 20th April 1792. However, as long as the conflict did not concern England, he could hope that the period of economic growth would last. Coutts did not remain a passive observer of the European political evolution and of the turbulent development of French political life. He suggested to his friend, Secretary of State Lord Grenville, to acknowledge the French Republic as first step in a peace process that would strengthen English growth and restore the political balance in Europe. In his letter to Lord Grenville, the London banker reported various voices of British merchants active in Amsterdam and Paris demanding a prompt and pacific resolution in the relations between France and England.⁵⁵

The suggestion to recognise the French Republic risked being considered a radical proposal because at the end of 1792, the French royal family was under arrest and the trial was to start in few days to decide whether or not to execute Louis XVI as a traitor to the nation. This suggestion, which was without effect, showed how vital peace in Europe was for Coutts, who was well disposed to sacrifice principles and to recognise the French Republic to put an end to the conflicts on the Continent.

Coutts rightly feared that in case of a war between England and France, an economic crisis would stop the booming English economy that he had admired in the previous years. Indeed, a few months after the French declaration of war on 1st February 1793, a first wave of

⁵⁴ See, letter to Lady Chatham on 21st January 1792, in P.R.O. 30/8/29. This positive vision of British economy was confirmed by the King's speech to the Houses on 31st January 1792. The echo of this speech arrived also on the Continent. In Amsterdam, the consul Rich rejoices in these terms: 'His Majesty's most gracious speech which together with the Addresses have given the most heart-felt satisfaction to his Majesty's subjects here as well as to all the friends of England, the prospect of diminution of taxes soon after disarming a very formidable naval force, instead of raising new ones to provide for the expense of its outfit, furnishes the most undeniable proof of the amazing increases of the public revenues which must be the result of the flourishing situation of trade and manufactures and of national health, whilst the intended reduction of the Army and Navy affords well founded prospect of a lasting peace and further increase of the general welfare' in a letter to Lord Grenville, on 14th February 1792, Foreign Office (henceforth, F.O.) 37/37, N. A., Kew.

⁵⁵ 'Very respectable men, and who are totally unconnected with politics of every kind, and so far from their writing with any intention of making public their sentiments, that I do not think myself at liberty to mention their names'. Extract from Paris, 26.11.1792: 'England should immediately acknowledge the French republic and use her efforts to bring about a general peace: it is the only practicable thing you may depend upon it, and if not followed I shall sell out all my stock, and I advise you to do the same'. Letter from Amsterdam: 'England has now in her power the means of quieting her own Country and Holland and establishing universal peace. She has only to acknowledge the French Republic' in letter to Lord Grenville, on 28th November 1792, Dropmore papers, British Library, f. 51. It is hard to discover if these two gentlemen were fictitious or not. Nonetheless, it is already notable that Coutts thought it important and worthy to let the minister know that there were eminent members of the financial communities in Amsterdam and Paris that demanded a British acknowledgment of the French Republic.

bankruptcies hit the entire country. This financial crisis, one of the most severe of the century, was caused by a general lack of confidence in the large circulation of paper money that was issued not only by country banks, but in general by merchants and traders who used it as a faster and safer way of payment.⁵⁶ Country banks acted as connections between the City, where they bought bills of exchange, and their country clients, who bought them with specie. In this way, private credit rapidly developed in the second half of the eighteenth century. However, spreading credit also meant spreading risks should a wave of distrust ever sweep the country.

Coutts was now increasingly alarmed by the numerous bankruptcies which affected the entire British economy, while at the same time being proud to claim that his business was solid and did not run any possible risks.⁵⁷ The Scottish banker wholeheartedly supported the military efforts of England against the French armies. At the same time, he hoped for a rapid conclusion of the war without burdening public finances with higher expenses, thus negatively affecting all public funds.⁵⁸

Coutts actively supported the cause of French *émigrés* who had fled from France and found refuge in London. He had some acquaintances in the French nobility and whenever he could, he introduced them to his high-ranking friends.⁵⁹ Yet the Scottish banker always had at the back of his mind the American War and the risk of England being drawn into a very long, bloody and extremely expensive war with the effect of interrupting the rapid growth of the previous years.

⁵⁶ On this financial crisis and its features, see Julian Hoppit, 'Financial crises in eighteenth-century England.' *The Economic History Review*, 39,1 (1986), 39–58. On the role of country banks within the British market, see L. S. Pressnell, *Country Banking in the Industrial Revolution* (Oxford, Clarendon Press, 1956). On the use and circulation of bills of exchange, see James Steven Rogers, *The Early History of the Law of Bills and Notes: A Study of the Origins of Anglo-American Commercial Law* (Cambridge; New York, NY: Cambridge University Press, 1995), pp. 94-124. On the 1793 crisis and its impact on the pound, see Albert E. Feaveryear, *The Pound Sterling: A History of English Money*. (London, Oxford University Press, 1931), pp. 170-175.

⁵⁷ '[...] Meanwhile the stoppage of banks and stagnation of credit all over the island is much to be deplored. My business is all within my own walls: I have given some aid to many on this occasion, but can receive none myself, and having never corresponded or dealt with any country bank whatever, I stand very clear of the general calamity' in a letter to Lady Chatham, on 7th May 1793, P.R.O. 30/8/29.

⁵⁸ '[...] The public papers have informed us of the strong approbation Parliament has given to M. Pitt's measures in war and I most sincerely wish to see the conclusions of peace follow speedily upon them; for the waste of human blood is shocking to humanity and the great expence must be felt severely in addition to the former Public burthens with which the ruinous American War overloads the country' in a letter to Lady Chatham, on 28th January 1794, P.R.O. 30/8/29.

⁵⁹ 'The Count de la Rochefoucauld [...] is come from Brussels wishing to act in any expedition in Bretagne – or Normandie, where his family's influence and former possessions are of the first consequence. He is a particular and intimate friend of mine [...] he wishes me to introduce Him to your Lordship and I beg to request you will have the goodness to hear Him' in a letter to Lord Grenville, on December 1793, Dropmore papers, British Library.

Coutts remained worried about the diffusion of revolutionary ideals in Europe, but on a more pragmatic basis, he started to think that England was fighting a war against its own interests, with the risk of losing its positive economic growth. England could not rely on *émigré* armies, which were fighting back against the revolutionary armies with scarce effects, and this incapacity would force England to spend even more to form a new expeditionary force to invade France. In brief, Coutts contested the British intervention in the European conflicts:

I hope once we have recovered from the mischiefs of this unhappy war, and have learnt sense enough by experience, to keep out of such scrapes — and to attend to the increase of our navy and diminution of our debt. Two objects that can only be done effectually in times of peace.⁶⁰

His Majesty's banker was convinced that war was reasonable only when it 'obtains better security for Peace being durably maintained'.⁶¹ The war against France risked leading England far away from the defence of her more vital interests in favour of allies such as Austria and Prussia, whose interests diverged from those of England, since they wanted to widen their continental supremacy.⁶² Coutts was old enough to remember the two last great wars fought by England, the Seven Years' War and the American War, and he was aware that in these long conflicts, terrible defeats were followed by glorious victories, thus making any calculation of the war outcome impossible or at least unreliable. Yet he recognised that this time England was unluckily trapped in a different war, which was not following the old path and was more similar to 'a duel, 'till one or the other is conquer'd'.⁶³

This deadly duel took its toll not only on human lives, but also on the British economy. After the waves of bankruptcies in 1793, the long war effort affected public finances and prepared the conditions for a perfect storm in 1797. The first signs of the 1797 crisis were clear and detectable in Coutts' eyes: the 'boring' and safe activity to lend money to the most well established members of the aristocracy quickly became as risky as other financial

⁶⁰ Letter to Caleb Whitefoord, on 14th January 1794, Whitefoord papers, British Library, f. 299. On the vital role of navy, Coutts wrote: '[...] I think however if a proper and uniform attention to our naval forces is given we shall be always able to repel invaders and keep our respect among the Nations – and it is by neglecting this or not attending in Time, to our natural strength alone that Britain can ever be subdued' letter to Lady Chatham, on 1st August 1794, P.R.O. 30/8/29, f. 219.

⁶¹ See, letter to Lady Chatham, on 28th October 1794, P.R.O. 30/8/29.

⁶² Coutts harshly criticised English allies in their attitude towards Poles: '[...] I cannot rejoice at the hard fate of the Poles nor at any success of these barbarians the Russians, than whom the Prussians are but little better' in a letter to C. Whitefoord, on 14th January 1794, Add. Ms. 36595, British Library, f. 298.

⁶³ See, letter to C. Whitefoord on 8th February 1796, Add. Ms. 36595, British Library, f.324.

activities. In particular, Coutts found himself exposed to the late payments due to all aristocrats who figured within the Civil List.

This list included the royal family and members of the administration as well as aristocratic pensioners. Coutts complained about these delays, that burdened all his clients' accounts, that he wanted to settle in June. Notwithstanding the dire situation of many clients, Coutts did not refuse to advance some money to those who fully depended on the endowments of the Civil List.⁶⁴

The 1797 crisis differed from the previous one in 1793 because it mainly concerned the Bank of England and the mechanism of discounting commercial bills. The Bank had been under pressure since 1795, when its gold resources were severely drawn out for two reasons: first, the British armies and navy were paid in bills of the Exchequer, which could be discounted at the Bank, thus triggering a flow of gold out of the bank reserves; second, the Bank had advanced as security of more than £2 million for the Austrian loan issued in 1795. The unfavourable trend of English exchange on the marketplaces of Lisbon, pivotal for the gold trade, and Hamburg, the main commercial hub in northern Europe, and rumours of a possible French invasion of the British Isles also contributed to spreading panic between economic operators.⁶⁵

Consequently, Coutts restricted his credit to his closest clients, even though the suspension of cash payments of Bank notes more involved those who dealt in discounting commercial bills or receiving bills of Exchequer. The banker made distinctions between his clients to decide to whom to limit or keep opening his credit. However, the choice was particularly difficult since with almost all of his clients, the banker had not only a professional relationship, but was also a close friend.⁶⁶ Coutts thought that restraining credit to the smallest

⁶⁴ '[...] every other public payment is in an unexampled state of arrear, very distressing indeed to many individuals who are without means Friends or credit to relieve themselves. I am myself very much incommoded having numerous connections who are in Public employment and who naturally recur to me for aid which I am unwilling to deny. The Civil List in which many depend will be six quarter in arrear the fifth of July – and M. Pitt himself has all his appointments from that fund and by act of Parliament payable the last' in a letter to Lady Chatham, on 29th June 1796, P.R.O. 30/8/29.

⁶⁵ For a clear explanation of the 1797 crisis, see Hawtrey, R. G. *Currency and credit*. International finance. (New York: Arno Press, 1978), 255—278.

⁶⁶ 'The calamities of the war, and the consequences of public distress have deprived every person in my line of their former powers to oblige and accomodate their friends, and I have been under the necessity to limit myself, very unwillingly, in many cases where it has been much against my inclination, but your Ladyship may depend I will always consider you as an exception from any general rule, and that things must become much worse than they are as yet, before I have recourse to any restriction that may affect your convenience' in a letter to Lady Chatham, on 7th May 1797, P.R.O. 30/8/29.

number of closest clients would be sufficient to live through this unprecedented crisis, but he was wrong because at the beginning of 1798, he was forced to stop all his credit activities.⁶⁷

The situation became almost unbearable for Coutts in the spring of 1798: personal misfortune (a bad fall from a staircase) and the dire economic situation in London prevented him from running his usual business as he wished. Moreover, the Scottish banker underwent the worst experience that he could imagine: the loss of trust by his closest and most prestigious clients. It is worth reporting all the disappointment expressed by Coutts about this:

those who want our aid and many who we would be happy to assist, often imagine we refuse them only to make a greater advantage of the use of the money, which is extremely unjust, in my case at least – for I have actually declined all concern in Public loans, however lucrative, merely to have the power in some degree of still doing something.⁶⁸

In these few lines, it emerged how Coutts conceived his business and his obligations towards clients, whom he always called ‘friends’. The insistence on the prevalence of friendship over profit-seeking attitudes could be dismissed as a simple pleading to Lady Chatham to explain his impossibilities to offer new credit. On the contrary, I believe in the banker's candour, because at least with Lady Chatham, their correspondence showed that Coutts shared with his client not only information relative to the account, the balance and the eventual overdrawing, but also personal information, including his health condition and his daughters' lives.⁶⁸

The two trajectories of James Bourdieu and Thomas Coutts delineate the two attitudes that merchants and bankers displayed during the period of the French Revolution: the former regarded the opening of a period of uncertainty as a condition to access to markets otherwise closed to his merchant house, the latter, facing a dire credit crisis, decided to restrain his activities to avoid any negative consequences for him and his clients. In both cases, the merchant and the banker evaluated their economic actions in relation to the rapid changes of

⁶⁷ Coutts was really regretful to cut any credit to Lady Chatham and he explained it only through the exceptional situation in which England was stuck: ‘[...] For years since the commencement of the war all the houses in my line found or at least thought it prudent to alter the plan and conduct of their business by declining loans of money in every case. I believe I was among the last that with (sic) held the accustomed aid and assistance to the friends of my shop — wishing to prefer this accomodation upon a permanent system of a perpetuity of friendly connection, to any immediate advantage however alluring — but on the stoppage of the Bank and other circumstances of last year — it became no longer a question of advantage and conveniency but of safety’ letter on 2nd January 1798, P.R.O. 30/8/29.

⁶⁸ See, letter to Lady Chatham on 26th March 1798, P.R.O. 30/8/29.

⁶⁸ See, chapter 7, pp. 199-201.

the political scenario. In 1793, the outbreak of the war and its consequent negative outlook influenced British economic life as well as the individual choices of market actors even in the following years.

4.3 Grading colleagues: the bank Hogguer & Co. and the evaluation of counterparties risk

Assessing risks has always been part of the merchant life: an attentive scrutiny of the reliability of the partners, as well as a keen evaluation of the enforcement of the agreement were mandatory for all businessmen active in trade, including banking. The following pages deal with the different ways in which bankers evaluated counterparties' risks at the end of the eighteenth century. Such evaluation was not completely based on economic benchmarks, but also on the reputation and the moral attitudes of the counterparties, which played an eminent role in the drafting of a client profile.

Bankers could not rely excessively on the transparency of markets: stock exchange listings were published in the main newspapers of the financial markets of London, Paris and Amsterdam, but these quotes did not much help a merchant to understand whether his counterpart was reliable or not. Moreover, at that time, bankers could not rely on rating agencies that determined the soundness of other merchants and bankers, as happens nowadays. Yearly balances were not available, nor did independent agencies monitor the transactions of financial actors within the stock exchange.

Therefore bankers reverted to their personal correspondents to obviate this lack of information. Another recurrent alternative was to ask for the advice of other bankers on the spot with whom the banker to be rated had already done some profitable business. The banker gathered all information he could access on the counterparty he was interested in and then he copied them in a volume that he could consult whenever he needed specific information to strike a deal. Hogguer Grand & Co.'s papers offer a good example of this practice during the period taken into consideration here.

This firm was active in trading loans issued by European monarchies, such as the Polish and Swedish Crowns, as well as by the rebellious American colonies at the time of the American Revolution. The bank had conspicuous interests at stake on the Parisian market because it held large amounts of French securities, and many of its clients were French bankers residing in the French capital. Therefore, the Amsterdam-based bank had the possibility to rely on direct and reliable sources relating to the counterparties in Paris. At the same time, it offered

insightful evaluations of other Dutch or French banks to other colleagues who asked for them.⁶⁹

Hogguer wrote down all his ratings of other colleagues in a book entitled *Information de l'étranger*, in which all notices about peer bankers included the name of the banker, his main field of activity, his moral reputation, a general overview of his assets and for whom this information was gathered. Hogguer was generally prudent about drawing with high precision a portrait of bankers he did not know. An example of this prudence in rating his colleagues is evident in the evaluation of the houses of Couderc Brants & Co., Stadnitski and Van Staphorst. Even though all these houses were active on the Amsterdam market, Hogguer confessed that he could not rate the quality of the assets detained by these banks and therefore his grade was positive, but with no certainties about the status of their balances.⁷⁰

At the same time, Hogguer received enquiries about bankers of the *haute banque* in Paris from other Parisian bankers. What mattered most was that Hogguer had to deal with those bankers and this allowed him to rate Parisian bankers better than other French peers. For this reason, the Lyon banker Jacques-Rose Récamier asked Hogguer to give his rating and opinion on many Parisian bankers, such as Jean-Joseph François-Alexandre Barrillon, Louis Barthelemy Bastide and Charles Martin Doyen. All these bankers sat on the board of the *Banque de France* and they all experienced bankruptcy or a dire financial situation during the first decade of the nineteenth century. Récamier himself had to liquidate all his activities in 1803, when the end of the peace with England brought huge losses to all those who had invested in the colonial trade during peacetime.

Hogguer had his highest confidence in Barrillon because he had a great relationship with the treasury, and he had an outstanding credit and high moral standards that made him one of the

⁶⁹ On the role and the activities of the bank Hogguer Grand & Co., see H. Lüthy, *La Banque protestante*, vol. 2, 604–619. The best account on the Amsterdam stock market between the eighteenth century and nineteenth century remains Joost Jonker. *Merchants, bankers, middlemen: the Amsterdam money market during the first half of the 19th century* (Amsterdam, NEHA, 1996). For a general overview of the financial history of the Netherlands, see Marjolein Hart, Joost Jonker, Jan Luiten van Zanden, *A financial history of the Netherlands* (Cambridge, Cambridge university press, 1997).

⁷⁰ On Couderc Brants & Co., Hogguer admitted his lack of detailed information on its financial assets: 'Il est difficile de déterminer la confiance que mérite la maison [...] parce que on ne connaît pas la richesse des fonds ni la nature des engagements de l'associé commanditaire qui passe pour être très riche' in Stadsarchief Amsterdam (henceforth, S.A.), Hogguer papers, 600/1027, entry on 23rd June 1789, 38. A few years later, Hogguer upgraded the same bank: 'Celle de C. & B. (Couderc & Brants) jouit du premier crédit à notre bourse, et nous avons une très grande confiance dans sa solidité' in S.A., Hogguer papers, 600/1027, entry on 29th November 1802, 133. Hogguer admitted his incomplete knowledge also of another important player of the Amsterdam market, such as Van Staphorst: 'Il nous est très difficile de vous fixer sur la confiance que mérite la maison [...] elle se borne uniquement à les affaires en Amérique, et jouit d'un bon crédit à notre Bourse'. In S.A., Hogguer papers, 600/1027, entry on 20th January 1789.

best bankers with whom to do business in Paris.⁷¹ A similar enthusiasm was expressed in favour of the supplier of the army, Barthélémy Bastide, who had become rich by discounting commercial paper for the government. As a consequence, his position seemed sound on the financial level as well as on the political level, where he had endless connections and a well-developed network of acquaintances within the government and the *haute banque*. Hogguer was well aware that his esteem for Bastide was not shared within the banking community, but he did not change his mind because he had the opportunity to work with Bastide when he gained a positive impression.⁷²

When rumors of financial distress seemed to concern the Bastide bank, Hogguer confirmed the solidity of the French house as long as other bigger events did not occur to modify the entire economic outlook.⁷³ A more nuanced rating was that of the bank Doyen & Co., which had run some unsuccessful speculation with Hamburg and was recovering its position with fewer and safer activities. Even though Doyen was a man of high moral standards and highly esteemed, he could count only on modest resources (no more than 500,000 francs), and all his clerks were not trained in trade or banking business because they had all worked in the treasury with Doyen before starting their banking activities.⁷⁴

As is often the case, Hogguer's ratings of counterparty risk were not always right, and sometimes they were completely off the mark, as happened in the case of Geyler Jourdan & Co. Good friends of Hogguer, Geyler Jourdan & Co. were described as a sound house of trade, with high ambitions but also careful to avoid excessive exposure to their debtors.⁷⁵ However, a few months after of this positive rating, Geyler Jourdan & Co. failed because they had lent 800,000 francs to the Coulon brothers, who went bankrupt in 1803.

⁷¹ 'Sous tous les rapports M. Barillon a les droits les mieux mérités à votre confiance la plus complète, il est au dessus de tous les événements présents et futurs et c'est une des maisons de Paris qui s'arrangera le mieux dans cette crise [...] c'est un homme d'ordre excellente, une moralité à l'épreuve [...] sa correspondance avec vous, peut devenir importante en raison de sa relation habituelle et bien conduite avec la Trésorerie Nationale' in S.A., Hogguer papers, 600/1027, entry on 29th November 1798, 256. Récamier had to know in some way the banker Barrillon because both were shareholders in the *Caisse des comptes courants*, founded on 11th Messidor year 4 (28th June 1796). For the history of the *Caisse des comptes courants*, see Louis Bergeron, *Banquiers, négociants et manufacturiers parisiens : du Directoire à l'Empire* (Paris, H. Champion, 1975).

⁷² 'Bastide & fils sont de très grands faiseurs et sous ce rapport au moins à l'hauteur de Michel frères mais un tout autre genre, intelligents, habiles, autant que hardis et actifs, Bastide personnellement l'homme le plus brave et le plus loyal qui existe [...] je le crois puissant, mais en ce ménageant toujours l'opinion et le suffrage général à travers même la prévention qu'ont beaucoup de gens pour son genre d'affaires, qui exclusivement n'est autre que des opérations avec le trésor public et sur les valeurs du gouvernement de toute espèce, personne à Paris n'a su plus habilement les manières que cette maison, et aucune autre n'a une machine aussi vaste et aussi bien organisée que la leur pour ce genre d'affaires' in S.A., Hogguer papers, 600/1027, entry on 16th January 1801, 285.

⁷³ See, S.A., Hogguer papers, 600/1027, entry on 19th January 1801, 286.

⁷⁴ See, S.A., Hogguer papers, 600/1027, entry on 20th October 1800, 280.

⁷⁵ See, S.A., Hogguer papers, 600/1027, entry on 12th November 1802, 339.

During that year, many houses of commerce failed due to the renewal of the hostilities between France and England that seriously jeopardised the colonial trade.⁷⁶ Barrillon had to stop payments, but he succeeded in liquidating without bankruptcy. Even though Hogguer had been a close friend to Barrillon, he could not help downgrading his friend's standing to those who asked about his economic soundness.⁷⁷

These first bankruptcies put into motion a wave of failures in the following years, which reached a peak in 1805 when houses of the first rank, such as Bastide and Recamier, collapsed.⁷⁸ Hogguer followed closely the development of the 1805 crisis, which had two concurrent causes: on the one hand, the delay of government in paying those bankers and merchants, Ouvrard, Desprez and Vanlerberghe, who had advanced money for purchasing gold and silver from Spain; on the other hand, the impossibility for those bankers to pay their debts to other houses of commerce.⁷⁹

Hogguer became cautious in his rating of Doyen because he knew he was part of the pool of bankers backing the large operation with Spain and so he hoped Doyen would be able to liquidate all credit received to support this operation.⁸⁰ When Doyen fully recovered from this backlash, Hogguer once more supported the credit of the French banker, who seemed completely back on his feet.⁸¹ However, Doyen did not survive the crisis in 1811, when frenzied acquisitions of colonial staples led many bankers to speculate on the value of this merchandise until the market was overblown.

⁷⁶ On this commercial crisis and his impact on the world of banking, see Marcel Courdurié. “La crise de l’an XI. Premières réflexions sur une crise commerciale complexe”. *Cahiers de la Méditerranée* 2, n. 1 (1977): 45–54.

⁷⁷ “[...] à la première grande affaire ils (Barrillon) se retrouveront jusqu’au col, sauf à en sortir par une suspension si elle leur convenait” in S.A., Hogguer papers, 600/1028, entry on 13th January 1806, 53.

⁷⁸ The failure of these banks was not a minor blow to the French banking system, which was growing after the peace made with England. Therefore, it is not possible to consider the failed banks, as Bergeron did, as second rank or minor actors of the Parisian banking world. At least in the eyes of a living actor like Hogguer, Bastide, Recamier and Barrillon belonged to the banks of first rank. See, S.A. Hogguer papers, 600/1027, 232–233.

⁷⁹ The economic crisis of 1805 has received much attention by historians. A good appraisal of the literature in this field is offered by Jean Bouvier, ‘A propos de la dite crise de 1805: les crises économiques sous l’Empire’ *Revue d’histoire moderne et contemporaine*, 17, 3 (1970), 506–513. More recently, another work that sheds new light on this crucial passage of the Napoleonic Empire is Pierre Branda, *Le prix de la gloire Napoléon et l’argent* (Paris, Fayard, 2007), 257–270. On the Ouvrard’s operation with Spain, see Chapter Six.

⁸⁰ See, S.A., Hogguer papers, 600/1028, entry on 16th December 1806.

⁸¹ ‘M. Doyen est un tres honete (sic) galant homme ([...] Sa maison a souffert des desordres de Desprez et l’on avait des inquietudes peut etre réels sur son compte. Mais cette année les a bien remis en selle’ in S.A., Hogguer papers, 600/1028, entry on 6th July 1808.

National Treasury vs Bourdieu offers a unique insight into how justice and politics treated commercial interests in a troubled time, such as the Continental wars that saw England engaged in a lengthy war effort against revolutionary France. The unprecedented seizure of goods deposited at the Bank of England shows how far government action and the king's prerogative could go during war times. Even an expert merchant like Bourdieu had not imagined that his business with foreign merchants and bankers could be drastically restrained in England, where property was well respected and ensured by a legal framework.

Bourdieu regarded the French Revolution as an eventful opportunity to seek new fields of speculation that otherwise would be unattainable for him. Moreover, the London merchant could rely on his close friendship with Huber and Necker, the Minister of Finance, who remained highly respected during the first year of the Revolution. From this position, Bourdieu strove to become an active player in flourishing trades, such as the tobacco trade from North America and the East India trade.

Necker's fall seemed to put an end to all of Bourdieu's hopes for the French market. The lack of a strong executive and the frictions within the National Assembly increased the pessimistic view that Bourdieu had of France. Notwithstanding all his personal dissatisfaction towards France and the grim outlook of the French economy, Bourdieu decided to take the risk of becoming the agent of the Discount Bank in England. In the spring of 1792, Bourdieu started to deliver the first shipment of bullions and foreign coins to the distressed Discount Bank, which needed these resources to mint coins.

The outbreak of the war between France and the Austrian Empire did not discourage the London merchant from accepting the risky business with the Discount Bank. Bourdieu was convinced that the risks he ran were worthwhile because he duly received a 2% commission paid by the Discount Bank on the massive shipments of bullions and coins towards France. As a matter of fact, the long hoped-for commission became a reality. While Bourdieu had failed to become an agent of the French East India Company or a factor of large tobacco purchases, he had become the agent of the Discount Bank.

The end of British neutrality did not discourage Bourdieu from keeping his business with the Discount Bank because he was sure that the only threat would come from French privateers. The London merchant had not considered that his own government might intervene and stop the shipments of bullions and coins to France. The lack of precedents of goods seizures in the Bank of England did not prevent the British authorities from curbing

Bourdieu's business.⁸² English authorities never adopted ruthless measures against merchants and bankers, such as those which in France led many bankers and financiers to the scaffold during the Terror. Nonetheless, the Bourdieu case shows how far the English authorities went in curbing commercial interest whenever they seemed to impede national interests.

Thomas Coutts restrained his activities because not only his reputation, but also his friends' money were at stake. The close relationship between Coutts and his clients made even more remote the possibility that the banker was willing to take further risks when the entire British economy was suffering from a credit crunch. Moreover, Coutts ran an activity of lending to subjects who did not present themselves as particularly at risk, and this quality of his clientele made him less familiar with high-risk transactions or financial hazards.

Hogguer's ratings shows how bankers graded risk when they were called to deal with other bankers active in their internal market or, as was more often the case, in foreign markets such as London and Paris.⁸³ The main elements that shaped Hogguer's ratings were: personal reputation, estimated assets and relationship with the government. This last feature was double-edged: on the one hand, a close relationship with the government and a good knowledge of the treasury helped the rating of a banker; on the other hand, to be at the direct service of the government could jeopardize the direct interest of the banker and his rating, as happened to Doyen as a consequence of his involvement in the large business of *pesos* with Spain in the name of the French government.

⁸² The English government was not monitoring the activities run by the merchant house of Bourdieu & Chollet before Bourdieu asked permission to load American ships, which remained neutral also after the outbreak of the war between England and France, to the Treasury.

⁸³ In his book *Information sur l'étranger* Hogguer filed all his rankings on other merchant houses not only in Paris but also in London, Madrid, Cadiz, Hamburg and many other European cities. I decided to put more emphasis on Hogguer's rating of the Parisian banking world because in the other parts of this chapter, London was the main point of observation. However, it must be reported that Hogguer once received from Thelluson frères this rating on Bourdieu, Chollet & Co. that confirms the portrait given in this chapter: 'vous le savez (sic) aussi bien que nous, que cette maison est par dessus le cou dans les affaires de France' in S.A., Hogguer papers, 600/1027, entry on 21st January 1793, 193.

CHAPTER FIVE

The rise of a New World: the American securities market at the end of the eighteenth century, 1795-1803

I thank my fortune for it,
My ventures are not in one bottom
Trusted,
Nor to one place; nor is my whole estate
Upon the fortune of this present year:
Therefore my merchandise makes me
not sad.

William Shakespeare, *The Merchant of Venice*, Act. 1, Sc.1, 8.

The Treaty of Amiens signed on 25th March 1802 opened the first period of peace between England and France from the time of the outbreak of the war between the two powers on 1st February 1793. The two countries and their respective allies had turned the entire continent of Europe into a huge battlefield with catastrophic consequences. The long war efforts jeopardised the economic systems of the two richest countries in Europe: both England and France suffered serious economic crises that led them to the edge of collapse.

As has been discussed in the previous chapters, the French authorities decided to revalue their national debt with the bold move of repudiating two thirds of the old debt; the English authorities approved the suspension of the discount of commercial papers by the Bank of England because its gold reserves had fallen under their minimal benchmark. England was not invaded, yet trade suffered greatly from the French occupation of the Netherlands and the unrest provoked on the continent by the military operations of French and allied troops. Even though the superiority of the English military fleet protected merchant vessels all over the world, privateers succeeded in seizing numerous cargoes in the English Channel, thus making maritime trade riskier and less profitable.

Capital could still flow from one country to another, but the communication between England and the continent became difficult and therefore access to news as well as payments by bills of exchange from continental markets to the London market were severely crippled. Moreover, governments strongly opposed the commercial dealings between merchants and bankers belonging to enemy nations, as the case of James Bourdieu showed vividly. The lack

of a continuous flow of news between England and the continent made it more difficult for merchants and bankers to rate the counterparties risk of those merchants with whom they wanted to run business.

The picture was even grimmer for France, which had to deal with the loss of its most profitable colony: Haiti. The slave rebellion that started in the summer of 1791 ravaged the colonial staples of sugar and cotton, which composed the main goods imported by the French merchant houses of harbour cities such as Saint-Malo, Nantes and Bordeaux.¹ Complete interruption of the transatlantic trade caused enormous distress for not only the directly interested houses of commerce, but also for the government, which could no longer rely on the duties produced by this traffic. Not all merchants suffered as a result of the dire economic situation: suppliers of the armies and those merchants active in the commerce of precious metals acquired large fortunes and strengthened their position in relation to the government.²

However, the big merchant houses, which traded goods and ran financial transactions at the same time, could not wait until the end of the war to increase their profit and widen their activities. The bank Francis Baring gives an example of this attitude when they invested in the American securities market starting from the last years of the eighteenth century. Likewise, Dutch houses of commerce such as Daniel Crommelin & Sons, the Brandts house and, last but not least, Hope & Co. reinvigorated their presence on the American market. French actors in this growing market were less numerous, but they were not completely absent as shown by the bank Hottinguer & Co.

In this chapter, I aim to analyse how bankers moved towards new markets and new types of investment as a consequence of the political crisis embodied by the endless state of war in Europe at the end of the eighteenth century. In particular, the chapter focusses on how much the political understanding of the situation led bankers to make certain choices. Therefore, the political reasons that bankers brought into consideration about risky investment gives clear insight into the banker as an economic actor who needed to follow and assess the political life of his country as well as of the country where he wanted to invest. This aspect is fundamental

¹ On the Haitian revolution and its consequences in France, see David Patrick Geggus, *The impact of Haitian revolution on the Atlantic world* (Indianapolis, Indiana University Press, 2001) and David P. Geggus, *Haitian revolutionary studies* (Indianapolis, Indiana University Press, 2002). For a general overview of the history of the Haitian revolution, see Laurent Dubois, *Avengers of the new world. The story of Haitian revolution* (Cambridge (Mass.), The Belknap Press, 2004).

² Gabriel-Julien Ouvrard is by far the most representative figure of a merchant who made a huge fortune during the period of the revolution and the Empire, thanks to his ability as supplier and keen speculator on the transatlantic trade of gold and silver. On his life, see Arthur Lévy, *Un grand profiteur de guerre sous la révolution, l'empire et la restauration, G.-J. Ouvrard* (Paris, Calmann-Lévy, 1929) and Jean Savant *Tel fut Ouvrard, le financier providentiel de Napoléon* (Paris, Fasquelle, 1954).

to understanding the directions taken for the diversification of the portfolios of some of the most prominent banks of those times.

5.1 Between high expectations and failures: European investments in the US market in the last quarter of the eighteenth century

Bankers are always presented as canny investors who have profit as the main driving force behind all their moves. This picture is not misleading, but risks underestimating the personal understanding of the political evolution that bankers had regarding the European scenario. The following pages show how the personal evaluation of the political context led bankers to make certain investments or to withdraw from other former engagements. In particular, one field of investment required first-hand information on the political situation in order to invest safely: the securities market. Bankers willing to live in a foreign/certain country or invest in bonds issued by its government had to know the political life of that country.

As mentioned above, the US securities market became the new market for many bankers and investors eager to leave troubled Europe behind. However, the risks of investing in the US market were not negligible: the distance from Europe and the war between England and its allies against revolutionary France often made communication between the two sides of the Atlantic almost impossible; moreover, European investors had incurred losses in some frauds schemed up by brokers who proposed huge investments in land purchase, which resulted in no gain or in very heavy losses.

At the same time, the internal situation of the young republic was peaceful but not without growing unrest due to the political struggle between the Federalist and Republican Parties. Washington's decision to withdraw from politics after his second term, rumours of Jefferson's sympathy towards Jacobin ideals, and also the conundrum of American neutrality towards the European powers at war made it difficult for potential investors to risk their capital in the US securities market.

Those willing to invest in the United States often had already invested there or could rely on a large network of friends and correspondents that updated them on the current state of affairs in the young republic. Many Dutch houses belonged to this group because they had dealt with the US government since the early days of the history of the United States, when Benjamin Franklin and the future president John Adams had come to Europe to ask for money and military support from the Amsterdam bankers and the French monarchy. In parallel to this

group, there were also banks which decided to invest for the first time on the US securities market, as was the case of Baring & Sons.

A well-known example of a Dutch company composed of bankers who invested their capital in a large land purchase was the Holland Land Company. First-rank houses of commerce, such as Pierre Stadnitski and Sons, Nicholas and Jacob Van Staphorst, P.C. Van Eenghen and a few others, took part in the acquisition of 3.3 million acres of land in the western part of New York State. The company decided to promote the settling of this vast area rather than sell it immediately to some other speculators. This type of operation assumed that the bankers would nominate an agent who monitored the partition of the lands as well as the final selling to settlers. Moreover, few settlers had enough resources to immediately buy the entire tract of land that they wanted to buy and so a credit office was created to offer credit to the applicants.³

Financial transactions and land speculation were strongly intertwined, as the case of Daniel Crommelin and Sons and their speculation in the United States clearly proved. Crommelin had been active in raising capital for the United States in the years 1792 and 1793. At the end of this period, he had lent to the US authorities \$1,300,000 in exchange for US bonds such as 3% and 6% bonds. During this period, he knew and became closely involved with an American land-jobber, James Greenleaf. Greenleaf covered for a few months the office of United States consul in Amsterdam, but he decided to return to his country and to move to Washington, where he joined Robert Morris and John Nicholson in land speculation around the future federal capital.⁴

In January 1791 the site of the new city was chosen on the river Potomac, and Virginia and Maryland declared their disposition to cede land around this site for the future capital. Commissioners were charged to sell the lands to those buyers who declared themselves ready to build houses on the acquired lots. However, the first auctions did not meet any success: few lots were sold and only \$2,000 was collected. The inability to sell house lots at a single auction attracted the attention of Greenleaf and his partners, who rapidly moved to the Federal City to propose a new way to sell the lots: to open a loan with the lots figuring as security.

³ On the Holland Land Company, see Charles E. Brooks, *Frontier Settlement and Market Revolution: The Holland Land Purchase* (Ithaca, Cornell University Press, 1996), 13–46. On the policy of land subdivision, see William Wyckoff, ‘Land subdivision on the Holland Purchase in western New York State, 1797-1820’. *Journal of Historical Geography* 12, 2 (1986), 142—161.

⁴ On the main American land-jobbers of those times, see Aaron Morton Sakolski, *The Great American Land Bubble. The Amazing story of Land-Grabbing, Speculations, and Booms from Colonial Days to the Present Time* (New York, Harper & Brothers, 1932), 29—54.

Greenleaf wrote to his Dutch friend, Daniel Crommelin, that he had just bought 3,000 lots from the commissioners and 750 from other private citizens, but that he needed more funds to build houses on these lots before he could sell them at higher prices. The American land-jobber stressed that this operation enjoyed the full support of President George Washington, who was hoping that Greenleaf's strategy of raising capital would be successful. Greenleaf described the possibility of profit in an enthusiastic way to his Dutch peer: 'I could dispose of at least one hundred and fifty if not two hundred thousand pounds of this currency'.⁵

Greenleaf reassured his Dutch counterparts that his investment was not of a highly speculative nature because he had already refused many offers that he had received for the lots acquired. The main reason why he had declined all these offers, which were well above the purchase price, was because he wanted to develop his lots before selling them on the market.⁶ Together with his partners, Greenleaf acquired further lots, up to 7,000 planning, to sell 50 lots each month. This last purchase beat the competition of Cazenove, a broker house based in London, which wanted to make a large acquisition of lots.⁷

After such an enthusiastic presentation of his investment in Washington lots, Greenleaf and his partners appointed and sent to Europe as their attorney Mr Sylvanus Bourne, who had previously been the American consul at Cape François, Haiti.⁸ His mission was to sell on the Amsterdam market one hundred lots, which were distributed between Massachusetts Avenue and Pennsylvania Avenue, where the White House as the main presidential mansion was under construction. Each lot was priced at £100 and the buyer was engaged to build a house or a store on it within seven years. In case of default, the lot returned to Greenleaf and his partners without any compensation.⁹

Notwithstanding all the assurances on the profitability of the estate speculation in Washington, Dutch bankers were suspicious of Greenleaf's proposal. Crommelin's clerk,

⁵ See S.A., Crommelin papers, 654/106, letter to Alexander Gerard on 7th November 1793. Greenleaf highlighted with force how his investment in the Federal city constituted one of the best ever commercial operations run in America: '[...] all this my friend will appear to you like a fable, but it is nevertheless true and it is assured by every one who is knowing to the transaction that never has been a bargain made in the United States, that could promise advantages equally immense and solid' (underlined text in the original).

⁶ See, S.A., Crommelin papers, 654/106, 28th January 1794.

⁷ '[...] in my first contract I gave but £25 Mary (land) Currency pr lot, and in the second £35, and that I can sell almost the most indifferent lots at £125 [...] It happened very luckily that I made the latter contract at the time I did, as Mr. Cazenove came forwards the day after the contract was signed, with proposition to the Comissioners for the purchase of alarge number of lots at a very advance price but he found the door closed against him for ever' in S.A., Crommelin papers, 654/106, 28th January 1794.

⁸ Greenleaf gave clear instructions to his attorney once he would come to Amsterdam: '[...] your first step may be to see Mr. Robert Morris Jr. whom you will probably find there [...] Mr. Morris is the principal person in whom you are to place an unlimited confidence with regard of every part of the business[...] you will please be attentive in advising me as opportunity offers, of the progress you make in every stage of the business, and you may expect from me regular advices' in S.A., Crommelin papers, 654/106, 28th January 1794.

⁹ See, S.A., Crommelin papers, 654/106, 6th November 1793.

Alexander Gerard, raised numerous doubts about the connection between Greenleaf and Robert Morris, whom he considered ‘too much of an adventurer’.¹⁰ The main fault of Morris was that he was running too many operations at the same time with the risk that some might incur defaults or involve risky exposure.¹¹

Gerard's doubts concerning Greenleaf's operation also were shared by a larger number of Dutch investors, who remained reluctant to take part into the loan opened by Crommelin that aimed to raise money for Greenleaf and his partners in exchange for American bonds. The real estate operation in the future federal capital ended in the worst possible manner: Greenleaf, Nicholson and Morris kept their word and started to build on the lots they had acquired with funds coming from the commissioners. However, the failed attempt to raise capital on the Amsterdam market resulted in their bankruptcy because they could not pay back the commissioners. The powerful triumvirate was jailed as bankrupts of the loan that they had opened with the commissioners.¹²

Crommelin's withdrawal from the US market was particularly meaningful because his house had been one of the first to launch loans for American debt on the Amsterdam market. In November 1790, Crommelin advertised that it was possible to buy at his house obligations of the American debt, which yielded 6% interest to the amount of 500,000 guilders, equivalent to 250,000 dollars. At the end of December, Crommelin announced to his American peer that half of the loan had been covered and that he needed the certificates of the obligations sold for his clients.¹³ As an agent of the house Watson and Greenleaf, Crommelin received a 2.5% commission on the final amount of the loan. In June 1791, another loan of the United States of America was floated on the Amsterdam market. Crommelin enjoyed the same commission that he had from the previous loan, while yields were lowered to 5.5%.

The trajectory of Crommelin in relation to the American market is exemplary of the status of the Amsterdam market at the end of the eighteenth century: Amsterdam remained the most prominent market for floating loans issued by foreign governments, such as the American one, because it had long term experience in this field. However, the Amsterdam market was

¹⁰ See, S.A., Crommelin papers, 654/106, 28th December 1793. In the same letter, Gérard admitted that it was probably difficult to speculate on estates in the United States without dealing with Morris.

¹¹ ‘[...] he (Morris) had too many irons in the fire, this entre nous’ (French underlined words in the original) S.A., Crommelin papers, 654/106, 28th December 1793.

¹² For the bust of Greenleaf's speculation in Washington, see Sakolski, *The Great American Land Bubble*, 160—167. A more recent account of the loans issued in the Netherlands to finance Greenleaf's speculation in Washington D.C. is offered by Rik Frehen, William N. Goetzmann and K. Geert Rouwenhorst, ‘Dutch securities for American Land Speculation in the Late Eighteenth Century’ in Price Fishback, Kenneth Snowden, Eugene White (eds.), *Housing and mortgage market in historical perspective* (Chicago, Chicago University Press, 2014), 287—304.

¹³ See, S.A., Crommelin papers, 654/56, 23rd December 1793.

less used to mortgage-backed securities, with the exception of colonial plantation mortgage securities, and therefore the Dutch investors were sceptical about this innovative financial tool.¹⁴ Notwithstanding the failure of Greenleaf to sell mortgage-backed securities, the interest in land speculation in the United States did not disappear from the minds of Dutch investors, as the case of the Ceres Company confirmed.

The Ceres Company was constituted by a group of Dutch bankers, such as Brandt and Crommelin, as well as by French bankers, like Girardot and Hottinguer, and simple speculators such as Antoine Omer Talon, who had been the deputy for the nobility in the Estates General and had taken flight from France to reside in Pennsylvania. The company had bought one million acres in the Ohio Valley, aiming to sell these lands directly to American settlers. In this case too, the main obstacle to the realisation of the plan was raising capital to buy shares of the Ceres Company, which owned the lands in America.

One of the main shareholders active in this entreprise was the banker Jean-Conrad Hottinguer, who had been a direct observer of the American market because he had escaped from France in 1792 and spent some years in the United States until his return to Paris in 1796. Hottinguer explained to his partner Brandts the reasons why the Amsterdam market still remained the most suitable for this operation of mortgage-backed securities:

C'est en Hollande seulement que ces genre de placement est connu [...] dans tout autre pays du continent la classe des rentiers est prodigieusement reduite par les affaires de France, d'ailleurs cette classe d'hommes est difficile à mouvoir, elle ne suit que des routes battues, il lui faut des exemples avant qu'elle se determine, et cet exemple lui est ordinairement donné par des hommes d'un autre classe appelée speculateurs, et ce n'est qu'après que ceux ci ont fait des beneficies reiterés que les rentiers se determinent à les suivre.¹⁵

Hottinguer recognised that European investors were not keen on investing in American lands unless they were proposed with clear terms about the growing value of these lands in twelve or eighteen months. Moreover, the shareholders of the Ceres Company dealt with the

¹⁴ On this analysis, see Rik Frehen, William N. Goetzmann and K. Geert Rouwenhorst, 'Dutch securities for American Land Speculation', 303.

¹⁵ 'This type of operation are known only in Holland [...] In all the other countries of the continent, the group of annuitants has severely been reduced by the affairs in France, by the way this group of people is difficult to convince. It follows in somebody's footsteps, it needs examples before being determined to move, and this example is given by a group of people usually call speculators. Only when these latter had repeatedly profited, annuitants choose to follow them. (author's translation)' in S.A., Brandts papers, 88/670, *Observations sur l'achat des terres de la C. C. par Mr. Hger*, undated

puzzling problem that was the raising of capital in the United States. Money was not abundant in the United States and people were not inclined to invest their scarce resources in land speculation.¹⁶ However, not only American settlers were lured into this land speculation, but also many French refugees who had fled their country in the midst of the French Revolution or from the colony of Haiti.¹⁷

The French presence in land companies active in the United States dates from before the French Revolution. In the spring of 1788, Jean-Pierre Brissot travelled to the United States on the account of his friend, Étienne Clavière, to verify whether there were suitable conditions for creating a French settlement in the backwoods of Ohio. He contacted the main shareholders of the Scioto Company, which had acquired all rights over a surface of three million acres in the western region of Ohio, including Manasseh Cutler, William Duer (close friend of Alexander Hamilton and Robert Morris) and Winthrop Sargent.

The envoy of the company, Joel Barlow, was sent to Europe to publicise the opportunities for investment and speculation offered by the Scioto Company. Barlow travelled to Amsterdam to propose a mortgage-backed loan to the Dutch house of Van Staphorst, which firmly refused to sacrifice its US bonds to finance a risky investment in the remote lands of Pennsylvania. Facing the adamant refusal experienced on the Amsterdam market, Barlow decided to move back to Paris where his proposals elicited the completely opposite reaction.

On 4th August 1789, Barlow constituted an association with William Playfair and many other interested French investors with the aim of buying 3 million acres in Pennsylvania. In order to achieve this goal, the new society created 8,000 shares, each one worth 1,000 livres and yielding 5% starting from April 1792.¹⁸ From the foundation of the *Compagnie de Scioto* there was a surprising variety of professions and profiles among the shareholders: notaries, financiers and also aristocrats, small traders and simple annuitants. This frenzy about shares of the *Compagnie de Scioto* was the outcome of different political, economic and ideological factors.

¹⁶ ‘Dans ces opérations (le problème) a toujours été l'entrée des fonds. Si on connoit l'interieur de la Pennsylvania l'état réputé le plus industrieux on saura que le paysan riche a été pauvre jusqu'à l'époque de cette guerre qui a fait monter les commestibles à des prix extraordinaires de manière qu'on a pu en emporter. Plus en arrière de cette même Pennsylvania c'est la guerre avec les Indiens, l'insurrection qui ont occasioné le séjour des armées qui y faut porter un peu d'argent [...] nous ne devons point calculer sur ces choses que peuvent arriver une fois dans un siècle [...] nous ne sommes pas suffisamment assurés d'avoir les capitaux qui devront conduire l'opération à bien’ in S.A., Brandts papers, *Observations sur l'achat des terres*.

¹⁷ On the Ceres Company, see Elsie Murray, ‘French experiments in pioneering in Northern Pennsylvania’ in *The Pennsylvania Magazine of History and Biography*, 68, 2, (1944), 184–186. The main agent of this company in America was John Keating; of Irish origin, he enlisted in the French Army but came to the United States fleeing from Haiti in 1792.

¹⁸ See, Jocelyne Moreau-Zanelli, *Gallipolis: histoire d'un mirage américain au XVIIIe siècle* (Paris, L'Harmattan, 2000), 89–95.

On the political level, the acquisition of lands in the United States constituted a safe and profitable escape from the growing unrest that afflicted France after the coming of the revolution. Aristocrats like the Marquis of Lezay-Marnésia and Gouy d'Arsy, both noble deputies at the Estates General, saw the possibility to buy large tracts of lands in remote Pennsylvania as an assurance against the risk of losing their properties in France. Furthermore, they were comfortable with the idea of being landholders in a country such as the United States that had become a paradigm of prosperity and opportunity for all those willing to settle there.

Literary works like those of Brissot, Crèvecoeur and Raynal had shaped the cultured French public's image of the United States.¹⁹ The country led by General Washington offered endless opportunities and embodied a beacon of progress on the political level with its balanced constitution. The allure of the American territories consisted of being out of the reach of conflicts that had characterised Europe over the course of the eighteenth century.

Finally, economic interest played a role in the explanation of such a variety of investors: holders of public offices, such as tax farmers or treasury officers, felt that their charge was not so guaranteed in the new constitutional framework and therefore they needed to look in other directions; artisans saw their profit drastically reduced by the migration of nobles outside the country; speculators and traders saw in the American market an enticing way of widening their business.²⁰

One of the main reasons that had led to the failure of all of Barlow's efforts was the large number of small acquisitions by poor people who, in exchange for food and the costs of the journey to the United States, had bought small parcels of land. However, these investors cost too much for the company, which had to cease all activities in the summer of 1790. Barlow made the situation even worse by selling the other lands to a group of former investors of the company without giving notice of it to his American mandataries.

Duer, Cutler and Sargent sent Colonel Walker to Paris to investigate the conduct of Barlow and Playfair. At the end of this enquiry, Walker blamed Playfair for the failure, even though Barlow's responsibilities were at least of the same gravity as those of his English colleague. This is not the place to describe the adventurous journey to the United States and the even

¹⁹ Saint-John Crèvecoeur, *Lettres d'un cultivateur américain...depuis l'année 1770 jusq'en 1786* (Paris, Cuchet, 1787); Jacques-Pierre Brissot de Warville, *Nouveau voyage dans les Etats-Unis de l'Amérique*; Guillaume Thomas Raynal, *Histoire philosophique et politique des établissements et du commerce des Européens dans les deux Indes* (Geneva, J-L. Pellet, 1780).

²⁰ See, J. Moreau-Zanelli, *Gallipolis*, 155—162.

more dramatic efforts of the settlers to arrive in the small town of Gallipolis in the backwoods of Ohio.

It remains worth noting the case of small subscriptions of land by people living not only in the French capital, but also in more remote regions such as the Poitou and Auvergne as well as Lorraine and Alsace.²¹ Whereas Dutch investors remained rightly sceptical about the profitability of land investment in the backwoods of Ohio, the French case showed how widely diffused and significant the interest towards land investment and settlement in America was. This difference can be ascribed to the impact of the French Revolution on the two countries between 1789 and 1790: the Dutch people did not feel that their economic interests were at risk as a result of what was going on under the reign of Louis XVI; on the contrary, many people in France, belonging to different social groups, regarded with suspicion and fear the unravelling of the Old Regime and, for this reason, looked far away to try to find new opportunities.

As mentioned above, Joel Barlow also went to London to advertise for the Scioto Company, but London investors scorned the proposal to invest money in an uncertain land speculation in the backwoods of Ohio. Nonetheless, British houses of trade were not always reluctant to take part in American land speculation, as shown by the example of Major Jackson. Major Henry Jackson was a hero of the American Revolution, during which he had fought with General Henry Knox in the Continental Army against British forces. Knox belonged to the closest circle of friends around the Secretary of the Treasury Alexander Hamilton and both shared the conviction that a strong federal government was necessary to lead a wide and dynamic country such as the United States.

General Knox held the office of Secretary of War during George Washington's first term and at the same time took active part in land speculation in his native state, Massachusetts. During one of these operations, he bought from Major Jackson one million acres north of Massachusetts in what nowadays is Maine. Unfortunately, Knox was a partner of William Duer in this speculation and in 1792, Duer went bankrupt, thus leaving his partner without the necessary funds to pay Jackson for the lands in Maine.²²

Knox found himself with his back to the wall and the last solution he envisioned to avoid jail for bankruptcy was to send Jackson to Europe to invite some houses of commerce to

²¹ See, J. Moreau-Zanelli, *Gallipolis*, 148—149.

²² On the bankruptcy of William Duer there are no certain figures: some authors speak of losses of over one million dollars, others minimise to ten thousand dollars. Such confusion was present also for Duer's contemporaries because his accounts were not in order. For Duer's life and his bankruptcy, see, Robert F. Jones *The king of the alley» William Duer: politician, entrepreneur, and speculator 1768-1799* (Philadelphia, American philosophical society, 1992), 185—203.

participate in his Maine operation. Major Jackson sailed to Europe in the second half of 1793 and decided to stop in London and look for investors interested in American lands. It was there that Jackson crossed paths with two of the most prestigious houses of commerce in Europe: Francis Baring & Co. and Henry Hope & Co.

5.2 Bracing for the big leap: the houses of Baring and Hope at the eve of their investments in the United States of America

A brief description of the status of the two banks at the time of Jackson's arrival in London is helpful to understand the following course of events that brought Baring and Hope to take part in a large transatlantic operation. During the period of the French Revolutionary War, Baring took an active part in trading government debt, which was skyrocketing to sustain military efforts in Europe. As a consequence, in the period between 1793 and 1797, the annual profit of the bank rose from £8,423 to £26,618.

However, this activity was not free of risks: in 1810, the firm of Abraham and Benjamin Goldsmith failed and Abraham committed suicide because he had bought too many funds, with the intention of sustaining their value on the market, and he could not find enough buyers interested in them. Francis Baring & Co. was associated with Goldsmith in the contract that they had signed with the Exchequer for a £14,000,000 loan issued on May 1810.²³

The London house also followed the activities of the East India Company. Francis Baring in particular followed the activities of the East India Company with great attention and two of his sons, Thomas and Harry, were enlisted in the Company's boats for India and China. Baring also started to take part in a large trade speculation in collaboration with the Dutch firm Hope & Co. In 1787, the two merchant banks were partners in a large operation to corner the market of cochineal imported from Mexico.²⁴ The operation failed with large losses for both banks, but their collaboration was strengthened and it would last until one Baring, Alexander, decided to buy all the assets of the Dutch firm in 1813.

Baring was also particularly active in foreign payments, such as the subsidies that the British government advanced to its allies as well as all the payments to France in the name of

²³ See, Cope, S. R. 'The Goldsmids and the Development of the London Money Market during the Napoleonic Wars'. *Economica*, 9, 34 (1942): 180–206.

²⁴ Fernand Braudel referred to this failed attempt to corner the market as an example of the nature of monopolism, which goes well beyond the need of security of private merchants. See, Fernand. Braudel, *Les jeux de l'échange* (Paris, A. Colin, 1979), 371–372.

neutral countries such as Portugal in 1801 and Spain 1805. The international financial transaction which immortalised Baring as one of the greatest financial firms in those times was the Louisiana Purchase of 1803. Baring and Hope acted as agents of the United States government in the huge acquisition of the region. They acquired \$11,250 million in American bonds and they were required to pay France 52 million francs. Thenceforth, Baring and Hope became the main merchant houses to reach out to whenever there were huge sums of government debt or bonds at stake.²⁵

The two merchant houses were not only partners in multifarious business activities, but they also shared the same destiny as a consequence of two very different factors: the revolutionary French wars and the marriage of Pierre César Labouchère, Hope's clerk and then partner, with Sir Francis' daughter Dorothy. As has been mentioned in the second chapter, Baring had been able to increase his profits during previous wars as well as in the American revolutionary war and during the 1780s, when the conflicts between Holland and England had favoured his gains on government debts. However, the integrity of Dutch territories had not been threatened before, as happened in 1793. The direct menace of French armies against the Dutch Republic also risked to hinder to a large measure Baring's business, which was broadly interconnected with Hope's assets.

Unlike Coutts, Baring benefitted from the 'continental' point of view that Henry Hope offered him. Hope was not the only one to inform Baring of the evolution of events in the Netherlands; he could also rely on news from nearby France gathered by the British consul in Amsterdam, Henry Pye Rich. Henry Hope was satisfied with the economic growth experienced by England and his country, but was troubled by the course taken by the French Revolution. Hope feared that the divergencies of interest within the National Assembly would lead France to collapse and that the disrupted French economy also would infect the flourishing British and Dutch systems.²⁶ The Dutch merchant reasoned in a truly global way that permitted him to understand the French Revolution and its enormous economic impact:

Supposing that France had been quiet but that S. Domingo had undergone the same fate as it has, what a quantity people would have remained in a certain degree of

²⁵ On the Louisiana Purchase and the role of Baring, see Chapter six.

²⁶ '[...] England prospers this country too, but it is nothing but a temporary consequence of what passes elsewhere [...] pray tell me what effect must it have upon your prosperity and upon ours? I think the world as we have known it previous the influence of quasi Liberty, was so constituted, that the prosperity of one nation stood in reason to that of another nation, must not also the adversity of one nation stand in reason to the other nations' in Baring Archives, N.P. A3. 3, letter by Henry Hope to Francis Baring, on 19th January 1792.

easiness, who are now absolutely poor. [...] the reduction of the exchange became an evil for whole Europe, this cause less consumption of article like sugars and this causes more the decline of the prices that ay other reason. I am satisfied that every one is in danger to see his property much reduced. But after all those who will kept (sic) a surplus will remain richer than before.²⁷

Once the war between England and France started, all the limits of the first coalition of allies emerged in the eyes of another assistant of Henry Hope, Robert Voûte. Thomas Coutts also was quite dissatisfied by the allies and their violent campaign against Poland. Voûte shared this irritation, but he also regarded the entire European conflict as an occasion for gaining an immense fortune on the growing need for money of all the European powers.²⁸ As a matter of fact, the Amsterdam market of goods and credit had become even more pivotal than before: in the first month of war, large purchases of wheat were effected by agents of the revolutionary government, while at the same time, remittances were drawn on Dutch houses to sustain the efforts of the French princes in Coblenz.²⁹

In times of war, profits increased for merchant houses like Hope and Baring, but these gains were not without consequences: bankers started to be perceived as partisan actors that could not be considered neutral. In November 1792, French Minister of Finances Étienne Clavière harshly pointed out that Hope & Co. was the leading member of a group of bankers engaged in speculation against the French credit and currency.³⁰ The accusations moved by Clavière against the Dutch house were particularly dire: Clavière was himself a financier and he was considered as an expert on financial transactions. Moreover, he was one of the most influential ministers within the Girondin government.

²⁷ See, Baring Archives, N.P. A3. 3, letter by Henry Hope to Francis Baring, on 19th January 1792.

²⁸ 'If Russia and Prussia should be punished for the Polish division the matter with France ought first to be settled, this done it would be easy I think to make an alliance with the Sultan, the French Austria and England to oblige Russia and Prussia to give up Poland and Dantzig. Money will be wanted every where and the reserves of these 4 powers are much greater than the reserves of the two others' in Baring Archives, N.P. A3.4, letter by R. Voûte to Sir Francis Baring, on 4th June 1793.

²⁹ See, N.A., F.O. 37/37-38, letters on 23th March 1792, on 17th July 1792. The consul Rich reported also the rise of the price of saltpeter, nitratum potassium, used for making gun powder, from 28 to 32 florins per hundredweight, see N.A., F.O. 37/39, letter on 3rd August 1792.

³⁰ 'Les banquiers étrangers, qui se font soupçonner de conduire cette hostilité financière, sont connus. On ne peut pas douter que la maison Hope d'Amsterdam ne soit à leur tête; les commerçans de la même ville les ont souvent dénoncés' in Étienne Clavière, *De la conjuration contre les finances, et des mesures à prendre pour en arrêter les effets*. (Paris, Chez les directeurs de l'Imprimerie du Cercle social, Et chez les principaux libraires de l'Europe, 1792), 11.

Hope took this threat seriously and wrote to British Ambassador Lord Auckland asking not just for protection, but also for a military intervention by British forces to protect Holland.³¹ Hope offered as the best reason in favour of a British intervention the calamitous consequences should a French occupation of Amsterdam ensue, especially at a financial level. The Dutch banker reminded his correspondent that a large amount of capital remained idle on the Amsterdam market because trade was in a stalemate and war was approaching the country. Such a large concentration of idle capital could fall prey to the French armies, which could use this wealth to continue the war for a longer time.³²

Hope did not need to insist on British intervention because after Louis XVI's execution and the declaration of war against England and the Dutch Republic by France, England was forced to participate with both military forces and money subsidies to her allies. The Dutch banker honored his English friends for their engagement against the French armies, which were considered the new barbarians, fully dedicated to the complete destruction of European civilisation.³³ However, Hope had cried victory too soon: on 10th October 1795, French troops occupied Bois-le-Duc and the road to occupy Utrecht and Amsterdam was open.

A few days before this defeat, Hope had planned his flight to London and the despatch of all the furniture, paintings and valuables belonging to him and his family: everything was charged and insured on a ship ready to sail for London.³⁴ After his arrival in London, Hope and his family resided at Sir Francis Baring's place. The British banker was particularly interested in the situation created by the French invasion of the Dutch Republic. He was

³¹ '[...] We had been foisted into an eminence to attract the attention of the present accountable Race of rulers in Paris. We were pointed out as the objects of vengeance and plunder in the horrors which were to be committed in this city [...] With regard to the general system of politics, I apprehend that Great Britain cannot with safety, honour, and without forfeiting Her eminent advantages avoid a war [...] I find that Russia is now courting you. The Empress wishes to embrace in the grand cause, and will want to use of your ports: all Europe looks up to Great Britain for the preservation of every thing valuable on this globe' in N.A., F.O. 37/43, letter from Henry Hope to Lord Auckland, on 15th January 1793.

³² See, N.A., F.O. 37/43, letter from H. Hope to Lord Auckland, on 3rd February 1793.

³³ See, Baring Archives, N.P. A3.7, letter from H. Hope to Sir Francis Baring, on 27th June 1794, f.10.

³⁴ Henry Hope attended meticulously at the shipping of all his wealth to England. Writing to his British partner, he detailed the terms of the insurance he wanted to have on this precious shipment: '[...] I would wish them (the ships) remain insured till landed and exported which includes a risk against fire during the detention in Texel and in London, all these risks are included in the general policies but are seldom accused as a general the greatest diligences is used in retiring property when arrived' in Baring archives, N.P. A1.18, letter to Francis Baring on 3rd October 1794. Within the list of wares shipped to England figured: 49 embalmed cases containing paintings, for the value of £20,000, silver plate worthy £2,000, books and prints valued £600, china ware furniture (mostly plates and vases) worth £2,000. Together with these goods, the ships also carried marble, tables, clocks and a piano. See, Baring Archives, N.P. A1. 20, *Manifest of goods shipped by Mess.^{rs} Hope & C. on board the unity of Scarborough John Edmond Master at Amsterdam bound for London consigne to the orders of the shippers*. The entire load of 199 cases and trunks was insured by Angerstein & Co., which received a commission of 0.25% plus 4% of the entire estimated value of £55,670. See Baring Archives, N.P. A1.22, letter to Francis Baring on 14th October 1794.

personally involved in a merchant committee including all merchants and bankers with interests in the trade with the Dutch Republic.³⁵

Notwithstanding the war between England and its allies against France threatening all commerce between the British Isles and the Continent, Baring's affairs were flourishing at the time of Hope's arrival in England. The capital of the bank had increased from £66,177 in 1793 to £94,731 in 1795. In particular, the share of the two Baring brothers, John and Francis, had grown from £54,759 to £74,173. One of the most substantial accounts within the bank was the account belonging to Hope, particularly the account "Hope & Co. the new account".

This account was credited of £96,554, thus making it the first account within the number of personal accounts held by Sir Francis and his partners.³⁶ In the first half of 1795, £107,500 were credited on this new account, which was the sum of all remittances advanced by Hope to save his wealth from falling into French hands. Moreover, the Dutch merchant was extremely active in purchasing *pesos* from Mexico and sugar from both the West and East Indies. These investments were not free from risks, however, these two goods so different in value had one feature in common: in times of war, they rapidly appreciated and became widely required.³⁷

In the spring of 1795, Baring was also optimistic about investments in the London Stock Exchange, where he ordered his brokers Robertson and Hutton to buy £88,000 in funds, 3% consols and different loans available on the market.³⁸ The great abundance of capital caused by the move of Hope from Amsterdam to London led Baring and his Dutch peer to question what other possible fields of investment beyond stocks and trade were. Major William Jackson, who had been George Washington's secretary, offered them an opportunity of new investment in American lands. He acted as envoy on the part of Senator William Bingham and the Ministry of War, Henry Knox, who wanted to sell one million acres of land in Maine.

As described in the previous pages, companies for land speculation and proposals for profitable settlement in the United States flourished throughout Europe.³⁹ It seemed as if a speculative fever had infected a growing number of people who saw in risky investment overseas the only safe refuge for their wealth. Even a future protagonist of French political

³⁵ For more details, see Chapter Seven, pp. 197-199.

³⁶ See, Baring Archives, Accounts Old Series (henceforth, ACOS), 15.

³⁷ See, Baring Archives, Account Books, "Hope & Co. the new account", f. 197.

³⁸ See, Baring Archives, N.P. A22.5.

³⁹ To have a summary of all American land companies active in the last decade of the eighteenth century, see Shaw Livermore, *Early American Land Companies. Their influence on corporate development* (New York, The Commonwealth Fund, 1939), 133–214.

life, Charles Maurice Talleyrand, pondered the possibility of investing in large land acquisitions in the northwestern territories of the United States.⁴⁰

Hope certainly knew about the existence and the activities of the Holland Land Company because an important Amsterdam firm like Van Staphorst & Co. was part of it. Yet in spring 1794, Hope was not interested in taking part in land acquisitions in the United States, but preferred trade and the issue of foreign loans which had always been his strong point.⁴¹ Hope's diffidence towards American investments was explained in these terms:

the universe is at the present too convulsed and the life of man too short to embrace schemes of such magnitude of which the success depends on their being closely followed up and strictly and even personally attended to for otherwise the chief if not the whole advantage or benefit devolves to the person employed in the conduct and administration of them.⁴²

The flight to London had partially changed Hope's point of view because he was forced to rethink his interests and had remitted all his wealth to London. Furthermore, the operation in the American lands would be followed by someone whom he trusted and knew personally: Alexander Baring. The young Baring had gained Hope's trust during his apprenticeship in Hope's bank and was sent to the United States with the duty of inspecting closely the lands in Maine that Bingham wanted to sell to Baring and Hope.

5.3 A fateful journey: Alexander Baring's discovery of the United States of America.

On 22nd September 1795 Alexander Baring sailed for Boston: he could not know how this voyage to the United States would change not only his life, but also the destiny of his firm.

⁴⁰ Talleyrand's travels across America are well accounted by Michel Poniatowski, *Talleyrand aux États-Unis, 1794-1796* (Paris, Presses de la Cité, 1967). Alexander Baring met Talleyrand and was impressed by his cleverness and he hoped that once Talleyrand would be back in France, he could play a role in French politics: 'I saw a good deal of Talleyrand when he was here. He has been all over the country with a very observant eye and been deeper than any of his countrymen [...] indeed I have seen no traveller who seems to have selected the interesting points of information with so much choice. It is an intrigant du premier ordre (French in the original) and must play a great part shortly and it is then to be hoped France will observe a more judicious and less inconsistent policy towards this country, his character is the reverse of his countrymen in general being very reserved. [...] Talleyrand's object on whatever theatre he is to act is to make money and perhaps would not be very delicate about the means [...] he may perhaps be useful hereafter' in Baring Archives, DEP. 3.1, letter from A. Baring to his father, on November 1796, f. 204.

⁴¹ '[...] We shall with much pleasure receive the visit of Major Jackson, we have declined all concerns of the nature of that which makes the object of his visit and people in general seem to be less sanguine in these adventures' in Baring Archives, N.P. A3.6, letter from Henry Hope to Sir F. Baring, on 25th April 1794.

⁴² See, Baring Archives, N.P. A3. 3, letter by Henry Hope to Francis Baring, on 19th January 1792

The young Baring remained in the United States until 1803, where he married the daughter of Senator William Bingham and became a close friend of the main American politicians in those times, from Alexander Hamilton to the Governor of the Bank of the United States Thomas Willing. It was thanks to this period of stay in the United States that in 1802 Baring Brothers & Co. obtained the office of the bank representing the US interest in Europe, paying dividends to stockholders. The Louisiana Purchase of 1803 can be considered as one of the fruitful results of these years when Alexander Baring came to know and deeply understand the young republic. It was not by chance that by 1810, 70-80% of Baring Brothers & Co's commission income came from American and colonial operations: the American market had become the main market for the company.

The correspondence between the young Baring with his father and with the partners of Hope & Co. not only offers a rich and insightful perspective on the first years of the United States, but also presents a quite original and unique point of view on the troubled European years of the French Revolutionary Wars. Thirty-five years before Alexis de Tocqueville's first travel in the United States, Alexander Baring offered a colourful description of social, economic and political life in the young American Republic. The main aim of Alexander's mission to the United States was to understand whether Bingham's offer was a good bargain or alternatively too risky a transaction to pursue. Alexander arrived in Boston, where he started to enquire about the market for land speculation. Here he was surprised by the attitude of the Boston citizens towards European investors: 'Our idea in Europe [...] was that all Americans thought well of land speculations [...] the coolness and sometimes doubts with which the respectable people consider the subject here rather surprized me at first for we thought they all of them only wanted capitals to go to any depths in them'.⁴³

Baring remained confident about the great possibilities of economic growth in the United States, but he did not know whether or not this growth would concern the land market. The price of land was rising due to the large demands of investment from Europe, where investors feared that their property could be disrespectfully treated by the various European powers at war.⁴⁴ The young Baring started to evaluate the complexity of an investment in Maine's lands: those lands were under Massachusetts which could lose its control over them, the presence of large land properties could trigger popular resentment, and finally, the price was probably too

⁴³ See, Baring Archives, DEP. 3.1, letter from Alexander Baring to Williams Hope, on 8th December 1795.

⁴⁴ 'The events that have taken place in Europe, within the period of a few years, by exposing governments to political convulsion and render any property more precarious, have certainly operated very beneficially for these lands. But these are advantages that were not contemplated at the period, that the speculation was made (1792), and are not taken into account, as at all enhancing the prices in the offer recently made' in Baring Archives, DEP. 3.1, letter from William Bingham to A. Baring, on 26th January 1796.

high due to the expectation of easy resale in Europe. Notwithstanding all these cons, Baring still wanted to invest in Maine lands because he was ‘tolerably satisfied’ with the stability of the federal government, which was the main reason to invest in the United States.⁴⁵

It did not take long before Bingham and Baring reached a deal in the negotiations on Maine lands: Baring agreed, in the name of Francis Baring & Co. and Hope & Co., to buy two tracts of land of up to 1,425,000 acres, including the town of Gouldsboro, with Bingham remaining partner in this acquisition and only responsible for the American side of the transaction. The cost of the entire operation turned out to be over £125,000, or just under two shillings per acre. The European partners fully approved the conduct of Baring in dealing with Bingham and communicated to him that on the European side, Henry Hope would stand as the sole proprietor to simplify the agreement.⁴⁶

After he reached the agreement with Bingham, Baring decided to personally visit these lands that he had agreed to buy for his father's firm and Hope. In this travel, he enjoyed the company of Mr and Mrs Bingham, their two daughters, the Viscount of Noailles and Mr Richards, a young British trader. This journey offered Baring the opportunity to examine closely the country in which he had decided to invest such a large amount of capital for his firm and for Hope. Moreover, this travel did not go unnoticed, since Bingham was a well-respected politician and the spectacle of young ladies and their carriages drew even greater attention, which worked as an advertisement for the recent investment in Maine lands.⁴⁷

The travel to Maine was the first occasion for Baring to visit the countryside because, previously, he had always remained in the big cities of the East Coast: Boston, Philadelphia and New York. The young British banker started to pay more attention to the political structure and life of the United States. This interest was neither the fruit of pure curiosity nor the outcome of some erudite attitude of the young banker, but rather the logical consequence of estimating the political evolution of the country as one of the main aspects to take into consideration in view of a large investment.

The young banker was free from prejudice against the republican constitution of the United States: in his view, the young American state could only be a republic, as no other political

⁴⁵ ‘[...] a chief object of my investigation has been to form an opinion of the probability of steadiness and permanency in the Federal government upon which I am tolerably satisfied and under that impression I should see with pleasure an investment of property by my father and his friends out of reach of the convulsions in Europe’. in Baring Archives, DEP. 3.1, *Memorandum to General David Cobb*, end of January 1796, f. 87.

⁴⁶ See, Baring Archives, DEP. 3.1, *Answer from the partners to Alexander Baring*, on 29th April 1796, ff. 115—121.

⁴⁷ ‘The projected excursion makes a deal of noise here and will do all over the country where we pass. People wonder how such a new country can accommodate such fine ladies in travelling and every body's curiosity is raised to the highest, the ladies company and presence on the lands will be of infinite benefit’ in Baring Archives, DEP. 3.1, letter from A. Baring to Hope partners, on 26th May 1796, f. 140.

form could be functional in dealing with such a variety of situations, climates and territories within the same political entity. However, for him the republican constitution was not conceivable for any European countries and remained an exceptional feature of the American state.

Alexander Baring remained surprised by the respect towards institutions in a popular government such as the American one: in the House of Representatives and the Senate, debates were much more ordered and interesting than in the House of Commons.⁴⁸ President George Washington enjoyed such large credit that in the exercise of his executive power, he could raise an army without the formal and necessary authorisation by the Congress without losing an inch of his enormous respectability.⁴⁹ Even though the young banker was an enthusiastic observer of the American political framework, he was not blind to the conundrums of American politics and the heated contest between the Federalist and Republican Parties.

Baring nourished some doubts about the capacity of the union to hold together the Northern states, built around the New England states, and the Southern states led by Georgia and Virginia. The gap between the two blocks of states was not just constituted by the institution of slavery, but by the different attitudes towards the federal government. Baring considered this opposition between New England and Virginia paradoxical:

the state in the union whose government is most free and where there are no slaves [...] the people are the greatest supporters of strong government [...] on the contrary in Virginia where two thirds of the population are negroes and slaves and every body who does not labor as a slave goes with four horses the state is violently democratic and their representatives always wanting to embarrass government.⁵⁰

The political distance between the Northern and Southern states had been clear to all observers on occasion of the ratification of the Jay Treaty, passed on 24th June 1795, which

⁴⁸ '[...] you would be surprised to hear the eloquence of some of their(House and the Senate) members and tho' none are equal to our great speakers, there are more who can and do deliver their sentiments with propriety as a body aggregately considered' in Baring Archives, DEP. 3.1, letter from A. Baring to Hope partners, on 26th May 1796, f. 147.

⁴⁹ '[...] these are actions a king of England would not dare to have done, yet here it was considered the mere execution of a constitutional duty, caused no murmurs and was generally applauded' in Baring Archives, DEP. 3.1, letter from A. Baring to Hope partners, on 26th May 1796, f. 147.

⁵⁰ 'This discordance of position will in the opinion of many produce a separation, I do not think it improbable some time hence and we shall be on the safe side and not even near the enemy if the separation should not be a peaceable one' in Baring Archives, DEP. 3.1, letter from A. Baring to Hope partners, on 26th May 1796, f. 152.

provided for the normalisation of diplomatic relations between the United States and the United Kingdom. On that occasion, the House of the Representatives had approved the treaty by only three votes (51 yeas against 48 nays). The ballot had drawn a clear separation between the two parts of the Union: with the exception of four, all representatives from the North had approved the treaty, while only four representatives from the South shared this choice.⁵¹ Such a prominent hold of anti-British sentiments in the Southern states offered another good reason to invest in New England, and no more northward lands were available than those bought by Hope and his partners in Maine.⁵²

The disagreements between the North and the South were not evidently based on geographical reasons, but were the result of the political clash between the Federalist and Republican Parties. The former party had its stronghold in New England and had in its ranks George Washington, John Adams, Alexander Hamilton and the same William Bingham. The latter party was more present in the Southern states, especially Virginia and Georgia, and its leaders were Thomas Jefferson and James Madison. Alexander Baring had the opportunity to follow the evolution of the political confrontation between the two parties in a year of presidential elections. Moreover, the elections of 1796 were pivotal in US history: after two terms, Washington had declared that he wanted to withdraw from public life.

Baring clearly preferred John Adams rather than the pro-French Thomas Jefferson. However, he understood that even though Jefferson had been elected, no big changes would occur regarding property rights and internal order. Moreover, his election would appease both political electorates in some way: ‘His succession would quiet all parties for the Virginian would of course stand by him and the object of the Northern people being good government their principle is to respect the power that be’.⁵³ The young banker was certain that whatever the outcome of the presidential elections, the elected president would be universally

⁵¹ ‘This discordance of position will in the opinion of many produce a separation, I do not think it improbable some time hence and we shall be on the safe side and not even near the enemy if the separation should not be a peaceable one’ in Baring Archives, DEP. 3.1, letter from A. Baring to Hope partners, on 26th May 1796, f. 152.

⁵² Another good reason for Baring to support the Federalist cause was the fact that Maine was under the control of that party. He explained it in these terms: “The constitution (of Maine) will be modeled after that of Massachusetts and I have no doubt that our friend Knox will be made governor. The federal party or political supporters of Government in this country and consequently all the leading characters in New England wish for the separation to strengthen their party in Congress and balance the addition of the last new made states of Kentucky and Tennessee which are under Virginian influence” in Baring Archives, DEP. 3.2, letter from A. Baring to Hope partners, on 3rd December 1796, ff. 245—246.

⁵³ See, Baring Archives, DEP. 3.1, f. 146. The bias against Jefferson's party was noticeable even in the terms employed by Baring to describe them: he used the term ‘junction’ instead of party and “anti-Federalist” instead of Republican.

recognised and followed.⁵⁴ The political fight between parties did not bother Baring: the political competition was one of the features of free governments and in the United States, the love of freedom never led to a state of complete anarchy.

Baring's partners' fear of factional strife can be easily understood: on the one hand, the Hope partners had personally lived through the effects of the internal struggles between different parties in the Dutch Republic, on the other hand, Sir Francis Baring as Member of the Parliament would have had a clear picture of the drawbacks of clashes between parties.⁵⁵ The young Baring remained consistent with his first impression of American politics, also in the most contested elections of the American presidency in 1800, when Thomas Jefferson defeated the Federalist outgoing president and the other candidate, Charles Cotesworth Pinckney. Baring rightly considered that Jefferson's sympathies for France would not lead the country into a war against England. Moreover, Jefferson's character was not inclined to take bold decisions and he had to deal with a Senate under the control of Federalists opposed to any foreign military engagements.⁵⁶

As emerges from his letters, Alexander Baring dedicated growing attention to describing the political life of the young republic. Without dismissing the weakness of the political framework, Baring started to appreciate the political institutions and customs of the United States. At the same time, Alexander Baring remained a British subject with all images of the United States that a young man from Europe could bear in his mind at the end of the eighteenth century. The main reason for Baring's attention to the political evolution of the

⁵⁴ See, Baring Archives, DEP. 3.2, letter from A. Baring to his father, on 29th November 1796, f. 221. Baring informed his partners about Adams' election in these terms: 'Notwithstanding it was so hard run contest it has been productive of not the slightest tumult and though the house was crowded with spectators not a syllable was heard on the election being declared. I do not think America is likely to have a more trying contest for some time owing to both parties being irritated by the aggressions on the commerce of the country by the two favorite European powers' in Baring Archives, DEP. 3.2, letter from A. Baring to Hope partners, on 10th January 1797, f. 272. Baring was wrong about the impossibility to have another close contest for the presidency: in 1800 Jefferson became president in one of the closest race in the history of the United States.

⁵⁵ Henry Williams Hope gave a perfect picture of the different political factions in the Dutch Republic during the French invasion: 'La premiere (opinion) est celle des Partriotés, qui ont l'education et des les lumières ceux ci detestent le gouvernement actuel, parce que ils voudraient le remplacer, ils se rejouissent de ses embarras, et ni ferant rien pour les diminuer; mais aussi, ayant beaucoup à perdre, ils ne se permetront point des demarches hardis, qui pourraient compromettre et gacher le leurs personnes et leurs fortunes. [...] Le second parti est des Patriotes emportés, violens et audacieux, [...] comme les autres patriotes ne veut ni la paix, ni la guerre heureuse, il ne veut que le bouleversement du gouvernement et s'il n'était pas contiens par la force, ils essayerait d'y contribuer dans l'interieur. [...] Le troisième parti est celui de la bien majeure partie de la Magistrature et de ceux, qui sont devoués à la Constitution, telle qu'existe maintenant. [...] Enfin le quatrième parti est celui de ceux, qui croyent de bonne foy que la guerre pourrait avec de grands efforts se continuer de notre part, et presenter un avenir favourable' in Baring Archives, N.P1 A3.8, letter from Henry Williams Hope to Sir Francis Baring, on 30th October 1794.

⁵⁶ See, letter from Alexander Baring to his father, on 29th March 1801, in DEP. 3.2 f. 509. Diffently from his son, Francis Baring was very worried about the possibility of Jefferson becoming president: '[...] the more I consider the more I doubt the possibility of the American consitution remaining intact' in Baring Archives, DEP. 3.3, letter to A. Baring, on 15th February 1800, f. 476.

United States at the end of eighteenth century was the need to convince his partners of the soundness of their investment. Baring's travel to America had as main aim to look closely at the lands in Maine bought by the partnership created between Hope and Baring. The London merchant offered detailed descriptions of Maine's lands: their geographical elements, rivers, woods, cities, as well as population, manners and traditions.

Baring had lived in Philadelphia, where he had the opportunity to understand the dynamics within the merchant community and could also closely follow the movements of the young Bank of the United States. Whereas the political system appeared to Baring as stable and sound, he labeled the world of merchants as ignorant, opportunistic and mediocre.⁵⁷ Likewise, Baring had a pessimistic view of the American credit and of the numerous loans launched in the Amsterdam market.

When he was still in Amsterdam as an apprentice in Hope's house of commerce, Alexander wrote to his father concluding that the Americans were in dire straits and desperately needed capital.⁵⁸ The young banker not only changed his mind about the American credit and its manifold securities, he also invited his father to invest in the American securities market. Before explaining the reasons behind such a far-reaching change, it is worth giving a general description of the broad credit system conceived and developed by Alexander Hamilton after his arrival at the Treasury Department in 1790.

In January 1790, Hamilton presented his comprehensive plan regarding government finances. In his *Report relative to a Provision for the support of credit*, he guaranteed the full repayment of \$12 million of foreign debt towards French and Dutch investors. As for the internal debt, around \$75 million, Hamilton proposed to issue new bonds, with the Treasury obliged to pay back annually up to a delimited amount of dollars. The average interest rate would be around 4% instead of 6%, as it had been before. Furthermore, the federal government decided to assume all the past state debts and fund them with new issues of

⁵⁷ 'The merchants in this country are generally speaking a low class of men, having almost all raised themselves from nothing, the best at this place is New York are travelling clerks to English manufacturing houses, who have made fortune easily. [...] people send cargoes to places of which they know nothing hardly but the name' in Baring Archives, DEP. 3.2, letter from A. Baring to Caspar Voght, on 9th January 1797.

⁵⁸ 'I am sorry to say Willink and Staphorst have come forward for three millions for the United states at 5% reimbursable 600m every year from 1805 to 1809 [...] They say the half is already subscribed, but this is the usual custom of announcing, and a never trap for fools. We know from very good hand none of the entrepreneurs except Stadnitski have taken anything so that the subscription can only consist in the contribution of the advertisers. It will perhaps also interest you to see the last dying speech of the credit of this country, a few years ago the States found a suvrabondance of money full at ½% less interest then any other country, of their present situation you can judge by the disperate means they have recourse to which however proved entirely ineffectual' in Baring Archives, DEP. 3.4, letter from A. Baring to his father, on 31st December 1793.

bonds.⁵⁹ The three main securities issued by the Treasury were 3% and 6% bonds paying interest immediately and another 6% bond paying deferred interest.

Another fundamental cornerstone in the building of public finance was the Bank of the United States. Established in 1791, the Bank had \$10 million in capital, of which one fifth was advanced by the government and the remaining four fifths were in private hands. Private investors could buy Bank shares in gold or silver up to \$2 million and the other \$6 million in Treasury bonds. The Bank would have issued paper money at a ratio of 5:1 with gold reserves, thus easing credit and money circulation within the Union. The board of directors, composed of 24 private members, elected as its first president Thomas Willing, father-in-law of William Bingham.⁶⁰

Alexander Baring had already started to pay attention to the securities market in the first months of 1796, and even though funds were low in the United States, he was convinced of their positive outlook.⁶¹ However, it is safe to say that Baring's interest in the American securities market increased for an external reason: the English crisis in 1797. Even before the suspension of specie payment by the Bank of England, Alexander Baring had expressed his scepticism regarding the stability of the English system of public finances. The young Baring shared Paine's conviction that English public finance was rotten and doomed to collapse in the near future. This belief was strengthened by being far away from England: "seeing things calmly at distance I am firmly convinced the crisis of our financial system is at no great distance though the exact period of the explosion is beyond any foresight. The unwieldy mass of the debt must rumbled down from its own weight even with the best management this as Paine says 'none but the stockjobbing idiot can doubt of'".⁶²

Alexander Baring repeated to his father that the collapse of the English financial system was just a matter of time, and that it could not be so far away, since the amount of paper circulating had gone beyond any reasonable measure. Writing to his Dutch partners, Baring showed no doubts about the breakdown of the English finances and remarked that the troubled situation in English debt was one of the reasons why it was so appealing to invest in American securities. The American aloofness of all European conflicts and the soundness of

⁵⁹ On the birth of Hamiltonian system of public finance, see Thomas K McCraw, *The founders and finance*, 97–109.

⁶⁰ On the first year of the American securities market, see Richard Sylla, 'U.S. Securities Markets and the Banking System, 1790-1840'. *Review*, 80, 3 (1998): 83-98.

⁶¹ 'Stocks are very low here 6% at 6 17/6 which proceeds entirely from the scarcity of money, they must sharply get up when the opportuning for lucrative employment of capitals is less great, and particularly if the state of affairs in England is encouraging for investments as I fear it is. [...] I think them (the American funds) perfectly safe, and am persuaded they will be kept at par by American capitals alone after the peace' in Baring Archives, DEP. 3.1, letter from A. Baring to his father, on 26th February 1796, f. 103.

⁶² See, Baring Archives, DEP. 3.1, letter from A. Baring to his father, on 22nd November 1796, ff. 208–209.

its debt made the American securities market an alternative to risky investments in European government debts.

News from England confirmed all of Baring's fears about the stability of English finances, and therefore the young banker proposed to his father the American market as a lifeboat to escape from the financial storm that was battering England. In a private letter, Alexander confided to his father:

I am the more anxious that one of the family should fix some foundation of future resources in this country because I am fully convinced that serious convulsions in property in England are approaching and I am as confident of the security of America for probably some centuries. India and every thing dependent on England must rise and fall together so that the hopes and endeavours of all branches of our family hang to one chain.⁶³

More than thirty years before the notorious prophecy made by Alexis de Tocqueville on the rise of America and Russia as global powers, the lesser-known Alexander Baring was certain that the United States would become the main economic power superseding England and her empire.⁶⁴ The young banker feared that England would know not only an economic crisis, but also a revolution which would jeopardise and challenge property rights as well as the entire social order. With this point, Baring also followed Paine's assessment that in recent history, financial bankruptcies had always led to revolution, as the American and the French cases demonstrated to an attentive observer.⁶⁵ In the first period of his stay in America, Baring was not so enthusiastic about the possibility of investments in the American securities market: he thought that the only sound investment for a foreigner was in land acquisitions.⁶⁶ However,

⁶³ See, Baring Archives, DEP. 3.1, letter from A. Baring to his father, on 1st June 1797, f. 316.

⁶⁴ 'Il y a aujourd'hui sur la terre deux grands peuples qui, partis de points différents, semblent s'avancer vers le même but : ce sont les Russes et les Anglo-Américains. [...] Leur point de départ est différent, leurs voies sont diverses; néanmoins, chacun d'eux semble appelé par un dessein secret de la Providence à tenir un jour dans ses mains les destinées de la moitié du monde» in Alexis de Tocqueville, *De la Démocratie en Amérique I et II 1835 et 1840*, (Paris, France, Gallimard, Folio, 1961), 597.

⁶⁵ 'It is worthy of observation, that every case of a failure in finances, since the system of paper began, has produced a revolution in governments, either total or partial. A failure in the finances of France produced the French revolution. A failure in the finance of the assignats broke up the revolutionary government, and produced the present French Constitution. A failure in the finances of the Old Congress of America, and the embarrassments it brought upon commerce, broke up the system of the old confederation, and produced the present federal constitution. If then we admit of reasoning by comparison of causes and events, a failure in the English finances will produce some change in the government of that country' in T. Paine, *The decline and fall of the English System of Finance*, 10.

⁶⁶ See, Baring Archives, DEP. 3.1, letter from A. Baring to Hope partners, on 26th May 1796, f. 148. Baring expressed regret to his partner about the impossibility for a foreigner to be introduced to the world of commerce:

the troubled state of affairs in Europe forced Baring to prolong his stay in the United States and so he started to consider and propose to Hope investments in American securities.⁶⁷

Baring considered that American securities were a safe investment because the American debt was limited in comparison to the English debt, and the sinking fund developed to pay interest was funded on duties levied on all goods coming from abroad. The fact that the funds were low in value was another good reason to invest: when peace would return to Europe and trade would flourish, the American funds would rapidly rise. Moreover, the American debt was no longer a controversial political issue: both parties agreed to respect it and to pay the dividends to all investors in securities. Thus Baring expressed his deep optimism concerning the America debt with these words: ‘the best of any public debt existing, in the necessity of supporting credit all parties agree and I think it beyond any revolutionary reach, for the present’.⁶⁸

Alexander Baring suggested to his father to invest in government securities rather than in the Bank stock. The latter could also offer a good additional dividend, but it depended also on commercial activities, since the Bank was mainly a private organisation; government securities always guaranteed the same dividend and they relied on government stability that was above any accidents.⁶⁹ The role of Baring in the American securities market acquired an even greater importance when the United States and France were on the brink of an open conflict.

The relationship between the two countries was already strained by the naval war led by French pirates who did not respect American neutrality and attacked American vessels. The final nail in the coffin was the poor treatment of an American delegation by the French Minister of Foreign Affairs Charles Talleyrand in 1797. The delegation — composed of John Marshall, Eldbridge Gerry and Charles Cotesworth Pinckney — had come to Paris to seek an agreement with the Directory to settle the situation between the two countries. However, Talleyrand demanded a personal emolument and the opening of a loan before starting the

‘I have no doubts that I could make more by commerce than by lands, but this is not within the reach of foreigner’ (underlined in the original).

⁶⁷ Alexander Baring proudly wrote to his father about his activity as Hope's financial advisor: ‘I see with great pleasure every penny they (Hope) invest in American stock of any description from a firm persuasion that they are not only superiors in point of security to any European government debts but in fact the only sufficiently secure to induce any person in the present state of things to place property in for the sake of an interest’ in Baring Archives, DEP. 3.2, letter from A. Baring to Francis Baring, on 18th January 1798, f. 373.

⁶⁸ See Baring Archives, DEP. 3.2, letter from A. Baring to Hope partners, on 10th January 1797, f. 275.

⁶⁹ See Baring Archives, DEP. 3.2, letter from A. Baring to his father, on 18th January 1798, f. 371. For a different position on Bank stock: ‘Bank stock will also be a good fund as the dividend for the insuing year will exceed 8%. They hide a large surplus at last month dividend and according to their charter they must divide all their profits next year’ in Baring Archives, DEP. 3.2, letter to Hope partners, on 10th January 1797, f. 275.

talks. This attitude was considered outrageous by the American delegation, which refused to continue any talks and returned home.

The request of paying a bribe to Talleyrand stirred a general outcry in the United States, where almost all agreed that it was an offence to the respectability of the country. The state of "quasi-war" between France and the United States favoured the rapprochement between the former colonies and England, with positive consequences for a British bank such as Baring & Co. As a consequence, Secretary of the Treasury Oliver Wolcott met in person with Alexander Baring to speak about the terms of the \$5 million loan to be raised. Baring presented a plan to Wolcott in which he planned to cover the sum of the loan with *pesos* and other US stocks. Even though Wolcott appreciated Baring's plan, he dismissed the possibility of asking for services from the British bank: he did not want to be pointed out as a friend of alien people and preferred to avoid the accusation of delivering national credit into foreign hands.⁷⁰

The American government wanted to attract foreign investments in its securities, but it faced a practical problem: where could stockholders withdraw their dividends? Should they send all their documentation back and forth across the ocean? Baring considered the problem as an opportunity to jump into the American securities business: he proposed that Baring & Co. would be in charge of the payment of all dividends in London. This way, the London bank could ask for 5% of dividends while the US government could attract more British capitalists who preferred to pay a respectable London house rather than choosing a correspondent in America and pay a 2.5% commission.⁷¹

Alexander's aim was to establish Baring & Co. as the monopolist of American Stocks in Europe. Sir Francis Baring had a more conservative attitude towards the circulation of American stocks on the English market. On the one hand, he feared that the higher dividend, 8%, could worry English capitalists used to 3% consols; on the other hand, such a high dividend could attract speculative movements. Whatever the situation, Francis Baring remained interested in the possibility of being the sole bank authorised by the American

⁷⁰ Baring was quite sceptical about the abilities of the Secretary of the Treasury: 'the Sect. of Treasury borrows his wants in the same simple style of fixing his interest and opening a Great Book for subscription without ascertaining by receiving offers the minimum of interest it would obtain for', in Baring Archives, DEP. 3.3, letter from A. Baring to his father, on 20th January 1799, f. 423. Francis Baring fully agreed with his son on the inexperience of American financiers. He mocked them using Talleyrand's words: 'American negotiators and financiers are plain and simple but so little calculated for the world that you will not be surprised at the refinements of a Talleyrand who remarked "ces sont des Ostrogothes qui ne se connaissent pas en affaires" in Baring Archives, DEP. 3.3, letter from Francis Baring to A. Baring, on 9th March 1799, f. 444.

⁷¹ See, Baring Archives, DEP. 3.3, letter from A. Baring to his father, on 1st February 1799, f. 433.

ambassador to pay dividends on American stocks in Europe.⁷² In 1797, Baring & Co. paid dividends of the Bank stock for an amount of £50,000, which went to merchant houses like Thelluson & Co. or broker firms such as Cazenove & Co.⁷³

The rumours of a possible war between France and the United States worried Francis Baring who had thought of investing in the America securities market. However, once it was clear that France had no serious plans against the United States and that the main French target remained England, Baring gave orders to his son to invest \$50,000 in his name and another \$150,000 in the firm's name.⁷⁴ Baring & Co. started to invest on the US securities market, but it also received important assignments from the American Treasury such as furnishing bills on Amsterdam with which Dutch bankers had raised money on behalf of the American government.

Alexander Baring offered the services of the London office even though the bill market in the City was suffering a shortage of bills of exchange on European marketplaces. Moreover, the British exchange suffered badly from the general drain of bullion towards the continent caused by the needs of the allies and of British troops. All these elements did not stop Alexander from offering the conspicuous financial help of 500,000 Dutch guilders, needed by the American government; on the contrary, he stressed all these obstacles so that the American government could understand how valuable and important the support of Baring & Co. was.⁷⁵

In parallel with these financial operations, Baring profited from the improvement of conditions in Haiti, where Toussaint Louverture had opened the island to all trade, to speculate on staples such as sugar, flour and pepper. He also took part in a cargo of goods sent to China, where he took a share with his partner Thomas Willing. Together with these commercial operations, Alexander Baring supervised the development of the large investment in Maine. Here, the outlook was positive, but profit would have come in a later period because the partners had spent conspicuous capital to add value to their investment, building new roads, constructing mills and improving the postal service between Boston and Gouldsboro.⁷⁶

⁷² See, Baring Archives, DEP. 3.3, letters from Francis Baring to A. Baring, on 9th, 11th March 1799, ff. 443—449.

⁷³ See, Baring Archives, *Journal 1797*, ff. 373—374.

⁷⁴ See, Baring Archives, DEP. 3.3, letters from F. Baring to A. Baring, on 14th March, 20th May, 1799, ff. 451, 459—463.

⁷⁵ See, Baring Archives, DEP. 3.3, ff. 489—498.

⁷⁶ See, Baring Archives, DEP.3.2, letter from William Bingham and Alexander Baring to Gen. Cobb and John Richards, on January-February 1798.

In the meantime, the situation in Europe gradually improved: France and the Austrian Empire signed a peace treaty in February 1801 at Luneville. England remained at war with the French Republic, but the two countries found a fragile and temporary peace in Amiens in 1802. The conflicting relationship between the United States and France also improved and the two countries signed and ratified the treaty of Mortefontaine, with which the two states ended their 1778 alliance but decided to settle the commercial controversies raised during the ‘quasi-war’ that had lasted two years. The slow recovery of peaceful relationships between the European powers and the solid trend of the American economy convinced Alexander Baring that it was the moment to return to England.

Before leaving the United States with his wife, Ann, and his two sons, William and Francis, Alexander Baring gave a general assessment of his American experience, which had lasted longer than he had expected. Jefferson's election did not please Baring, but at the same time the banker was sure that no war between the United States and England would start only on the basis of the pro-French sentiments of the president.⁷⁷ The restored peace with France, the growing revenues, the partial dismissal of the army and the navy might have led Baring to consider his investments in America far from any risk. On the contrary, Baring considered the investments in American funds as a temporary measure, waiting for a complete recovery of the English economy, and he rightly thought that no investment in funds could be considered safe in the long term.⁷⁸

His upcoming return to England led Baring to consider in a comparative perspective the two-government debt:

The funds of G.Britain and America appear to me to stand on foundations diametrically opposite to each other — with the former the means are exhausted but the principles on which alone credit can stand are sound and entire, with the latter the resources are abundant and sufficient but the principles hollow and insecure at least comparitevely to.⁷⁹

⁷⁷ ‘[...] I confess it (Jefferson's inaugural address) confirms my invariable opinion of the man, that he is a visionary theorist [...] I am convinced myself that he has too much knowledge of the ground he stands on to risk any bold measure’ in Baring Archives, DEP. 3.3, letter from A. Baring to his father, on 29th March 1801, ff. 509—510.

⁷⁸ ‘[...] I have not that respect for the fabrick of the American Government to sink into a lethargick confidence about their public funds, I am on the contrary of opinion that they can only be safely held by those who watch narrowly the progress of events and prove a knowledge of the country understand the symptoms of danger. But I am perfectly confident as to their present security and that there us not an appearance of danger visible in the most distant perspective’ in Baring Archives, DEP. 3.3, letter from A. Baring to his father, on 29th March 1801, f. 511.

⁷⁹ See, Baring Archives, DEP. 3.3, letter from A. Baring to his father, on 29th March 1801, f. 512

Knowing both government debt systems, Baring could distinguish pros and cons: England had a longer history of funding debt than America and also had a more detailed and structured legal framework to protect property and owners from any possible infringements. The United States was still a young country where rules, taxes and laws were not well developed to secure investors and creditors' rights. Having settled all his affairs, Alexander Baring rejoined his wife and his two sons, who were waiting for him in England. The risky investment in Maine was not as successful as all partners had expected in the beginning, but the period spent by Alexander in America was not without fruitful consequences.⁸⁰

Baring & Co. had gained the trust and the respect of all American institutions, regardless of the party which ruled the country. This confidence was by far a greater profit than any expected from land speculation: when the United States decided to buy the immense territory of Louisiana, they inevitably asked for the financial expertise of Baring and Hope.

As emerges from this chapter, the banks Baring and Hope were not the first to invest their capital on the US market. A veritable frenzy of overseas investments took European houses of commerce and financiers in the second half of the eighteenth century. In particular, Dutch investors were among the most active to look for opportunities of land acquisitions within the wide new territories of the young republic. However, these investments were not devoid of risks: speculative schemes later revealed their fraudulent nature or investors failed to pay back the large sums they owed to creditors. For this reason, Baring and Hope decided to send Alexander Baring to the United States to supervise the acquisition of large tracts of land in Maine.

Dutch bankers had developed a profound expertise in floating loans for European monarchies, and they preferred to invest in land speculation rather than in the American securities market. This attitude did not exclude that Dutch bankers still had some interest in the American bonds. Yet the experience of the American loans opened on the Amsterdam

⁸⁰ 'If these lands should be sold at auction in America I should not think they would command any thing like first cost, because the capital of that country has been materially diminish'd of late years as well as the disposition to speculate in lands, therefore their speculative value is small. But as objects of settlement: it is to be observ'd that in 1798 we sold to settlers with difficulty at 50 cents or 2/3 the acre and that we now sell with ease at two and three dollars the acre [...] so that the real value is much increas'd' (underlined text in the original) in Baring Archives, DEP. 3.3, letter from A. Baring to Thomas Baring, on 24th August 1812, f. 576.

market to sustain the military efforts against Great Britain had left many doubting the capacity of the American Republic to honour its debts.

On the contrary, Baring started to have an interest in speculative investment in American lands to move later to invest in the American securities market. The detailed reports sent by Alexander Baring to his father and Hope's partners convinced the bankers that the American securities market was safe enough to consider investment overseas as a refuge from the Napoleonic Wars. The Atlantic Ocean constituted a defensive wall against any military offensives led by Napoleonic France or other European powers.

Alexander Baring's reports from the United States convinced his father and his Dutch partner that investing in the young republic was sound not only for economic reasons, but also concerning the political evolution of the country. The young Baring had read Paine's treatise on English public finance and knew that many investors shared Paine's gloomy picture of English public debt and its problematic outlook. For this reason, he suggested to diversify investments in the US securities market as a guarantee in case of a collapse of the English funds.

Alexander Baring's reports from the United States show how great was the attention that he dedicated to the understanding of the political evolution of the young republic. The young Baring worried that the English system of finance was close to collapse and regarded the American funded debt as a temporary refuge for capital, which Baring and Hope were not so willing to put entirely into trade speculations. His sympathies with the Federalist Party did not change his general evaluation of the American debt after Jefferson's election.

Baring's understanding of American politics was not simply due to his living in the country. In a few years, he managed to build a network including many members of the political world, like the senators Rufus King and William Bingham as well as the Secretary of the Treasury Albert Gallatin, and eminent figures of the economic world like the Governor of the Bank of the United States Thomas Willing. This 'embeddedness' in the political and economic system allowed Baring to have a more balanced view of the US political life than the voices circulating in England of a Jacobin rise within the Jefferson's party. Even though Baring supported the Federalist Party, he was well aware that Jefferson was not a Jacobin and he would never treat English investors in the United States poorly once he obtained the presidency.

The young Baring was not naïve: he knew that the young republic was not perfect and many unresolved issues undermined its stability. The main challenges ahead of the young American Republic concerned the internal sphere: the fast expansion towards the West, the conflicts

with the Native American tribes, and the developing conflict between the Federalist and the Republican Parties. None of these challenges jeopardised American credit because the young nation seemed to have endless possibilities for economic growth that would buttress its credit.

Francis Baring decided to invest in America following his son's suggestion. These investments in lands and then in public funds created the basis for the future role of Baring as the bank agent for the loans issued by the United States. While the Maine lands did not become the next Eldorado, Baring & Co's interest in the land investment had as an unintended consequence their first large participation in the American securities market. From then on, the London bank would always figure among the banks actively participating in selling American bonds to other European investors.

CHAPTER SIX

Continuity through turbulence: “business as usual” in times of unrest, 1801–1810

The funds which maintained the foreign wars of the present century,
Seem to have had little dependency upon the exportation
Of the circulating money or the treasure of the prince.
[...] The profits of foreign trade, indeed, were greater
Than usual during the whole war.

Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, vol.1, 408-409.

The previous chapters address the question of how some merchants and bankers profited from the unrest provoked by the revolutionary wars in Europe. As emerged in the cases of Francis Baring and James Bourdieu, market players found new ways to invest their capital when their homeland was cut off from the continent. However, investing in new fields did not come without a price: Bourdieu lost his suit against the National Treasury to recover his client's frozen assets and he himself incurred a loss of credit because his bills issued on those assets were refused in different European cities. Even Baring, who succeeded on the American securities market, had a weaker return than he expected from his investment in the Maine lands.

The long period of war that began in 1792 with the outbreak of hostilities between revolutionary France and the Austrian Empire led many market operators to rush into land speculations which turned out to be fraudulent schemes, as was the case of the Scioto Company, or badly conceived investments, such as the Ceres Company. Facing the large disruption brought by conflicts in Europe, bankers could decide to restrain their activities and limit their lending activities, waiting for better times, as Coutts did towards his prestigious clientele. However, in the period between 1792 and 1815, the merchants' and bankers' situation was not just a simple choice between running high-risk operations and restraining their activities. An alternative path was to try to run operations that remained essential and unchanged in their main features, despite the French revolution.

Therefore, this chapter is devoted to commercial and financial activities that kept their place also during the war period or in the brief interlude of the Amiens peace. These activities had an unprecedented range involving numerous bankers in different cities as well as a remarkable amount of money. Nonetheless they maintained the main features of trade and finance in peace times, and so I call these transactions ‘business as usual’. Luxury trade, such as the diamond trade, offers a perspective on the worldwide network of Baring Sons & Co., which stretched from Brazil to Amsterdam, passing through Paris. A luxury trade such as the diamond trade never lost its promised high returns and interested participants, even in a time of uncertain peace such as that between 1801 and 1803. Another interesting feature of this trade was that it marked the first significant operation run by Nathan Mayer Rothschild in continental Europe, while at the same time it meant the failure of François Laborde Méréville's attempt to come back to Paris and regain the position he had had in the merchant world before the Revolution.

The need for financial resources to sustain war efforts made pivotal the role of those houses of commerce specialised in raising money through loans. Even though the Amsterdam market was losing its prominence on the European stage, many Dutch houses remained extremely active in raising money for European monarchies such as Spain and Naples, who needed it to pay French war indemnities.

Another field where Dutch investors were well represented before the Revolution was the French securities market. Dutch houses such as Voomborgh & Ketwich and Brants, Couderc & Co. detained large sum of annuities or sold them to a Dutch clientele, which remained interested in them throughout the period considered. Moreover, Dutch bankers could also invest their capital in the newly issued Dutch debt, which gathered all former Dutch provinces' debts in a uniformed national debt.

6.1 Diamonds in Paris: global trade and international finance during the Amiens peace, 1802-1803

The diamond trade entered a new era in the 1720s, when diamonds were found in the Brazilian region of Minas Gerais. Before this discovery, merchants bought diamonds in India or Borneo and then shipped them to Europe along the African route or to China through the land route. The arrival of Brazilian diamonds on the European market greatly affected the price of diamonds and challenged the primacy of English merchants in this trade. However, diamond mining in Brazil questioned the Portuguese policy of leaving open the access to

diamond mining. At first, the Portuguese government required only an annual contribution from those who were interested in diamond mining. This contribution was paid, not in relation to the quantity of diamonds extracted, but according to the number of slaves employed in mining activities. This system was not particularly profitable for the Portuguese authorities, who decided to shut down all diamond mines because the Brazilian diamonds had overflowed the European market, thus negatively affecting diamond prices.

The Portuguese government decided to offer a contract to one merchant who would have the exclusive right to export diamonds, but would not be allowed to employ more than 4,000 slaves in the mines. European firms could buy from representatives of the company, called *caixas*, the amount of diamonds they needed. The license system lasted until 1753, when the contract holder Felisberto Caldeira Brant was arrested, accused of favouring diamond smuggling from Brazil. Once again, Secretary of State Sebastião José de Carvalho e Melo, Marquis of Pombal, decided to reform the framework of the diamond trade. He conceded that foreign merchants could have full control over diamond export from Brazil, but then increased the power of the *caixas* in order to control the foreign merchants interested in buying the diamonds. Pombal took care to appoint to the board of the diamond company members of aristocratic families who supported him, such as the Quintela or the Bandeira.

Dutch merchants acquired the monopoly contract, but they had to face the strong resistance of the British merchants, especially those belonging to the Sephardic community in London, who regarded the new contractor as their strongest antagonist within the small world of diamond traders. Jan Gildemeester, a merchant active in Amsterdam, obtained for the first time the monopoly on the diamond trade and succeeded in selling more diamonds than those previewed by the contract. Nevertheless, at the end of the eighteenth century, the diamond trade lacked a clear legal framework and the Portuguese government did not renew the contract given to foreign merchants.¹

The diamond business had some peculiar features that were deeply affected by the long war period starting in 1792. It involved an international import, but once the diamonds arrived in Europe, they were not immediately placed on the market, instead they went through a wholesale market and needed to be cut and refined before merchants sold them on the best jewellery markets available in Europe. No European cities could maintain an absolute monopoly over all these phases: diamonds mostly arrived in Lisbon, then the largest amount of the precious stones were wholesaled in Antwerp, but the main firms active in this trade

¹ On the evolution of the diamond trade during the eighteenth century, see Tijn Vanneste, *Global trade and commercial networks: eighteenth-century diamond merchants* (London, Pickering & Chatto, 2011), 41–59.

resided in London, and Amsterdam remained the city with the largest number of artisans working on the decisive step of cutting and refining diamonds.²

The advance of revolutionary troops had a direct impact on these cities: Antwerp and Amsterdam were occupied and London was partially cut off from all trading with the Continent. The outlook started to improve in 1801, when Austrian Emperor Francis II signed the peace treaty with France at Luneville, acknowledging the French conquest of all territories west of the Rhine. Moreover, in the first months of 1801, rumours of peace talks between England and France circulated within the merchant community on the two sides of the Channel.

Profiting from this general improvement in the situation, François Laborde Méréville proposed to his close friend Sir Francis Baring that he, François, might move to Paris and follow as Baring's agent an important acquisition of diamonds that were due to be sold on the Parisian market.

As explained in the third chapter, after the unsuccessful proposition of a national bank, Laborde Méréville remained one of the most influential voices on economic issues discussed within the National Assembly. However, his political career was compromised by the fact that he was one of the closest deputies to the triumvirate composed by the two brothers Lameth and Barnave. When it was discovered that the triumvirate had worked behind the scenes with the court to find a moderate end to the revolution, the young Laborde had no other choice than to retire into private life.

Laborde did not feel safe remaining in France after the fall of the monarchy with which he was associated. Therefore, in the spring of 1793, he had left the country with the excuse of arming a privateer. Similarly to Hope, Laborde succeeded in shipping his entire collection of paintings that he had acquired from the Duke of Orléans in 1791.³ Accustomed to an aristocratic way of living between his family house in Rue Cerutti, Paris (nowadays in the ninth *arrondissement*) and the mansion in the countryside of Passy, François Laborde Méréville struggled to maintain his status in London, where he was only one of the many *émigrés* who had found refuge there.

Waiting for the right moment to come back to France, Laborde Méréville rejoiced when his name was erased from the list of proscribed *émigrés* who could not return to their country. As a consequence, Laborde Méréville decided that the moment had come to go back to Paris and

² Vanneste, *Global trade and commercial networks*, 61—65.

³ On Laborde's collection of paintings, see Fernand Boyer, 'Les collections de François Laborde-Méréville', *Bulletin de la société de l'histoire de l'art français*, (1967), 141—153. A large part of this collection constituted the first body of works of the National Gallery of London.

claim his rights over properties that the revolutionary authorities had seized. This was the main reason that brought François Laborde Méréville back to his city in the early months of 1802.

Along with this personal reason, Laborde offered his help to the Baring bank to conclude some important bargaining concerning a diamond parcel, which was to pass through Paris. Even though the French banker had left his city almost a decade before, he could still offer an insightful view on the world of French bankers because many of the bankers active on the Parisian market were his old acquaintances. Laborde Méréville aimed to kill two birds with one stone with his mission in Paris: on the one hand, he wanted to recover his seized properties and to claim his credit in Paris and in other European cities; on the other hand, he wished to gain Baring's full confidence on trade matters by securing the diamond parcel for him.

Upon his arrival in Paris, Laborde reassured his English colleague that the political situation in the capital was returning towards stability: the Senate fully supported the government of the three consuls and was in the process of choosing the deputies most loyal to the government to take their seats in the Tribunal, the other legislative body.⁴ Laborde admitted that the Parisian market dealt with a reduced flow of international operation in comparison to the period before the Revolution. Nonetheless, in the early months of 1802, it was still possible to place 'a large sum of drafts upon foreign countries in the course of a fortnight'.⁵ It was particularly important that Baring could rely on dependable bankers in Paris that could furnish him enough bills on foreign cities, such as Madrid and Amsterdam, in order to have sufficient funds to buy the diamond parcel.⁶

Laborde Méréville informed Baring that the houses with the highest credit on the Parisian market were those of Perregaux, Récamier and Baguenault, but he also included his personal acquaintance Charles-Martin Doyen. Laborde suggested to Baring that he could be vested with a good letter of introduction and clear instructions on how to proceed regarding the payment of the diamond parcel. The former *émigré* assured the highest secrecy to accomplish

⁴ '[...] the rumors about faction had been much exaggerate abroad, and upon the whole, I find government here very firm, and but lightly opposed by few discontented people' in Baring Archives, NP1. A13.3.2, letter to Francis Baring on 2nd February 1802.

⁵ See, Baring Archives, NP1. A13.3.2, letter to Francis Baring on 2nd February 1802.

⁶ The need to rely on bankers with wide availability to draw bills on foreign places was well explained by the exchange between the British pound and the French livre, which was not favourable for the English merchants: '[...] At present the course of exchange is against England and Hamburgh, it is in favour of Holland and Spain. There is a great deal done with Spain, in account of many speculations which are made constantly in the spanish stocks or billets d'état a great deal is done with Holland. You will get more livres tournois, by giving drafts upon Spain, and upon Holland, than by giving upon London or Hamburgh' (underlined text in the original) in Baring Archives, NP1. A13.3.2, letter to Francis Baring on 2nd February 1802.

this transaction because he was well aware that the disclosure of such an operation would rapidly raise prices and make its execution more complicated.⁷

Laborde launched his candidacy as a ‘personal friend’ in charge of the supervision of the operation in Paris because he knew that employing an agent was sometimes excessively expensive, whereas he did not ask for any emolument. It is clear that Laborde wanted to profit from the letters of introduction that a first rank banker like Sir Francis Baring could write for him. Laborde needed to be reintroduced in his city if he wanted to start a new business there, as he avowed to his English colleague. The diamond affair could be the last opportunity for Laborde to play a role within the Paris market that he had left during the Revolution.

The same day that Baring wrote to Laborde confirming his role in the diamond transaction, the French banker announced that the operation could be closed within a week and that he knew for certain that the diamond parcel would not be divided in small portions and therefore the acquisition of the entire parcel was possible.⁸ Laborde also reported that the holders of the parcel required to be paid in Paris and not on other markets. Even though Laborde was not expecting possible competition from other traders, he stressed to his English counterpart that the faster he acted, the better was the chance of the full success of the operation.

Therefore, Baring started to put in motion his far-reaching network on the continent to complete the diamond transaction. The English banker contacted Insinger & Co., a Dutch firm well known to Henry Hope, to open a credit of 500,000 florins towards the French banker Jean Frédéric Perregaux. In this way, Baring could rely on a large credit in Paris to conclude the acquisition of the diamond parcel. Whereas Insinger did not have enough funds to open such a large credit for Perregaux, the Dutch firm could reach the Hamburg firm of Matthisen & Co. and draw bills on them.⁹

Once Baring settled the financial details of the operation, he decided to send as his personal envoy to Paris Mr Keyser. Keyser did not replace Laborde, but he was charged with the evaluation of the diamond parcel because he was himself a diamond trader. Keyser belonged

⁷ Laborde was well aware that secrecy was essential to the successful outcome of the operation. For this reason he took care of constituting a personal channel of communication with Baring: ‘[...] if you have anything to communicate to me without delay – you may write any day of the week, inclosing your letter franked to Mr. Payne, the agent of the packets of Dover, upon his finding the letter directed to me, he will send it by the next boat sailing. He is a friend of mine and has offered to me his services in this way. He is the only safe channel, out of the regular one’ in Baring Archives, NP1. A13.3.2, letter to Francis Baring on 16th February 1802.

⁸ Baring was not alone in the attempt to acquire the entire diamond parcel, but at this stage of the dealings, Laborde did not fear competition: ‘[...] I have been informed that a negotiation has begun with some person in H. (Holland) [...] but nothing is done, nothing will be done, and on the contrary, I hope to prevail upon the holders to drop any further steps that way’ in Baring Archives, NP1. A13.3.2, letter to Francis Baring on 11th February 1802.

⁹ See SA, Insinger papers, 1455/2, letter from Sir Francis Baring to Herman Albrecht Insinger on 23rd February 1802.

to one of the Ashkenazi families active in the diamond business and was related to two other Ashkenazi families who excelled in this luxury trade: the Solomons and the Levys.¹⁰

In a few days, Laborde found out who was the holder of the parcel and arranged to meet him in order to start the dealings. The first issue was to know the value of the entire parcel because Laborde had heard rumors that stated the parcel was worth between one million and three and a half million livres tournois. The second issue was to discover the intentions of the owner, whether he aimed to sell the entire parcel or could wait longer to complete the transaction. Finally, Laborde did not know whether a competing rival existed or not.

The French banker figured out that the owner of the diamond parcel could wait for a long time before deciding to sell his merchandise because he had no urgent need of money at that time. The owner negotiated from a position of strength with the risk for Laborde and Baring that he might ask the highest price and would look for other interested merchants before accepting Baring's offer. Laborde appeared confident about finding a solution that could favour Baring's interest. For this reason, he was not so alarmed when the personal secretary of the owner of the diamonds showed him the entire parcel of diamonds, which ranged from first quality to the fourth quality, worth 2,700,000 livres tournois. Laborde illustrated his strategy of bargaining with Sir Francis Baring in these terms:

I have no doubt that a considerable reduction may be obtained, by making a proposal, and then dropping the negociation if refused they may dispose of small parcels, but they will not find a purchaser of the whole, and they will never have the patience of keeping the objects a year or two.¹¹

At the same time, Laborde was reassured to know that the owner of the diamond parcel was not waiting for other deliveries of diamonds and so as a consequence, the owner had every interest in taking Baring's offer seriously without waiting for other arrivals of precious stones. Moreover, the secretary confirmed that no other offers had been made to him or to the owner. Convinced in this belief, Laborde was ready to drive a hard bargain: instead of dealing with the secretary of the owner, he would go to speak with a personal friend who knew the owner well and therefore was in a better position to convince him to give a discount on the price for the entire parcel. Laborde was convinced that the suppliers of these diamonds without a

¹⁰ See, Vanneste, *Global trade and commercial network*, 99—104.

¹¹ See, Baring Archives, NP1. A13.3.2, letter to Francis Baring on 25th February 1802.

prompt selling of the parcel might need to pawn their merchandise to some capitalist, and so it was also in their interest to find an agreement with Laborde.¹¹

However, the bargaining changed direction abruptly when Laborde received reports of another offer for the parcel. This offer, amounting to 2,650,000 livres tournois, the owner of the diamond parcel had temporarily refused. Laborde called the owner's bluff because he knew from Baring that they did not expect any competitor going above two million livres. On 5th March, to Laborde's utmost surprise, the owner struck a deal with the rival merchants for the spectacular amount of 2,700,000 livres tournois. Behind this stunning operation were the main Parisian banks, and they acted for 'the greatest jeweller or merchant in that line that ever existed'.¹²

Laborde did not know the identity of the buyers and he feared that the unfortunate outcome could affect his relation with the London banker. It was not the lack of funds that caused the final failure of the transaction: Baring supported by the liquidity of Hope could have offered an amount of money even greater than the final price. The main reason for the unsuccessful outcome was the information deficit suffered by Baring.

The English banker did not expect that any other merchants would offer more than two million livres for that diamond parcel because he had received information from Lisbon that diamonds worth two million livres were expected to be sold on the Parisian market. On the contrary, the other merchants were well informed of the quality of the stones and they were ready to raise their offer well above the sum that Baring expected to disburse. Laborde could raise his bid only if he had received clear instructions from Baring to proceed. Yet Laborde remained without any communication from London from 22nd February until 7th March when he received a letter written by Baring on 2nd March. This short period of silence was fatal to the transaction: Baring did not reply quickly to the letter sent on 22nd February when Laborde detailed the offer made by the rival merchants.¹³

In compliance with the buyers' request, their identity remained secret in the days following the deal. However, it was impossible to maintain secrecy within the merchant community and the Dutch banker Insinger communicated to Laborde who had been responsible for the large diamond acquisition: 'a Nathan, a jew, for account of a very rich house of your place of the

¹¹ See, Baring Archives, NP1. A13.3.2, letter to Francis Baring on 1st March 1802.

¹² See, Baring Archives, NP1. A13.3.2, letter to Francis Baring on 6th March 1802. To have an idea of what meant 2,700,000 livres tournois, it is enough to say that they amounted to £120,059. For the purchase of one million acres in Maine Baring and Hope spent £106,875.

¹³ '[...] I would have thought myself much transgressing my powers to offer it (£120,059) and conclude the bargain without further advice from you' in Baring Archives, NP1. A13.3.2, letter to Francis Baring on 6th March 1802.

name Salomons'.¹⁴ The almost unknown Nathan was the son of the Frankfurt banker Mayer Amschel Rothschild who had moved to London from Manchester where he was active in the textile trade between England and the Continent. Profiting from the truce between the Austrian Empire and France, Nathan Rothschild was travelling throughout Europe, visiting his father in Frankfurt but also settling other affairs in France.

Nathan Rothschild acted as the agent of a powerful network: Solomon Solomons, the Ashkenazi merchant active in London; Fould & Lazard & Co., bankers belonging to the Jewish merchant community of Paris; and Abraham Goldsmid, banker belonging to the Jewish merchant community of London. The kinship within this network led Francis Baring to cast doubt on the conduct of Keyser, employed by the London banker as his expert to evaluate the diamond parcel. Isaac Keyser was married to one of Solomons' daughters and thus was an active member of the Ashkenazi community of diamond dealers in London.

As paradoxical as it sounds, Laborde Méréville resented the failure of the dealings much more than Baring. The French banker had taken seriously the mission of informing Baring as best as he could and he had rejoiced when the London banker had approved his way of operating. But the final failure was the last nail in the coffin of his attempt to restart his business activity in the French capital. Moreover, during his stay in Paris, Laborde suffered from strong stomach pain and even though he recovered, he died a few months later in London.¹⁵ The missed opportunity to acquire the diamond parcel in Paris did not trouble Baring: he tried to understand the reasons behind this check, but he invited his colleague Insinger to look forward without regretting the missed chance.¹⁶

Baring was right to be optimistic about the future because his trade dealings were not affected either in what concerned his interest towards France or concerning the diamond trade. Francis Baring profited from the restored peace between England and France to make a trip to Paris and visit his colleagues there. During the two weeks of his stay, Baring attended theatre and ballet at the opera, the *Theatre Feydeau* or *La Comédie des italiens* almost every night. He dined with other bankers as Perregaux, Récamier and Delessart as well as with politicians such as General Marmont and Talleyrand.

¹⁴ See, Baring Archives, NP1. A13.3.2, letter to Francis Baring on 16th March 1802 (underlined text in the original).

¹⁵ At a certain point the health condition of Laborde seemed so risky that he disposed that all papers concerning the diamond business would be safe in the hands of his brother. See Baring Archives, NP1. A13.3.2, letter to Francis Baring on 25th February 1802.

¹⁶ '[...] We must therefore conclude, either that we have been misinformed about the quality, or that the purchase has been very dear. It is in vain however to regret the past, and we shall look forward for the purpose of regulating our own conduct' in S.A., Insinger papers, 1455/2, letter to Mr. Insinger on 16th March 1802.

The journey to Paris allowed Baring to make a personal judgement of the Parisian bankers with whom he traded from London. During his stay, Baring focused his attention on the way of living of his French colleagues: how they dined, the style of their houses and the ambience which characterised these houses.¹⁷ The English banker was delighted by the reception he had at Talleyrand's house at Passy, but was disappointed by the company of the people gathered there who had nothing remarkable to offer. Baring admired the magnificent manners of his French colleagues as well as the simplicity of manners of bankers like the Delessert, who offered him a more modest dinner but did not lack taste, as their paintings collection testified.

Baring did not mention any financial observations concerning his French colleagues at any time during his stay in Paris. At first sight, this can be understood as the consequence of the nature of Baring's visit to Paris, which was mainly for pleasure. However, the English banker was not simply enjoying the French capital and its countless entertainments, but he was buttressing his social connections with other bankers. The two-week stay in Paris was the occasion to review who the trustworthy bankers were. This evaluation could not only be based on financial indicators, but needed also a first-hand knowledge of the everyday behaviour of bankers in their society.

For what concerned the lost diamond trade, Baring did not waste time with regrets: in the same letter where he announced to Insinger the failure of the Parisian transaction, Baring alerted his Dutch colleague that a parcel consisting of 20,000 carats was on its way to Amsterdam.¹⁸ In Baring's view, the sale of this large parcel on the Amsterdam market would constitute his personal revenge on Solomons and his Parisian operation. Another packet from Lisbon brought 20,000 carats into the hands of Baring. This time, however, the stones of first quality amounted to 2,420 carats, whereas in the first shipment they counted 457 carats.¹⁹

In the following months, four other parcels arrived in Amsterdam and were sold on that market. The increasing activity in the diamond trade was the direct consequence of another activity which Baring and Hope had mastered: raising money for the European monarchies. The large flow of diamonds from Lisbon through London to Amsterdam was part of the Portuguese loan that the Portuguese government had opened with Hope and Baring.

Portugal had taken part in the first coalition against France and, unlike Spain, it had failed to sign a separate peace with France. The Portuguese reluctance was understandable in light of the close relationship which linked the Lisbon Court with that of London. Since 1703,

¹⁷ See, Baring Archives, NP1. A9.8, Paris September 1802.

¹⁸ See, S.A., Insinger papers, 1455/2, letter to Mr. Insinger on 15th March 1802.

¹⁹ See, S.A., Insinger papers, 1455/2, letter to Mr. Insinger on 20th April 1802.

Portugal had recognised England with the Methuen Treaty as favourite nation for commercial exchanges, thus shaping one of the most resilient alliances of the eighteenth century. In 1801, the intervention of Spain's armies, which had become French allies, broke the Portuguese resistance and the Peace of Madrid, signed on 29th September 1801, sanctioning Portugal with the payment of a war levy of eleven million guilders.

The only solution for the Portuguese government was to find some banking houses available to open a loan for them. The merchant Quintella approached the Hope partners in London, asking them whether they were available to open a loan to the amount of £1,200,000. At first, Hope as well as Baring refused to lend such an enormous sum to the Portuguese government that did not enjoy a high credit rating on the financial markets, but then they agreed to lend £700,000 with the promise of receiving as security diamonds worth £147,000.²⁰ The Portuguese government agreed to Hope's conditions, and the loan was floated at 5% on the Amsterdam market.

Even though the choice of Amsterdam did not mean the superiority of the Dutch financial market over the London market, it is noteworthy that a financial market as strained as that of Amsterdam was preferred to the English one. There were two reasons for this choice: the first reason rested in the higher receptivity of the Amsterdam market towards loans secured on private property such as diamonds; the second reason was the return to Amsterdam of the firm Hope & Co., which was represented by Pierre César Labouchère. However, a new obstacle stood in the way of opening this loan on the Amsterdam market: the Batavian Republic was on the point of approving a bill prohibiting Dutch bankers from issuing new loans to foreign states.

Notwithstanding all the pressure and lobbying that Labouchère and Vôte exercised on the Dutch institution, the members of the legislative assembly struck down the loan proposal because many of them had not forgiven Hope for his decision to leave the country in 1795.²¹ Therefore, Hope and Baring decided to entrust the loan to the Portuguese house of Bandeira in order to avoid any obstacles set by the legislative assembly. Finally, the loan was floated and Hope and his close friends in Amsterdam, such as Willhem Borski and the same Labouchère bought around two thirds of the entire amount of bonds.

The loan stood on fragile foundations because it largely depended on the arrival of diamonds from Brazil. As long as the diamond parcels arrived in due time in Lisbon and from there they could be shipped to London, Baring and Hope could sell the precious stones on the

²⁰ On the history of the Portuguese loan, see Buist, *At spes non fracta*, 383—427.

²¹ See, Buist, *At Spes non fracta*, 395—400.

Amsterdam market and pay the principal and part of the interest on the loan and remit to Paris one million francs each month. However, the peace between France and England did not last, and in May 1803, the ambassadors of the two countries were recalled to their respective countries.

The outbreak of the conflict had a direct impact on the Portuguese loan because a privateer seized one ship carrying diamonds from Lisbon to Falmouth and the precious cargo was sold in Bordeaux. All attempts to claim that the seized diamonds were Hope's property, so that of a Dutch firm and not of an enemy of France, or that from the sale of these stones depended the due payment of the Portuguese war levy to France, remained unheard. For this reason, both Baring and Hope started to look with more interest to the US trade, which still enjoyed the rights of a neutral nation.²² From the American side of the Atlantic, another business would rapidly involve the firms of Baring and Hope in one of the greatest financial operations that ever took place between states: the Louisiana Purchase.

6.2 Brokering in times of war: the role of Hope and Baring in the Louisiana Purchase

After defeat in the Seven Years' War, France had lost the colonies of Canada and Louisiana: the former came under British rule, while the latter became a Spanish colony. The American Revolution did not change the status of Louisiana as a Spanish colony, but for the first time, the navigation of the Mississippi became a heavily debated issue because American goods could not be traded freely through the port of New Orleans. This ban constituted a considerable obstacle to the export of American merchandise, that otherwise would have been able to reach the West Indies in a few days.

On 21st March 1801 France and Spain signed a secret convention that assigned Louisiana to France. This step was part of the new strategy that Bonaparte envisaged towards the French colony of Haiti and more broadly the French presence on the American continent. Profiting from the restored peace in Europe, the First Consul planned to recover the colony of Haiti and at the same time increase the French presence in Louisiana. The vast American colony and the city of New Orleans became an essential part of this strategy because they could be employed

²² Pierre César Labouchère wrote to Baring in these terms about the trade with America: '[...] we are expecting two cargos of Maryland tobacco from Willings and Franc. (is) the one by the Cleopatra we hope they will be attended with certificate of origin, as without this the entry is subject to innumerable difficulty especially should they stop in the channel [...] three cargos are now prevented unloading at Rotterdam on this account, and the same is the case with another at Dunkirk, indeed every vessel touching England, even by stress of weather will be considered in France as containing English colonial produce and manufacture, and be treated as such' in S.A., Hope papers, 735/5, 554—555.

as pivotal entrepôt of goods and means to sustain the military operation of the conquest of Haiti.²³

The newly elected president, Thomas Jefferson, regarded with anxiety and suspicion the French manoeuvres on the American continent: rumours of a French expedition to take control of Louisiana were circulating at the end of 1801. The presence of European powers on the borders of the young republic constituted a two-fold challenge to American growth: on the one hand, the presence of European powers such as England in Canada and Spain in Louisiana limited the commercial expansion of the American Republic; on the other hand, the presence of European powers endangered the strict neutrality professed in foreign policy by George Washington.

On 14th December 1801, the departure of a huge expedition of forty thousand men led by the General Charles Victor Emmanuel Leclerc alarmed all American ambassadors in the main European cities. What worried the American diplomats was the final destination of this fleet: had it set out for Haiti or was it heading for Louisiana?²⁴ In fact, Leclerc's expedition had as its final aim the recovery of Haiti from the hands of Toussaint L'Ouverture, but the apprehension towards French intentions would have been even greater if the American diplomats knew that another expedition was preparing to sail for Louisiana. However, the fleet of General Claude Victor never left the Dutch harbour of Helvoet Sluys due to continuous delays occasioned by the winter conditions of the first months of 1803.²⁵

Jefferson's position on the eventuality that Louisiana might return to being a French colony was adamant: a French return to New Orleans represented an open act of defiance towards the United States. The two countries had just recovered peaceful relationship after the lowest point of the 'Quasi-War' during John Adams' presidency: Louisiana risked putting the clock back to 1798, when the diplomatic relations between the two republics had been suspended. The president of the United States sent American Ambassador Robert Livingston to Paris with the explicit aim to convince French authorities that an occupation of Louisiana would trigger an American response.

At the same time the American diplomacy put on the table of the Consul Bonaparte and of the Foreign Minister the possibility of buying the huge extent of lands that formed Louisiana.

²³ The best account of Bonaparte's colonial policy is offered by Yves Benot, *La Démence coloniale sous Napoléon* (Paris, La Découverte, 2006) 42–50; 100–116.

²⁴ On the anxiety that took all the American diplomatic corps throughout Europe, see Jon Kukla, *A Wilderness so immense. The Louisiana Purchase and the Destiny of America* (New York, Alfred A. Knopf, 2003), 225–227.

²⁵ On the preparation of the Louisiana expedition and on its failure, see Ronald D. Smith, 'Napoleon and Louisiana: Failure of the propose expedition to occupy and defend Louisiana, 1801–1803', in Dolores Egger Labbe (ed.), *The Louisiana Purchase Bicentennial Series in Louisiana History*, (Lafayette, Louisiana, 1998), 52–66.

Livingston needed to convince Bonaparte and his entourage, with keen attention especially to Talleyrand and the Finance Minister Barbé Marbois, not only that Louisiana was useless to French trade interests in the West Indies, but also that it was harmful to the stability of the French Empire. For this reason, Livingston drafted a memoir by the title *Whether it will be advantageous to France to take possession of Louisiana?*

Livingston offered copies of this memoir to Bonaparte, his brother Joseph and to Talleyrand. The American envoy aimed to dissuade the French authorities from launching their country into an operation that would require too much capital for a country such as France, which already suffered of a lack of it. The colonisation of Louisiana would require large sums of money to improve the scarce structures available in the former Spanish colony. At a time when France needed every strength to recover Haiti and to give a new impulse to sugar production on the Caribbean island, an expedition to Louisiana would draw away capital vital to Haiti as well as to the manufacturing sector in France.²⁶

The proper exploitation of the Louisiana territories required a large amount of capital and therefore France needed to find lenders interested in investing in such a remote and risky operation. French authorities could not rely on Dutch capital because the distressed situation of their colonies did not permit any investment of capital in other colonial adventures. Planters could not easily borrow, because their credit was not held in high esteem and also because the first ten years of clearing forests and ploughing soil were extremely costly with no immediate returns.²⁷

The memoir ended with the option that the United States would buy the territory of Louisiana, granting free navigation along the Mississippi to French ships, which could carry all sorts of goods to the internal American market. These dispositions created an immense market for French products without incurring the high and unprofitable expenses of colonising Louisiana. Moreover, the sale of Louisiana would spare France from the jealousies

²⁶ See, *State Papers and Correspondence bearing upon the purchase of the territory of Louisiana*, (Washington, government printing office, 1903,) pp. 36—38. Livingston summarised in these terms the counterproductive nature of any French involvement in Louisiana: '[...] it is obvious that the colonization of Louisiana would be injurious to France; because it would divert a capital that might be more usefully employed in her other colonies; because that capital would be unproductive for many years; and because, when it became productive to the individual, it would add nothing to the mass of the national wealth, but merely lower the price of commodities supplied by the West Indies, and lessen the profits of labour' p. 42.

²⁷ Another risk that Livingston highlighted was that in case of a war between European powers, French settlers in Louisiana would find no entrepôt for their goods and they would consider the opportunity to move to the near United States. This possibility could be realised even in times of peace: '[...] Many who carry their families and their capital into Louisiana, finding that land is equally cheap on the American side of the line, will, sometimes from a preference for their form of government, sometimes from caprice, sometimes from pique or to get rid of the oppression of a military government (for such that of Louisiana must necessarily be)', in *State papers and Correspondence*, 45.

of Spain, Great Britain and, last but not the least, the United States.²⁸ Yet the offer of buying Louisiana had no details concerning borders, or terms of the treaty or, more important than everything else, the purchasing price.

Bonaparte and his entourage read the memoir attentively, but in the summer of 1802, the military operations in Haiti were still ongoing, and therefore to renounce any plan to colonise Louisiana was out of discussion. Moreover, the Peace of Amiens gave the opportunity to the first consul to focus his attention on the colonies, especially the West Indies. However, the situation took a completely different course in January 1803: news of the death of General Leclerc in Haiti together with rumors of a new interest towards Egypt made the cession of Louisiana to the United States a concrete possibility.

Bonaparte was convinced that nothing could be done to regain control of Haiti: the loss of his brother-in-law was the final nail in the coffin of the French expedition to the West Indies. In the eyes of the first consul, Louisiana therefore lost all interest because he considered it just as a commercial and military basis in support of the French troops employed in the Haiti campaign. Concerning the renewed interest of Bonaparte towards a new expedition against Egypt, the English cabinet was alarmed to learn that the newspaper *Le Moniteur* reported that six thousand French soldiers would easily occupy Egypt.²⁹

In the spring of 1803, the peace between France and England seemed at risk and Bonaparte reckoned to sell Louisiana to raise the largest amount of money from the transaction in order to prepare for the war against England. At the same time, the American government was informed that the peace in Europe risked ending abruptly, and so Jefferson decided to send James Monroe as minister extraordinary and plenipotentiary to negotiate the purchase of New Orleans and of West and East Florida. When Monroe arrived in Paris on 12th April, he found as Bonaparte's negotiator Finance Minister François Barbé-Marbois.

In the following days, Livingston, Monroe and Barbé-Marbois met repeatedly to reach an agreement over the price of the transaction, which should take into consideration also the numerous claims of American citizens who had lost their property during the Quasi-War due to the activities of French privateers in American waters. After two weeks of negotiation about the price and about the means that the United States would employ to pay the sum

²⁸ Livingston hinted also to the drawbacks of a French colonisation of Louisiana on the political level: '[...] Experience has evinced that no two nations can border upon each other, without having the spirit of rivalry excited; [...] to guard against the supposed hostility of its old ally (France), by forming cautionary connexions with Britain, who will court their alliance and stimulate their resentments against France' in *State papers and Correspondence*, 47–48.

²⁹ See Benot, *La démence coloniale*, 109–111.

required by France to cede Louisiana to them, Monroe, Livingston and Barbé-Marbois signed a treaty regulating the cession of Louisiana as well as the claims of American citizens.

The agreement was founded on the sum of sixty million francs that the United States agreed to pay France to cede Louisiana. France intended to pay twenty million francs for the loss of property incurred by American citizens during the Quasi-War. According to Barbé-Marbois's *Histoire de la Louisiane*, Bonaparte wanted to obtain at least fifty million from the Louisiana operation. Therefore, it can be said that Barbé-Marbois did not undersell Louisiana, but he did not force American emissaries to submit to excessive requests. On the contrary, Monroe had spent much more than the two million dollars that the Senate had appropriated for 'any expence which may be incurred in relation to the intercourse between the United States and foreign nations'.³⁰

The Louisiana territory comprised 529,402,880 acres and the final price of 15 million dollars set the price per acre at four cents. The payment of \$11,250,000 would be made with the issue of stock of six per cent per annum payable in Paris, Amsterdam and London. The Louisiana purchase constituted a double success for President Jefferson: on the one hand, the territory of the young republic peacefully doubled its size; on the other hand, the Louisiana acquisition prevented the United States from getting involved in the Napoleonic Wars that followed 1803.

A few days after the signature of the treaty, the English ambassador Charles Whitworth left the French capital and returned to London, where the government had declared war on France. The American Secretary of the Treasury Albert Gallatin started to explore within the merchant world which banks would be available and ready to float American stock on the main European markets. There were not many banks which enjoyed such large credit and disposed of large resources to handle an operation of such proportions. It was no surprise that Gallatin contacted Alexander Baring, whom he knew for the large interest that Baring had shown towards the American securities market in the early days of the 1800s.

The houses of Baring and Hope offered the needed know-how and credit to float more than eleven million dollars on the markets of London, Paris and Amsterdam. Their credit was sound and their experience in handling the loans of European powers on the Amsterdam market was well known also on the other side of the Atlantic. However, the two houses were going through a critical period: both were engaged in the Portuguese loans and in the

³⁰ See, Kukla, *A Wilderness so immense*, 262. On the benign attitude that Barbé-Marbois had towards the United States during the Louisiana negotiation, see Charles A. Cerami, *Jefferson's Great Gamble. The remarkable story of Jefferson, Napoleon and the men behind the Louisiana Purchase* (Naperville, Sourcebooks, 2003) 203—204.

profitable but risky diamond trade, and at the same time Hope's partner Pierre-César Labouchère returned to Amsterdam to start again the activities of the house of commerce there.³¹

Moreover, the political situation was rapidly evolving from a fragile peace between France and England towards a rekindling of the hostilities between the two countries. Such an outcome would gravely affect all speculation related to trade between European countries as well as the Atlantic trade. Financial activities such as loans were less threatened by a possible conflict, nonetheless, the role of Baring and Hope would be to advance money to the French government on behalf of the American government and to coordinate the payment of interest to those who would buy American stock. This position of the two banks could become particularly uncertain should an open conflict break out between England and France because as subjects of His Majesty, to advance money to the enemy was not riskless, as the Bourdieu case illustrated.

Another aspect to bear in mind was the perception of the two banks in relation to the French banking world as well as with the principal French authorities. Without a good reciprocal esteem between French authorities and the bankers charged to advance money to the French treasury on the account of the United States, there was no possibility that the two merchant banks could become part of the operation. As described above, Francis Baring moved to Paris for three weeks in September 1802, profiting from the peace that lasted between his country and France. Similarly to his father, Alexander arrived to Paris in mid-December of the same year and in the French capital, he finally rejoined his wife and his two sons after the period he had spent alone in America. However, the trip to Paris was not a simple family vacation, but also an opportunity to meet the main financial actors of the Parisian market as well as the American envoy Livingston.

Alexander Baring arrived in Paris bearing many letters of introduction written by his brother-in-law Pierre-César Labouchère, who had taken charge of rebuilding the Hope firm in Amsterdam. In a few months the young Baring attended the most lively parties and receptions that the French capital could offer. Unlike his father, he drafted a detailed portrait of the small but variegated world of Parisian bankers. In the eyes of the English banker his French

³¹ On the need to conclude as soon as possible the Portuguese loan, Labouchère wrote in these terms to Alexander Baring: 'Our first object at present must be to place our Portugal operation in such a train as to render us perfectly easy, which I am well satisfied will be the case in the course of the present year provided political events do not take turn. The only cloud I perceive distinctly is in differences between England and Spain concerning the cutting of wood in the Bay of Honduras. [...] I expect no war from this nor do immediately from remaining difference between England and France concerning Malta and Egypt' in S.A., Hope papers, 735/5, letter to Alexander Baring on 30th January 1803.

colleagues behaved very differently from those active in England: they gave excessive importance to all matters relating to receptions and they did not lose any opportunity to show off their wealth.³²

Baring did not limit his analysis of the Parisian bankers to their houses or their flamboyant receptions, but also analysed their way of operating on the Parisian market:

I am rather inclined to think well of what are called the first houses, that is of their solidity, and every ill of those of the second class. The precarious state of things makes people give credit where no doubts exist, houses of the first credit have therefore the advantage of all the good business and those of an inferior order, are forced to recourse to hazardous speculations and connections with the intrigues of public contractors.³³

This simple statement (which could seem obvious) traced a clear distinction between houses of commerce of the first rank and those of lower ranks. This gap was not due to the specific features of the singular banks, but rather depended on the internal situation of the country. As long as people did not feel that they lived in a stable regime, they would not risk their funds on banks which did not enjoy the highest credit. This divergence between first rank houses and all others forced the latter to pursue the most risky business.³⁴

Baring paid great attention not only to rating his French colleagues' reliability, but also to the stability of the French government and their institutional framework. Differently from what he had heard in England, Alexander Baring found the French government stable and largely supported by the population that was rather tired of continuous change on the political scene.³⁵ He compared the Consulate government to a military government similar to that exercised by the Roman Emperors. The only remarkable difference from the Roman Empire

³² Alexander Baring's judgement on the world of Parisian bankers was largely due to his frugal apprenticeship as a clerk in Hope's bank as well as his long stay in the United States where nothing could parallel the dazzling social life of the Parisian capital. This premise can explain such harsh criticism as the following: 'I consider them all as decided egotists possessing little sentiment of honour and honesty beyond what is merchantable' in S.A., Hope papers, 735/131, letter to Pierre-César Labouchère on 19th January 1803.

³³ See, S.A., Hope papers, 735/131, letter to Pierre-César Labouchère on 19th January 1803.

³⁴ Baring did not limit his analysis to a general overview of the Parisian market but he offered details on few important banks: '[...] Of your friend Bag-t (Bagueuault) I judge exactly as you do, I consider him perfectly safe but without any particular talents and no enterprise, he may be a good man to execute your business but will seldom or ever have any to give of his own. Perregaux appears a sly artful fox but at the head of them all. Barillon and Recamier both sensible and I think tolerably safe, particularly the former. of the latter some reports have been circulated which I am assured arose entirely from the jealousy exerted by the elegance of Madame's parties which enlisted all women in a confederacy to undermine her drawing room through her husband counting house' in S.A., Hope papers, 735/131, letter to Pierre-César Labouchère on 19th January 1803.

³⁵ 'To me everything round the government has the appearance of the greatest strenght and decided security. [...] people appear to have returned to absolute despotism not only without regret but with pleasure, they hug their chains' in S.A., Hope papers, 735/131, letter to Pierre-César Labouchère on 19th January 1803.

was the broad circulation of newspapers within French society. However, Baring questioned the freedom of French society aptly: the simple circulation of newspapers was not a check on the growing power exercised over the entire society by military figures.

It is not clear what role Alexander played during the negotiations concerning the Louisiana Purchase: he did not have a voice in the talks between Barbé-Marbois and the American delegates Monroe and Livingston.³⁶ Yet it is reasonable to think that Alexander Baring intervened in suggesting the way of floating the immense sum of \$11,250,000 on the securities markets of Amsterdam, Paris and London. In particular, Baring knew well the difficulties involved in the payment of interest due to European investors in American funds. Baring & Co. as well as Hope & Co. as the main banks dealing in American stock had faced a certain distrust of European investors in investing in American securities.³⁷

In the eyes of a European investor interested in American securities, which often offered higher returns than other securities, what remained less attractive when investing in American stock was the payment of interest that could be done only in London and only by presenting a certificate duly signed by a notary. However, such a system was unsuitable for all those investors who did not reside in London and whose certificate could be lost by mail or rejected because they did not bear a notary's signature.

As a consequence of these previous experiences, the new American stock was floated in the three cities of London, Paris and Amsterdam, thus simplifying the payment of interest, 6%, due to the investors. The first Louisiana stocks were available in September 1803 and the two houses of Hope & Co. and Baring & Co. were responsible for advancing to the French government 52 million francs over a period of two years. Different from the Portuguese loan, each of the two houses of commerce partook of 50% of the operation. Once the negotiations between American envoys and French authorities ended, Alexander Baring returned to London and from there, in the summer of 1803, he sailed to the United States.

The aim of this new journey to the United States was to monitor how the American government intended to keep pace in paying all the interest due on the old American stocks as well as on the new Louisiana stock. Alexander Baring reassured his partners that the reimbursement of the loan would follow the previewed scheme and that there were no signs

³⁶ During his stay in Paris, Alexander Baring had also the opportunity to know better Talleyrand and how much he was esteemed by bankers in the Parisian capital: 'I have seen a good deal of Talleyrand, who has been very civil, he (Talleyrand) is much liked by the financiers, who affect great respect for his talents in their line in which they wish him employed' in S.A., Hope papers, 735/131, letter to P.C. Labouchère and Francis Baring, on 12th February 1803.

³⁷ See, S.A., Hope papers, 735/5, letter from P.C. Labouchère to Alexander Baring on 2nd March 1803, 408—411. In this same letter, Alexander received the full support from his brother-in-law to proceed in the negotiations also in the name of Hope & Co: 'we all agree to leave the matter totally in your management'.

of further borrowing to pay the Louisiana loan.³⁸ The Jefferson administration planned to recover enough funds from the Bank of the United States, thus avoiding any rise in taxes. This announcement would produce a positive attitude of the investors towards American stock: on the one hand, the government was confident about the internal growth; on the other hand, the loan of \$ 1,750,000 from the Bank of the United States gave a positive signal of the reliability of this young institution.³⁹

Alexander Baring was fully satisfied by the way in which the American government had conducted the issue of the certificates to be sold in Europe and therefore he returned to England with the February packet from New York.⁴⁰ Before returning to Europe, Baring succeeded in selling \$ 300,000 worth of Louisiana stock to American investors and he left his American colleague Gilmore to put on sale \$ 200,000 in stock in Baltimore.⁴¹ Whereas in the United States everything seemed to proceed according to plan, the war between England and France could not help but affect the Louisiana operation and its European protagonists.

Before accepting the role of main banker in charge of the Louisiana Purchase, Francis Baring had asked the Prime Minister Henry Addington whether or not His Majesty's Government would oppose a British subject advancing money to an enemy such as France. Addington approved Baring's operation and did not prevent the London house from proceeding in the management of the Louisiana Purchase, including the payment of 52 million francs to the French Treasury. However, the English government changed its advice in December 1804 and ordered Baring & Co. to suspend all kinds of payment to France as long as the hostilities continued.

Baring found himself with no other alternatives than to comply with the government's instruction and he therefore left the entire business in the hands of Hope & Co. in Amsterdam. The Dutch house of commerce kept remitting money to the French Treasury, and the decision taken by the Addington administration did not impair either the Baring House or the final outcome of the operation. There are no clear indications of how much the two banking houses

³⁸ '[...] they (United States) will not want to borrow again by stock unless some now not to be foreseen circumstance should alter their situation. Of this character the only one within the reach of probability is a war with Spain and I consider it but barely within it' in S.A., Hope papers, 735/152, letter from Alexander Baring to P.C. Labouchère, on 5th November 1803.

³⁹ Alexander Baring was fully confident that no wars or other events would affect the stockholders: '[...] the stockholders have no reason to complain. Should additional resources be required either for a vigorous war with Spain, or for additional force in the Mediterranean in consequence of a marrocco war I believe they will be provided by taxation and not interfere with the public debt either by delaying the reimbursement of the old or the circulation of new stock' in S.A., Hope papers, 735/152, letter from Alexander Baring to P.C. Labouchère, on 5th November 1803.

⁴⁰ See, S.A., Hope papers, 735/152, letter from Alexander Baring to P.C. Labouchère, on 28th January 1804.

⁴¹ See, S.A., Hope papers, 735/152, letter from Alexander Baring to P.C. Labouchère, on March 1804.

gained as a result of their role in the Louisiana Purchase. The American Secretary of the Treasury Albert Gallatin reasoned that the final profit of the two houses amounted to \$ 3,000,000. The sum seems largely excessive, but if we take as a more moderate estimate a commission of 5%, the outcome would be around the still considerable amount of \$ 562,500.⁴²

The episode of the Louisiana Purchase clearly illustrates how during the unstable period of the beginning of the nineteenth century, keen bankers succeeded in their transactions with governments at war. However, the final success was in large part due to the close alliance between the two houses and the foresight of Pierre César Labouchère in restoring the house of Hope & Co. in the city of Amsterdam.⁴³ Labouchère's choice to return to Amsterdam stood out for his originality if we consider the general decline of the Amsterdam market after 1793. Even if Amsterdam was far from its mid-eighteenth century standard in terms of volume of trade and number of issued loans, it remained strategic for all operations concerning the United States and more generally the floating of foreign loans.⁴⁴

6.3 Raising money in times of war: the case of Ouvrard and the Amsterdam money market

The possibility to rely on valid houses of commerce was essential to have success in floating loans for European powers during the first decade of the nineteenth century. Yet it was not sufficient to share the risk with other banks, as Ouvrard and his colleagues discovered when they launched themselves into raising money for the Spanish Crown, which needed this to pay the French government in 1804. Before illustrating the huge operation between South America, Spain, France and Holland that saw Ouvrard as a main protagonist, it is important to know how Ouvrard arrived to this eventful operation.

Gabriel-Julien Ouvrard was born in 1770 in the small Vendéen village of Antières. His father owned a paper mill, but in 1788 the young Ouvrard moved to Nantes to explore the opportunities offered in the Atlantic harbour. The calling of the General Estates and the newly established freedom of the press convinced Ouvrard that it was much more profitable to work in his father's business than any other activity. The first fortune of Ouvrard was built on large

⁴² See, P. Ziegler, *The Sixth Great Power*, 71—72.

⁴³ The collaboration between Baring & Co. and the Dutch branch of Hope & Co. led by Pierre-César Labouchère did not always proceed without hurdles or misunderstandings. For example, at the end of the Louisiana Purchase, Labouchère expected to have 2/3 of the profit because the English house had stopped remitting money to France in 1804. However, the London bank refused to concede a larger share of profit to his partner because it did not consider that Labouchère had put at risk anything in keeping the business with France.

⁴⁴ On the decline of Amsterdam market at the end of eighteenth century, see L. Neal, *The rise of financial capitalism*, 225—227.

purchases of paper needed by printers to publish the growing number of pamphlets and newspapers.⁴⁵

Beyond the activity in the printing sector, Ouvrard invested in the colonial products, which were becoming more and more expensive but remained largely required as the so-called ‘sugar riot’ in February 1792 showed clearly. Profiting from the soaring inflation, Ouvrard invested in the acquisition of *biens nationaux*, such as country houses or large tracts of land. During the Terror, the young merchant survived thanks to the protection of the local General who probably received money in return for offering his influential shield over the rich merchant who risked his life because his rapid economic success raised envy and hatred.⁴⁶

The real turning point in the early years of Ouvrard's career was his appointment as Victualling Master of the Navy in 1797. Under the Directory Ouvrard attended the main *salons* in Paris like that of Madame Tallien, daughter of the rich and influential banker François Cabarrus. During this period, he gained the utmost trust from the Director Paul François Jean Nicolas, Viscount of Barras, who helped Ouvrard obtain the profitable position of Victualling Master of the Navy in the port of Brest. Ouvrard's main duty was to victual the Spanish fleet that had arrived in the Breton harbour to join the French navy led by Admiral Bruin. This large gathering was conceived as a clear pressure on the English envoy, who was negotiating a peace deal with France in Lille.⁴⁷

At the end of his services as Victualling Master, Ouvrard made a profit of around 15 million francs and therefore it was not surprising that the Directory asked him for a personal loan of 10 million francs to support the military efforts of the French armies who were engaged in Italy and Germany. Ouvrard agreed to advance such a sum to the Directory, but the *coup d'état* of Brumaire gravely affected Ouvrard's position towards the government: Barras had to flee to his castle at Grosbois and Bonaparte was not well intentioned towards the army furnisher, who had refused him a loan of 12 million francs.

⁴⁵ See, Otto Wolff, *Ouvrard, speculator of genius, 1770-1846* (New York, D. McKay Co., 1963) 10—13.

⁴⁶ See, Jean Savant, *Tel fut Ouvrard, le financier providentiel de Napoléon*. (Paris, Fasquelle, 1954), 15—25.

⁴⁷ Ouvrard gave another description of his appointment to the position of Victualling Master. From this description, it seems that the choice of Ouvrard was just based on the most effective way of victualing the fleet: ‘[...] j’y fus appelé pour discuter une question importante, celle de savoir quel était le meilleur des deux systèmes, de la régie ou de l’entreprise. [...] J’opposai à ces considérations les avantages résultants du système des entreprises; le service mieux assuré par l’activité d’un entrepreneur qui en fait son unique affaire, et qui établit l’unité si nécessaire dans une organisation de ce genre, l’autorité dégagée des soins continuels qu’exige le système des régies. [...] Le système des entreprises prévalut, et les administrateurs, dépourvus de tous les moyens d’assurer le service, virent sans regret la cessation de leurs fonctions, et la décision qui m’appelait à les remplacer, avec le titre de munitionnaire général’. See, *Mémoires de G.J.-Ouvrard sur sa vie et ses diverses opérations financières*, (Paris, Moutardier, 1826), 3 vol. 25—26.

On 26th January 1800 Ouvrard was arrested on Bonaparte's orders. The charges against him were not clear, but they referred to his immense profit due to his activities as Victualling Master for the Spanish fleet in Brest. At the same time Bonaparte tried to punish Ouvrard for his refusal to loan the money so needed by the French troops. Ouvrard was rapidly released because no sound evidence was found in his papers, but he preferred to leave Paris and to move to his country mansion at Raincy. However this forced exile did not mean any aloofness from the world of speculation and finance: Ouvrard took shares in different houses of commerce not only in Paris, but also in Bordeaux, Brest and Orléans.⁴⁸

Ouvrard was completely reimbursed for his first 10 million-franc loan to the Directory in 1800, when he accepted to share with the army furnisher Vanlerberghe the duty of victualling the French armies that were fighting in Italy in the Second Italian campaign. Yet Ouvrard had in mind other operations more profitable than those he was almost forced to run in Europe. He still had an open credit with the Spanish government, which intended to pay him with four million *pesos* that were waiting for him in Mexico City. The four million *pesos* constituted only a small part of the entire reserve detained at Mexico City under the vigilance of the viceroy. As a matter of fact, the long period of war in Europe had made it too risky to ship large amounts of piastres across the Atlantic, and therefore the Spanish authorities could count on almost unlimited reserves of piastres in Mexico.⁴⁹

When hostilities rekindled between England and France in the spring of 1803, Spain remained neutral with the hope of protecting its Atlantic trade, which was slowly recovering after the Amiens Treaty. However, the First Consul imposed a high cost on Spanish neutrality: four million francs each month. Spain had already had hard times in raising money with loans on the Amsterdam market during 1790s, but the situation became even worse

⁴⁸ Bonaparte's resentment against Ouvrard is explained by the latter in these terms: 'Ceux qui ont le caractère de Bonaparte concevront facilement que ma position lui eût porté ombrage. Souffrant impatiemment les supériorités qu'il n'avait pas créées, pensant que toutes les fortunes devaient se rattacher à la sienne, que toutes les grandes existences devaient relever de lui seul, il ne pouvait me voir sans déplaisir refuser un témoignage de confiance à un pouvoir naissant, et jouir avec indépendance d'une fortune qui s'augmentait chaque jour par des spéculations qui ne me mettaient point en rapport avec son gouvernement' in *Mémoires de G.J-Ouvrard*, 50–51. Ouvrard was pleading his case against Bonaparte, depicting the latter as a vengeful tyrant. Moreover, it is evident that such a portrait was broadly accepted in France under the restored Bourbon monarchy of Charles X. Another reason which seemed more plausible to understand Bonaparte's hatred towards Ouvrard was the fact that the banker had lent money to Josephine Bonaparte while her husband was leading the expedition to Egypt. Yet, the main reason of Bonaparte's hatred probably resided somewhere else: as a general, he could not conceive that a merchant dared to refuse to support the military effort that the young republic was sustaining throughout Europe.

⁴⁹ Ouvrard was informed by his brother François, who was a partner in a bank in America, that the Spanish piastre reserve amounted at least to seventy-one million. See, *Mémoires de G.J- Ouvrard*, vol.1, 66.

compared to the loans of 1792. Between 1798 and 1801, Spain floated four loans on the Amsterdam market but did not succeed in raising the expected sum of 10 million florins.⁵⁰

Also this time, the Spanish government was considering the opportunity to borrow on the Amsterdam market, when another offer came from the *Compagnie des négociants réunis*, a group of five merchant firms (Vanlerberghe, Ouvrard, Michel frères, Médard Desprez and Armand Seguin), advancing its candidacy to lend money to the Spanish Crown. This group of merchants lent also to the French government 150 million francs. So the candidacy of this group was supported directly by the French government, which was in its debt.

When Ouvrard arrived in Madrid for discussions with the head of the *Caja de Consolidacion*, the main institution in charge of the Spanish public debt, he offered a debt rescheduling of the Spanish arrears towards France over a longer period of sixty months. Then he obtained the appointment as main furnisher for the Spanish army as well as that of the only authorised firm to handle the import of *pesos* from Central America to Europe. Needless to say, Ouvrard did not dispose of such an immense personal fortune, but he could rely on the credit he had both in France and in Spain by being the official furnisher of the Spanish Army as well as a member of the influential *Compagnie des Négociants réunis*.⁵¹

The most challenging part of the worldwide scheme conceived by Ouvrard was the shipment of pesos from Central and South American harbours, Vera Cruz, La Havana, Caracas and Montevideo, to the Spanish ports of Cadiz and Sevilla, considering that England had been at war not only with France, but also with Spain since October 1804. The only way to deliver any gold or silver produced in South America was to employ neutral vessels, which could not be the target of English attacks in the Atlantic. For this reason, a new firm was created under the name of François Ouvrard & Co., which opened branches in Hamburg and New York to load boats with their cargo destined for Spain.

Ouvrard was well aware that without British approval or unspoken support, no transatlantic operations could achieve full success. For this reason, he contacted the house of Hope & Co. to offer to the British government 4% of the entire value of merchandise shipped from

⁵⁰ See, Riley, *International finance and the Amsterdam market*, 168—169.

⁵¹ See, Michel Zylberberg, *Une si douce domination. Les milieux d'affaires français et l'Espagne vers 1780—1808* (Paris, Comité pou l'histoire économique et financière de la France, 1993), 529—531. For more details on the transatlantic operation led by Ouvrard, Baring and Hope, see Carlos Marichal, *Bankruptcy of Empire: Mexican Silver and the Wars between Spain, Britain, and France, 1760-1810* (Cambridge, New York: Cambridge University Press, 2007), pp. 154—183. For more details on the partnership between Baring, Hope and Ouvrard to run the shipment of bullion from one side of the Atlantic to the other one, see Adrian J. Pearce, 'The Hope—Barings Contract: Finance and Trade Between Europe and the Americas, 1805—1808', *The English Historical Review*, 124, 511 (2009), 1324—52. The detailed analysis of the transatlantic operation did not mention the internal crisis of French credit market as the leading reason behind Napoleon's impounding of Ouvrard's bills of exchange on the Mexican Treasury.

Spanish American harbours towards Europe. In exchange for these services, the Dutch bank received a 1% commission on the value of the shipment of pesos or other goods from Spanish America. Ouvrard put in place a wide network of correspondents from Vera Cruz to New York as well as from Hamburg to Cadiz. However, the entire system was to collapse under the pressure of the 1805 crisis, which hit both the French and the Spanish economy.

During that year, a dire credit crisis involved the French economy which particularly hit the *Banque de France* whose cash reserves dropped to 600,000 francs when there was an overall circulation of 86 million francs.⁵² The limitation of credit jeopardised the system conceived by Ouvrard, whose main foundations resided in the possibility that he could easily borrow from other French houses of commerce to purchase the large amount of grain he needed to deliver to Spain.

The 1805 crisis involved not only small firms or merchant houses, but also houses of the first rank such as Récamier and Désprez, both involved in Ouvrard's scheme. Moreover, the credit crisis was followed by a general fall in value of French securities, which was in part due to the contradictory news arriving in Paris from the battlefields. Even the news of the victory at Austerlitz did not suffice to restore confidence in the *Banque de France*, considered close to bankruptcy, or in French securities.⁵³

At the beginning of 1806, Ouvrard found himself in the most strained position: he was indebted towards the French Treasury for more than 87 million francs and at the same time the *Caja de consolidación* had a credit towards the French merchant of 12 million francs. Napoleon decided to assume the entire operation and dismissed Ouvrard and his partners from the operation with Spain. Nevertheless, Ouvrard had to honour his debt with the French treasury using the stock issued by Hope in 1805 in favour of the Spanish government.

When the first ships loaded with *pesos* arrived in Europe, Ouvrard and Vanlerberghe had already suspended their activities as army suppliers. Therefore, the audacious and risky scheme to play the role of official supplier for both the armies of France and Spain had failed. The failure of this plan was not the last word on the career of Ouvrard, but it certainly constituted a strong blow to his credit. The French merchant blamed Napoleon for not having enough understanding of credit and markets, otherwise he would not have dismissed him from his charge and his large business with Spain.⁵⁴ Even though it is easy to agree with

⁵² See, P. Branda, *Le prix de la gloire*, 261—262.

⁵³ On 1805 crisis, see chapter 8.

⁵⁴ Far from recognising some responsibilities, Ouvrard described in these terms the failure of his project: 'Ainsi s'évanuit la plus grande entreprise commerciale et politique qui jamais ait été conçue et mise en activité; entreprise qui, mettant en association une tête couronnée et un simple particulier, devait établir et rendre plus

Ouvrard that Napoleon did not have a deep understanding of international trade and financial transaction, it seems fair to conclude that Ouvrard was overdrawing on his credit with both Spain and France.

As emerged from the cases of the Portuguese loans, the Louisiana Purchase as well as Ouvrard's speculation, the Amsterdam market remained pivotal in international finance even though the volume of exchange was below the level reached in the 1770s. Yet Dutch banks maintained an interest in the French securities market during the entire first decade of the nineteenth century, as the case of Voomborgh, Ketwich and Borski clearly showed. This bank syndicate extensively invested in French 5% stock through the agency of the Swiss banker Jean-Conrad Hottinguer, who sat on the board of the *Banque de France* from 1803.

The newly established companies of Voomborgh & Ketwich, Van Halmael and Borski purchased 5% French stock worth of 2,479,990 francs.⁵⁵ This large buy operation took place on 24th June 1806, when the 5% stocks were sold at 62 francs. It was not the most favourable moment to purchase, as 5% stock had fallen to 53 francs following news of the complete defeat of the Franco-Spanish fleet at Trafalgar on 21st October 1805.⁵⁶ The French victory at Austerlitz and the ensuing peace between France and Austria gave a strong impulse to the French 5% stock that rated at 68 francs in the summer 1806.⁵⁷

The renewed interest of Dutch investors towards the French securities market was partly due to the dire financial situation of the Kingdom of Holland, which seemed close to a disastrous bankruptcy caused by the payment of interest on the national debt.⁵⁸ Even though revenues grew under the fiscal reform that the Minister of Finances Isaac Gogel promoted, the internal debt kept rising, thus affecting the credit costs. Returns on government securities moved from averaging 3 to 4 per cent before the revolutionary wars to averaging 7.67 per cent.⁵⁹ Therefore, Dutch investors regarded with suspicion such high returns, which had not been common in Dutch financial history and were a clear sign of the economic distress that plagued the country.

intimes les rapports entre l'ancien et le nouveau monde; assurer la prospérité financière de deux empires, en utilisant, au profit de commerce en général, et particulièrement au profit de l'Espagne et de la France, les trésors que la guerre maritime avait accumulés dans le nouveau monde, et qui allait être rendus à la circulation comme au sein d'une paix profonde' in *Mémoires de G.J.- Ouvrard*, vol.1, 135.

⁵⁵ See, S.A., Voomborgh papers, 600/40.

⁵⁶ See, P. Branda, *Le prix de la gloire*, 268.

⁵⁷ For more details on this financial operation, see Chapter 8.

⁵⁸ In 1805, the debt of the Batavian republic attained 1,145 million florins and the interests due on this sum were around 33.9 million florins. See, Tom Pfeil, 'La hantise de la banqueroute: les finances publiques dans la période franco-batave (1795-1810)', *Annales historiques de la Révolution française*, 326 (2001), 53—64.

⁵⁹ See, J. Riley, *International finance and the Amsterdam market*, 235—236.

The French economy suffered other credit crises in 1810 and 1812, which were characterised by a wave of bankruptcies of many houses of commerce. Yet Napoleon did not reduce the returns produced by securities, as happened in 1797 in France and in 1810 in the Kingdom of Holland. Louis Bonaparte, king of Holland, made all efforts to avoid this disgrace but neither loans offering 7% interest nor forced loans saved his kingdom from financial collapse.⁶⁰ When Holland was annexed within the French Empire in the summer of 1810, one of the first decisions that Napoleon took was to repudiate two thirds of the Dutch debt, following the French example of 1797.

At the eve of the Leipzig battle, the consortium of Dutch bankers still held in its account 5% annuities worth 734,024 francs. This sum constituted less than one third of the initial investment in the French securities market, but this steep decline was more the natural consequence of the reckless Napoleonic foreign policy, such as the invasion of Russia and the Peninsular War, rather than of open distrust of the French securities market. In 1806, France remained at war with England, but on the continent, there were no powers that dared to challenge French hegemony. Only seven years later, the scenario had completely changed: Napoleon's hold on Europe was over and uncertainty reigned over the future of France.

Merchants and bankers strove to find ways to profit during war times as well as during short periods of peace, like the Amiens peace. The unfortunate transition of a diamond parcel in Paris was the occasion for the banker Laborde Méréville to come back to Paris with the hope of reestablishing his network of friends and acquaintances in the Parisian business world. At the same time, the French banker offered his knowledge of the Parisian market at the disposal of the Baring's operation. The London bank was not particularly affected by the failure of the transaction, but Laborde abandoned all hope of playing any role again in Paris.

The resumption of the war between England and France again hindered trade but called for new loans to raise money. The Ouvrard plan to recover silver from South America to replenish the French treasury included the collaboration of Hope and Baring in the phase of freight from South America to Europe. The operation was unique for its width and involvement of different actors. Yet it recalls the unfortunate business between James Bourdieu and the *Caisse d'Escompte* at the beginning of the revolutionary wars.

⁶⁰ See, T. Pfeil, 'La hantise de la banqueroute', 62—64.

At the same time, the Louisiana Purchase was the largest acquisition of land made by the United States and required the intervention of the houses of Baring and Hope to secure the passage of the region into the hands of the US government. The operation proceeded without any considerable hurdles due to the approval of all governments involved in the operation. Beyond their commission, Baring and Hope consolidated their prestige in large international transactions involving different currencies, stocks, and even governments at war.

The case of the syndicate of Dutch bankers nuanced the image of Amsterdam as a financial market in complete disarray and decline. Even though Henry Hope was the epitome of the flight of capital as well as of houses of commerce from Amsterdam, not all bankers followed his example. The Amsterdam market still played a role in the Napoleonic Empire, especially in the loans of satellite kingdoms like Spain and Naples. Moreover, these loans represented a valid option replacing the investments in trade activities, which were completely disrupted by the English Navy.

CHAPTER SEVEN:

Interlocking interests: bankers and politicians in England, 1789-1810

We want our money on the nail;
The banker's ruin'd if he pays:
they seem to act an ancient tale;
[...] No money left for squandering heirs!
Bills turn the lenders into debtors:
the wish of Nero now is theirs,
"that they had never known their letters".
Jonathan Swift, *The Run upon the Bankers*

In the realm of eighteenth-century British history, there are few arguments that have been treated as extensively as corruption within the public administration and the widespread diffusion of the patronage system to appoint officers to public office. Many scholars have devoted their research to the corruption within the British political world because they could not ignore the vociferous and relentless outcry against this phenomenon that the opposition and in general the Whig Party had voiced during all the eighteenth century. As much as the protest against government corruption could be only a political argument of the opposition, many elements of the corrupted state of British administration were no mystery for those acquainted with the political system: rotten boroughs, offices with no duties, sinecures and reversions were so consolidated that they had become part of the system itself.¹

The aim of this chapter is neither to offer a new interpretation of the fight against corruption and malpractice within the British administration during the eighteenth century, nor to study

¹ See, W. D. Rubinstein, 'The End of "Old Corruption" in Britain 1780-1860', *Past & Present*, 101 (1983), 55-86; Iain McCalman, *Radical Underworld: Prophets, Revolutionaries, and Pornographers in London, 1795-1840* (Cambridge; New York, Cambridge University Press, 1988); James Epstein, *Radical Expression: Political Language, Ritual, and Symbol in England, 1790-1850* (New York, Oxford University Press, 1994); John Brewer, *Party Ideology and Popular Politics at the Accession of George III* (Cambridge; New York, Cambridge University Press, 1976); Kevin Gilmartin, *Print Politics: The Press and Radical Opposition in Early Nineteenth-Century England* (Cambridge, New York, Cambridge University Press, 1996).

the impact of the French wars on the process of administrative reform started in the early 1780s. On the contrary, it draws attention to the role that bankers played with political actors to gain a more favourable position for themselves or for their friends and relatives within the administrative system and its manifold offices and privileges..

In the last chapter, we saw how governments never ceased to need financial support from merchants and bankers. In this chapter I explore whether bankers managed to use the state's needs as a key of access to government offices for their close friends and acquaintances. In other words, I shed light on the tools employed by bankers to achieve their aims. At the same time it emerges how politicians were not willing to concede everything to bankers. The study of the interactions between bankers and politicians is significant because it shows how private interests made an effort to obtain favours from political actors, and yet they were not always successful despite their financial support to the state or to individual politicians.

The bankers chosen as a sample for this chapter are the same that we have met in the previous chapters: Sir Francis Baring, Thomas Coutts, and the bank Hoare & Co. constituted by the partnership between different members of the Hoare family. As emerged from the previous chapters, Baring embodied the figure of the merchant banker who did not refrain from taking part directly in the political affairs of the nation as a Member of Parliament. The bankers Coutts and Hoare were among the most eminent bankers of the West End, so their core business was lending money to the members of the aristocracy.

The choice of these bankers is not due to a particular preference for the biographic approach; rather, the differences between these businessmen make them representative of a larger spectrum of financial actors active on the London market. Moreover, over the course of this work, we came to know them better not only in relation to their business activities, but also as father and husbands of families, as political actors and as chiefs of business firms with clerks, employees and servants at their command. Their picture would remain unfinished without the last stroke of colour: the relationship with the political establishment in promoting their personal interests.

This chapter is divided as follows: in the first section, I review how the contemporaries of the bankers considered here treated the subject of political corruption and patronage in eighteenth-century England. The phenomenon of patronage was not peculiar to England but it found a rich soil in many other Old Regime societies, such as Spain and France, just as in countries like present-day China.² The last decade of the eighteenth century is particularly

² Eighteenth-century England and present-day China are two cases of complex societies facing the issue of reforming their political system to curb political corruption. For this comparison, see Robert Harris, *Political*

crucial in the process of administrative reforms adopted in England to reduce government patronage and its consequent waste of public funds in useless but expensive appointments. At the outbreak of the war between France and England the reforms approved in the 1780s were under implementation but still needed to be guarded and strongly promoted by political authorities.

The second section addresses the strategies that Sir Francis Baring implemented to promote his interests as a member of the community of the City of London. As emerged from Chapter Two, Baring was not shy about making public his personal opinion on currently debated issues such as the suspension of payments by the Bank of England. What remains to be assessed is whether the London banker refrained from advancing his personal interests or lobbied for his financial profit with insistent requests to those politicians with whom he was well acquainted.

The third section focusses on the ways in which Thomas Coutts tried to promote his interests and his friends by employing his numerous contacts within the Pitt Cabinet. However in the 1790s the way to obtain promotion within the public administration had become particularly narrow and bumpy. For this reason, Coutts did not limit himself to reaching directly to his clients who held positions within the government, but also to their closest relatives. In these relentless attempts, the role of women, as in the case of Lady Chatham, mother of William Pitt the Younger, might be essential to overcome all the obstacles that could emerge within a ministry or as a result of personal hostilities.

In the last section an analysis of the correspondence between some noble clients of the bank Hoare & Co. and the bank partners revealed the side effects triggered by administrative reforms: the attentive spending review eliminated wasted pensions and offices without duties, but at the same time left a limited number of people without the usual revenue. As irrelevant for the larger English society as this consequence could appear, it had an impact on those bankers who had, such as Hoare & Co. of Fleet Street, within their clients a large number of aristocrats who did not expect their privileges to be revoked. Finally, some concluding remarks will be advanced on the different ways of promoting commercial or private interests during the period of the French wars within the English merchant community.

corruption: in and beyond the nation state (London; New York, Routledge, 2003), pp. 65-106. Harris presented England as a country that had tackled successfully the issue of political corruption as a result of internal reform. On the contrary, China is still struggling with widespread corruption within public administration and if there ever will be a reform, it will be the consequence of external pressures rather than internal improvements.

7.1 Lashing out at corruption: a rough path between polemics and reforms, from Jonathan Swift to William Cobbett

The condemnation of corruption within the administrative, military and political British system was a common thread running through the works of a large number of authors during the entire long eighteenth century. Authors belonging to opposite visions of the world as well as different parties, such as the conservative writer Jonathan Swift or the radical journalist William Cobbett, could find common ground in the unveiling of the corruption that devoured English society. As we have seen in the second chapter, even the issue of growing debt was considered as a clear outcome of the corrupted state of public administration that led to boundless expenditures and higher taxation. It is therefore possible to draw a long line that starts, at least, from the works of Viscount Bolingbroke to Paine's work on the decline of British finances as a clear witness of the recurrence of the topic of corruption within British society during the entire eighteenth century.³

The stigmatisation of corruption remained a solid theme of the "Country" ideology during the entire eighteenth century because it had deep and robust roots in Harrington's image of a polity composed by free holders as citizens. John Pocock had the merit to show that Harrington conveyed the idea of a 'mixed constitution' in English political thought through the reappraisal of the works of Machiavelli and his understanding of Polybian doctrine of the forms of government.⁴ There are no doubts that a great contribution to making the theme of corruption within the government popular was the publication of the newspaper *Craftsman* and the series of articles by Viscount Bolingbroke that composed the *Dissertation upon Parties*. In the first letter to the newspaper, written in 1733, Bolingbroke claimed that the

³ Thomas Jefferson even went further: he did not only draw the line from Viscount of Bolingbroke to Thomas Paine as a current in English political thought, but he claimed that the two authors were "both advocates of human liberty" and could be considered similar in this aspect. See, Bernard Cottret, *Bolingbroke's Political Writings: The Conservative Enlightenment* (New York: St. Martin's Press, 1997), p.11.

⁴ See, John G. A. Pocock, *Politics, Language, and Time; Essays on Political Thought and History* (New York: Atheneum, 1971), pp. 104-147. The work that fully developed the influence of classic virtue on modern thinkers in the English world is J. G. A. Pocock, *The Machiavellian moment: Florentine political thought and the Atlantic republican tradition* (Princeton, N.J.: Princeton University Press, 1975). Pocock's interpretation of the impact of classical thought, mediated by Machiavelli and Harrington, did not remain unchallenged. The most convincing rebuff is offered by Michael Zuckert, *Natural Rights and the New Republicanism* (Princeton, N.J., Princeton University Press, 1994). Zuckert claimed that the incidence of Harrington's vision of a polity composed of landholders and the diffidence towards market operators were not present among the large part of political authors in England during the second half of eighteenth century. Another argument that weakens Pocock's theory is that thinkers like the author of *Cato's Letters* or Adam Smith feared corruption in social manners as an outcome of disordered habits rather than as a consequence of monetary exchange or easiness in credit transactions. For this aspect, see Shelley Burt, 'Ideas of corruption in Eighteenth-Century England' in William C. Heffernan and John Kleinig (eds.), *Private and Public Corruption*, (Oxford, Rowman & Littlefield publishers, 2004), pp. 101-123.

division between the Tory and Whig parties did not hold to the transformation that England went through after the Glorious Revolution. Therefore, the division was between those:

Who not only oppose the progress of that growing corruption, which had well nigh overspread the land, but endeavour to extirpate it by the roots, shall prevail; or they who nourish and propagate it, who eat themselves, and tempt others to eat the baneful fruit it bears.⁵

The clear reference to the biblical Garden of Eden and to the Fall caused by the incapability to resist the temptation to eat the fruit from the Tree of Knowledge did not unveil what the main causes of the corruption that Bolingbroke observed in his country were. These sources of corruption were the higher taxes raised to create new funds available to the predatory speculations of stockjobbers, but also of reckless ministers willing to profit from investing in public funds in order to have enough money to corrupt people.⁶ In 1751 the clash between Bolingbroke and moneyed interest reached its zenith: with the publication of *Some Reflections on the State of the Nation*, the old Viscount launched an overarching attack against the role that stockjobbers, meaning all those who had vested large interest in public funds, had held in English politics over the two last decades.

As a consequence of the war effort during the War of Austrian Succession, England was under the heavy burden of a skyrocketing debt, over £ 80,000,000, which needed to be rapidly reduced, otherwise the country risked not being able to intervene in future conflicts. Bolingbroke proposed to tax fund holders as well as landowners because the country was on the verge of the most dire financial collapse in its history. Such a measure would stir the loudest protest from ‘stock-jobbers and usurers, by the principal men in our great companies, who, born to serve and obey, have been bred to command even government itself’.⁷ In Bolingbroke’s vision, it was necessary to bring together the landed and moneyed interests in

⁵ *Dissertation upon parties*, letter I, p. 38, in B. Cottret, *Bolingbroke’s Political Writings*, p. 110.

⁶ *Dissertation upon parties*, letter XIX, p. 243-245, in B. Cottret, *Bolingbroke’s Political Writings*, pp. 315-317. Bolingbroke feared what Paine later considered as unavoidable: the collapse of the funding system. Bolingbroke expressed his concerns in these vibrant terms: ‘In times of peace, in days of prosperity, we contract new debts, and we create new funds. What must we do in war, and in national distress? What will happen, when we have mortgaged and funded all we have to mortgage and to fund; when we have mortgaged to new creditors that sinking fund which was mortgaged to other creditors not yet paid off; when we have mortgaged all the product of the land, and even our land itself? [...] Who can answer, that the whole body of the people will suffer themselves to be treated, in favour of an handful of men, (for they who monopolize the whole power, and may in time monopolize the whole property of the funds, are indeed but an handful)’, *Ibid*, p. 244.

⁷ See, *Some Reflections on the State of the Nation*, in *A letter to Sir William Windham. II. Some reflections on the present state of the nation. III. A letter to Mr. Pope. By the late Right Honorable Henry St. John, Lord Viscount Bolingbroke* (Dublin, 1753) (first edition 1751), p. 223.

the sharing of the burden of the debt that until that moment had been carried mostly by landowners.

Bolingbroke died two years after the publication of *Some Reflections on the State of the Nation* but his voice did not remain the only one vehemently to demand the reform of public finances as well as of the government. On the contrary, Bolingbroke's strong reprehensive accusations against the corruption of the English state became popular due to the support of authors such as Jonathan Swift or Alexander Pope. The two authors shared with Bolingbroke the firm conviction that the Glorious Revolution had to be saved from the encroaching corruption that moneyed interest had brought into the country's government. The great trade companies had to be curbed and impeded in advancing their claims as national priorities. From the columns of the *Examiner* and the pages of his best-selling novel *Gulliver's Travels*, Swift lampooned the practice of offering distinctions to loyal government officers in order to maintain the corrupted administrative system. Similarly to Swift, Pope ridiculed the Walpole government in his poem *Dunciad*, in which the great Duncie, a parody of Walpole, subdued the reign breaking the laws and imposing new dishonourable manners.⁸

The greatest achievement of Bolingbroke's opposition was the withdrawal of the Excise Bill in 1733, which attempted to implement taxation on traders and merchants, levying duties on tobacco and wine under the jurisdiction of the Excise Office. Even though the measure was conceived to shift the taxation burden from landowners to traders, Bolingbroke seized the opportunity to lead the entire opposition against this measure because it put at risk the liberties of English citizens who were exposed to the powers of search of the Excise officers, as well as to an autonomous magistrate acting without jury. Notwithstanding the withdrawal of the bill, Walpole could count on the support of George II and remained in power.

The death of Sir Robert Walpole in 1745, and Bolingbroke's death in 1751, closed the long-time duel between them that marked an entire season of the political and social life of eighteenth-century England. However the theme of corruption that eroded the British constitution and the entire society would resurface over the course of the eighteenth century. In the two decades following Bolingbroke's death, England consolidated its control over India and defeated French forces in North America, thus enlarging its colonial possessions by

⁸ On Swift and Pope and how other authors, such as Daniel Defoe and Bernard Mandeville, contributed to the controversy on the corruption of British society in the first half of the eighteenth century, see, Isaac Kramnick, *Bolingbroke and His Circle; the Politics of Nostalgia in the Age of Walpole* (Cambridge, Mass.: Harvard University Press, 1968), pp. 188-235.

obtaining Florida and the French possessions in Canada as well as the control over the Caribbean Islands of St. Vincent, Tobago and Dominica.

The British success in the Seven Years' War did not come without heavy costs. Lord North's administration faced the highest level of public expenditures because of the last military conflict as well as the preceding wars of the eighteenth century. The consequential move of the government was to raise new taxes to maintain English troops stationed in North America: for this reason, the Parliament passed the Stamp Act which stipulated that printed documents, such as legal papers, newspapers but also playing cards, had to pay a revenue stamp. This act outraged colonists, who considered it as an encroachment on their rights as British citizens, as well as many MPs who feared that such a measure could weaken ties with the American colonies.

The repeal of the Stamp Act in 1766 did not entail a stable pacification with the colonies and it certainly did not resolve the issue of the burdensome debt. On the contrary, the government's attempts to improve the financial situation led to open confrontation with the American colonists and to the consequent American War of Independence. On that occasion, the parliament did not wait for the cessation of hostilities to take a hand in the process of reforming public finances, which suffered not only from the increasing costs of a war fought on the other side of the Atlantic, but also from the bad and even fraudulent handling of public accounts. The input for an attentive appraisal of the status of public finances came from Edmund Burke who presented his plan of economic reform.

Burke's proposal consisted of a series of expenditure cuts not only in the civil list, with the abolition of certain offices which resulted in a useless waste of public money, but also with the dismissal of old and unproductive jurisdictions, such as the principality of Wales or the duchy of Lancaster. Even though Burke's proposal did not pass entirely due to the concern of the House of Commons to touch the endowment to the Royal Family within the Civil List, the principle of necessary financial reforms definitively took place.

Lord North called for a committee of experts, from the field of law as well as banking and trade, with the main aim of drafting a series of guidelines to improve the transparency and efficiency within public finances.⁹ The results of this committee were published in 1786, but

⁹ For a general overview of the development of financial reforms during the period of the American Revolution, see Earl A. Reitan, *Politics, finance, and the people: economical reform in England in the age of the American Revolution, 1770-92* (Basingstoke, England; New York: Palgrave Macmillan, 2007). A more detailed description of the entire system of British finances and the advanced reforms is offered by John Edward Douglas Binney, *British public finance and administration, 1774-92* (Oxford: Clarendon Press, 1958).

in the meantime, some expenditure cuts and abolitions of useless offices were brought forward, even regarding the Civil List.

A further step in the healing of the sick financial system was the establishment of a Sinking Fund in 1785. This fund was not a novelty in British history: first, it was Walpole who after the War of the Spanish Succession created a fund to extinguish the principal and the interest on the accumulated debt. However, the Walpole Fund had no apportioned money and so it kept drawing on other sources, such as the Exchequer or the Civil List. Pitt instructed a commission to inquire whether the situation of public revenue allowed the yearly allocation of one million pounds to buy stocks to reduce the amount of public debt on the market.

The Committee of the Commons assured the prime minister that as long as the collection of duties and other sources of revenue continued steadfastly, the operation was feasible and financially sound for public finances. Therefore Pitt pushed forward the Sinking Fund Act, which established the Consolidated Fund. This institution worked in the following way: the Bank of England quarterly credited money to the commissioners for reducing the national debt, then the commissioners invested this sum in stocks below par or, when they were not available, in stocks in general.¹⁰

Pitt wanted to ensure that the flow of revenue did not stumble or lose its power and so he lowered the duty on tea to reduce the large smuggling activities that were enhanced by the excessive duty on the widely consumed product. At the same time he put the wine duty under the control of the Excise thus making more efficient the collection of money generated by this luxury beverage. Notwithstanding all these efforts to increase the volume of revenues, Pitt introduced a tontine, a scheme of annuities in which the last survivor was entitled to receive the entire prize of the annuities, of £1 million, to have the certainty of disposing of enough funds for the Consolidated Fund.

Finally, on 17th February 1792, Pitt could proudly announce to the House of Commons that the production of 1791 exceeded the previous year by above £500,000 and that a surplus of £400,000 was available after all the deductions, including the one million pounds allotted to the Consolidated Fund. For this reason, the prime minister proposed to apply the surplus to a further reduction of the national debt, as well as a trimming of those taxes particularly burdensome for the poorest part of the population, such as the tax on houses with less than seven windows, on maidservants or on candles.¹¹

¹⁰ On the functioning of the Consolidated Fund, see Binney, *British public finance and administration, 1774-92*, pp. 110-116.

¹¹ For Pitt's speech at the House of Commons, see William Cobbett, *Parliamentary History of England*, (London, 1806-1820), vol.29, pp. 815-838.

The optimism of the prime minister was based on the perception that the country could continue to be at peace with the other European powers, as the avoided war with Spain in 1790 had shown. This perception led Pitt to make one of the most unfortunate prophecies in the history of English politics:

Unquestionably there never was a time in the history of this country, when, from the situation of Europe, we might more reasonably expect fifteen years of peace, than we may at the present moment.¹²

One year after these optimistic and hopeful words, England was at war with France and the foreseen fifteen years of peace would result in more than twenty at war. Furthermore, Pitt had to renounce all of his schemes to reduce the fiscal burden as well as all plans to cut the national debt. So the nemesis that hit Pitt was one of the cruelest: instead of being the prime minister that laboured more to conceive sustainable ways to reduce the public debt as well as the costs of the national administration, he was forced to raise new taxes and new loans, thus contributing to the skyrocketing of the national debt. England's intervention in the French wars led the English political authorities to do everything in their power to support the military efforts of the army and the navy in Europe.¹³ The life-and-death clash with France became the first priority for Pitt's cabinet, rather than the implementation of the 1780s reforms.

While during the first part of the eighteenth century the strongest critics of the corruption within the government had been 'Country Tory' like Viscount Bolingbroke, at the end of the century, it was time for the radicals to rail against the deep corruption seated not only in the government, but also in parliament. In particular, the most outspoken enemies of government corruption were those radical dissenters who belonged to non-conventional Protestantism, such as Baptism, Unitarianism and Presbyterianism. They could not suffer the growing of the national debt as the consequence of the existence of so many useless offices, embezzlement, and rotten boroughs. Those radicals did not oppose the existence of public stocks or the

¹² *Ibid*, p. 826. To Pitt's defence it must be added that he did not pretend to forecast the future as a certain period of peace: 'I am not, indeed, presumptuous enough to suppose, that when I name fifteen years, I am not naming a period in which events may arise, which human foresight cannot reach, and which may baffle all our conjectures'

¹³ In the last decade, there has been a reappraisal in the study of the different branches of the British administration employed to the victualling of the army and the navy. For the navy, see Janet MacDonald, *The British Navy's Victualling Board, 1793-1815: Management Competence and Incompetence* Boydell & Brewer, 2010; Roger J. B. Knight, and Martin Howard Wilcox. *Sustaining the Fleet, 1793-1815: War, the British Navy and the Contractor State*. (London, Boydell & Brewer, 2010); Gareth Cole, *Arming the Royal Navy, 1793-1815: The Office of Ordnance and the State* (London, Routledge, 2015).

functioning of the market, but they deeply disliked the existence of idle speculators who did not contribute in any measure to the growth of the country.

Many of the main entrepreneurs of the kingdom came from the ranks of Dissenters: James Watt, John Wilkinson as well as Josiah Wedgwood shared the experience of living on the margins of a society where, without membership to the Church of England, one could not apply for a civil, administrative or military office. Notwithstanding this exclusion, Dissenters were at the forefront of launching new manufactures and creating new businesses. Despite their personal success, they lived in a society where merits and talents were less valued than birth, rank and connections.¹⁴

Thomas Walker offered a telling example of the active participation of entrepreneurs in the political debate around the theme of reforming the British constitution. A Manchester cotton merchant, Walker actively took part in the London Corresponding Society as well as in the Manchester constitutional society, of which he held the presidency in 1792. The rich merchant stigmatised the diffused corruption within the British government and he polemically employed Burke's words to challenge the "Crown's influence" and its egregious effects on the government machine.¹⁵ While Burke was engaged in contending with Paine on the disruptive effects of the French Revolution on the British constitution, Walker intentionally used Burke's words from his reform proposal in 1782 to strengthen his claim for new steps in the healing of the corrupted British administration.

Walker's commitment in the battle against corruption did not go unnoticed: his house was pulled down by a mob of "Church and King" people who considered Walker a dangerous Jacobin. The active merchant was also arrested in 1793 as a seditious activist against the war with France, though he was later released. The Manchester merchant should not be considered as an exception, but neither as a representative of the complex and various world of merchants and bankers. So an eminent merchant like Francis Baring held a completely different attitude

¹⁴ Isaac Kramnick offered this interpretation of the vibrant opposition against corruption within the radical movement at the end of the eighteenth century. In opposition to Pocock's view of radicals as dreamers of a utopian past where market was not dominant and stock-jobbing should not have taken place, Kramnick convincingly showed that radicals did not oppose market, where they excelled over others, but they condemned the dismissal of value and talents in favour of birth or money idly obtained through stock-jobbing. See, Isaac Kramnick, *Republicanism and bourgeois radicalism*, pp. 44-49; 194-196.

¹⁵ 'We are happy to use the authority of Mr. Burke, who, [...] made this animated declaration, - [...] *what I bent the whole force of my mind to, was the reduction of that corrupt influence which is itself the perennial spring of all prodigality, and of all disorder; which loads us more than millions of debt; which takes away vigour from our arms, wisdom from our councils, and every shadow of authority and credit from the most venerable parts of our constitution* (28) "[...] *the influence of the crown has increased, is increasing and ought to be diminished*". Italics is used in the original. See, *A review of some of the political events which have occurred in Manchester, during the last five years: being a sequel to the trial of Thomas Walker, and others, for a conspiracy to overthrow the constitution and government of this country, and to aid and assist the French, being the King's enemies*. By Thomas Walker. (London, 1794), pp. 28-29.

towards government at the time of the outbreak of the hostilities between France and Britain in 1793.

7.2 A history of collaborative relations: Sir Francis Baring and the representation of interest with the government

Baring started to collaborate with the government when Lord Shelburne was at the Treasury in 1782. As one of his chief advisers on financial and commercial matters, he also obtained a seat in the House of Commons. As John Orbell had pointed out, Baring's opinions were particularly respected by Shelburne, who relied on the banker to have fresh news from different areas of Europe as well as from India, where Baring's interest were at stake. In this way, the secretary of the treasury had a personal and reliable source of information outside the official network of ambassadors and consuls employed in foreign countries.¹⁶

The dismissal of Lord Shelburne's cabinet did not result in a loss of prestige and in a political decline for the London banker. On the contrary, Baring looked with favour on the efforts to renovate the fiscal system that William Pitt strove to push forward from 1784 onwards. In particular Baring was an enthusiastic advocate of the Commutation Act that lowered the duties on tea to 12.5%, thus striking a fatal blow to the thriving smuggling of tea. The London banker did not limit his support for the fiscal measure to within the walls of the House of Commons, but he also addressed the theme in a publication entitled *The Principle of the Commutation-Act established by facts*.¹⁷

Published in 1786, Baring's pamphlet dealt with the improvements caused by the introduction of the Commutation Act. The London banker reasoned on the data concerning the revenues issued by the tea tax, modified by the Commutation Act. This measure triggered positive outcomes not only for the English government, but also for the public and, last but not least, for the East India Company. People benefited from the reduction of the tea tax because it caused a fall in the price of the product. At the same time, the growing demand for tea left the warehouses of the East India Company with less merchandise in stock, avoiding excessive stocking costs. Far from being damaged, state revenues increased because the product of the new tea tax outgrew the expectations of the government.

¹⁶ See, John Orbell, 'Lord Shelburne, Finance and Sir Francis Baring' in Nigel Aston and Clarissa Campbell Orr, (eds.), *An Enlightenment Statesman in Whig Britain. Lord Shelburne in Context, 1737-1805*, (Woodbridge, Boydell Press, , 2011), pp. 97-116.

¹⁷ See, Francis Baring. *The principle of the commutation-act established by facts*. By Francis Baring, Esquire. (London, 1786).

Further spillover effects that Baring did not omit were the growing need for further workforce in the fleet directed to China as well as a steep reduction in the drain of silver bullion needed to acquire Chinese tea. As a result of the rising demand for tea, the East India Company had to buy more tea from Europe because it did not have enough time to wait for the arrival of the fleet from Asia. Buying from the Continent, the Company saved on the amount of silver needed to buy the cargos of tea due to the lower price of silver in Europe. The lowering of taxes on tea did not mean a consequential reduction of revenues because Pitt's cabinet had introduced a tax on windows that covered the eventual fluctuation in revenue due to the Commutation Act. This new tax excluded houses below seven windows and was gradually apportioned to burden especially those houses with more than fifty windows.¹⁸

Baring's work did not go unnoticed: it went through three editions and *The Times* reviewed it in positive terms: 'This laborious production conveys much interesting information, and ought to be generally read'.¹⁹ The London banker ventured to express his personal opinion on a matter as thorny as new taxes and revenue reform because he had his own interests as one of the directors of the East India Company. Baring's promotion of Pitt's reform also had the merit of shedding a positive light on the trade company as a subject keen on the promotion of the common good.²⁰

Francis Baring seized the opportunity to highlight how the interest of the East India Company could go hand in hand with the larger public benefit. As simple as this could seem, the trade company did not enjoy large support in the 1780s because the loss of the American colonies was largely attributed to the defence of the privileged position that the East India Company had striven to maintain towards the trade with the North American colonies.

¹⁸ Baring seemed to see only one group of people that could suffer under the reform: the country gentlemen. Not surprisingly, the London banker did not seem worried about it as a possible cost of a reform for the public good: '[...] those country Gentlemen who inhabit large Houses, and possess but small fortunes. However, the size of their house must either be reduced to the scale of their income; or such persons must relinquish their old Mansions, for dwellings more suitable to the contracted limits of their fortunes' in *The principle of the commutation-act*, pp. 21-22.

¹⁹ See, *The Times*, n. 374, p.4.

²⁰ It is interesting to note that Baring did not mention at all his role of director of the East India Company. On the contrary, he claimed to have no personal interests to defend with the publication: 'The author of these sheets writes neither from party views, nor upon party principles. The only connexion he ever had with the Treasury arose from his being employed in a very considerable simplification of the public expenditure, in the business of supplying the whole of the Army Victualling Contracts, during the time that the Marquess of Lansdown (sic) presided at the Board. The execution of that great and important work, together with his situation in the City, naturally led to his being confidentially consulted respecting other affairs of a commercial nature' in *The principle of the commutation-act*, p. 6. The Whig MP Mr. Charles Francis Sheridan did not miss the opportunity to mock Baring's claim of familiarity with Marquess Lansdowne: 'Mr. Baring styling him a man high in situation at the India-house in his writings, and who boasted in his writings that he enjoyed the confidence of ministers' in William Cobbett, *The Parliamentary History of England, from the earliest period to the year 1803*, London, (London, Longman, Hurst and others, 1815), vol. 25, pp. 1419-1420.

Baring did not lose any opportunities to defend the conduct of the company also within the walls of the House of Commons, where the opponents to the East India Company and its privileges in India were numerous. A good sense of the political opposition that Baring encountered as a result of his publication can be found in Earl Fitzwilliam's speech on 24th January 1786. On that day, the king addressed the two Houses of Parliament, rejoicing in the peace and the commercial growth that his country was experiencing. George III asked the House of Commons to promote with all its support the plan of reducing the public debt favouring the Sinking Fund conceived by William Pitt.

The king had just left the Hall of Westminster when Earl Fitzwilliam took the floor and interrupted the series of interventions that praised the king and his approval of the cabinet led by William Pitt. Earl Fitzwilliam was one of the closest friends of Charles Fox and a leading speaker of the Whig Party within the House of Lords. Earl Fitzwilliam pointed the finger at Baring's publication as a government attempt to justify the need for further loans to support the East India Company and its efforts to replenish the balance. Fitzwilliam was convinced that the government was behind Baring's pamphlet because the author was:

[...] no ordinary person, but of a member of the other House, a director of the East India Company, and a person who had been uniformly attached to the interest of the present Administration. The pamphlet might, therefore, be considered not as a Grub-street performance, but coming more immediately from Downing-street.²¹

Fitzwilliam's attacks did not have any follow-up, but they were a clear hint of the impact of Baring's pamphlet as well as of the animosity against the East India Company diffused within the parliament. East India Company shareholders greatly esteemed Baring's attachment to the cause of the company, as signified by his election to the directorship of the company with the largest number of votes in the 1789 elections.²²

The City banker was not always an ardent supporter of Pitt's politics and he refrained from exposing himself on the issue of the Eden Treaty and the new customs duties on imported goods from France. He did not advocate the ratification of the Treaty in the same strong way as he had supported the Commutation Act.²³ This different approach to the two issues was not due to Baring's fear of being unpopular; rather he had more at stake with the East India

²¹ See, W. Cobbett, *The Parliamentary History*, vol. 25, pp. 989-990.

²² See, *The Times*, n. 1342, p. 2.

²³ 'Mr Baring remarked that the commercial Treaty appeared to him to have its advantages and its disadvantages, In some articles it would prove beneficial, in others the reverse' in W. Cobbett, *The Parliamentary History*, vol. 26, pp. 423-424.

Company and the tea trade than with the possibility to export products to France benefiting from lower duties.

The activity within the Board of Directors of the East India Company grew more and more during the 1790s: in the spring of 1791, he became deputy director of the assembly of the company shareholders and over the course of 1793, he became the director in charge of brokering the renewal of the charter between the government and the directors of the company. Baring's efforts to find common ground between the two sides led the crown to bestow upon him the dignity of baronet on 11th May 1793. The nominee to the baronetcy did not change Baring's presence in the debates resounding in the India House, as it showed his defence of the past requisites to become a director that some colleagues wanted to modify.²⁴

The outbreak of the war between France and Britain and the advance of the revolutionary armies into the Dutch territories personally concerned Baring and his friend Henry Hope, as discussed in the fourth chapter. Even the business of the East India Company was concerned by the military operations on the Continent as well as around the world: privateering constituted the first and most dreadful menace against British trade. For this very reason, Francis and his brother and partner John generously subscribed to the initiative to create a fund to appoint special rewards to all captains who captured or proved to have destroyed French vessels cruising against British trade.²⁵

The City banker did not miss any opportunities to show his patriotism and support of the nation in such testing times. Because he subscribed to promote the war against privateers, he funded the composition of battalions of volunteers as well as the orphans of those who had fallen fighting against the enemy. Nonetheless, Baring's patriotism did not make him blind to the possibilities to end the conflict with revolutionary France. Sign of this political realism was Baring's support to the motion that Fox proposed on this controversial point.

On 29th October 1795, Charles Fox proposed an amendment to the king's speech 'to consider how fruitless the pursuit of war is become; and how idle and imaginary the supposed obstacle to Peace'. Fox was ready to support the military operations against France only if French authorities openly rejected any suitable peace negotiations or kept invading countries

²⁴ 'Sir *Francis Baring* considered the qualification of 3000l. stock too much – that being equal to 6000l. property. It would exclude many Mercantile Gentlemen of the first abilities from the Direction, who could not afford so much from their capital. He never ad less he said than 3000l. stock; but that was not a rule for others. He thought this would rather injure than serve the estate of the Company' Italics in the original. *The Times*, n. 2610, p. 3.

²⁵ See, *The Times*, n. 2549, p. 3. The Baring brothers subscribed the considerable sum of £100.

to enlarge the French borders.²⁶ Such an amendment did not succeed and Baring took the risk of being in the minority who supported Fox. Even though the City banker had close relations with Prime Minister William Pitt, he never refrained from supporting motions that aimed to open peace negotiations with France.²⁷

Baring's commitment to the pacification between France and England was not the result of an ideological commitment to either the radical cause or to a pacifist idealism. On the contrary, the City banker wished that the restoration of peace between Britain and France would become effective because he believed the whole economy would thus be greatly improved. This simple reasoning was behind Baring's activity during the years of the French wars. If the economic vision of the banker led his political activity, at the same time, his political sensitivity was active in his dealings within the East India Company as well as in the case of the trade with Dutch merchants.

Concerning the relationship between the East India Company and the government, Baring was well aware of the risk of allowing political needs to influence the decisions of the Company. A major issue that could jeopardise the good relationship between the trade company and the government was: how should the company contribute to the military efforts of Britain against revolutionary France? The president of the Board of Control, Henry Dundas, hinted to the directors to convince the shareholders of the necessity for the Company to contribute directly to the country's war efforts. Specifically, he asked that the Company take responsibility for arming ten vessels and raising 3,000 men to compose fencible regiments ready to defend the country in case of invasion.²⁸

At the meeting of the East India Company shareholders, Mr Lushington took charge of introducing the government request as a matter of 'strengthening the arm of Government'.²⁹ Following this reasoning, other shareholders enthusiastically supported the measure of raising three regiments of 1,000 men to increase the English forces in the fight against the enemy. The circulation of apocalyptic descriptions of the revolution in France and the risk of a French invasion stirred the most ardent patriotic sentiments of the shareholders. Instead of following the heated swell of rhetoric, Baring took the floor and chose to address the assembly of the

²⁶ See *The Senator: or (Clarendon's) Parliamentary Chronicle. Containing an impartial register; recording with the utmost accuracy the proceedings and debates of the houses of Lords and Commons* (London), vol. 12, p. 41.

²⁷ *Ibid.* vol. 11, p. 1117.

²⁸ See, H. V. Bowen, *The Business of Empire: The East India Company and Imperial Britain, 1756–1833* (Cambridge, Cambridge University Press, 2005), p. 50.

²⁹ *The Times*, 24th October 1794, p. 2.

shareholders highlighting the risks of mobilising the trade company in support of the military efforts against France.

The City banker agreed with the necessity to show the utmost support to the military operations, but this could not result in raising fencible regiments needed to compose the volunteer corps defending England in case of French invasion. Such a move would constitute, continued the baronet, in an infringement of the charter of the company, which allowed raising armies only for service in India and in any case not above 2,000 units. The legal argument was only one of the elaborate speech: Baring did not hide his dissent behind the veil of a legal issue. On the contrary, he openly dealt with the risk that the trade company could mix with political decisions.

Raising armies required a declaration of war issued by the same company and this meant a further step towards what he wanted to avoid at all costs: ‘to involve the Company in politics — the more it keeps clear from that rock of dissention, the better and more secure it must be’.³⁰ Baring bore in mind the effects that the process against Warren Hastings, former governor of India, had on the trade company. Even though the defendant was acquitted, his process offered the possibility to MPs like Burke, Sheridan and Fox of stigmatising the political role that the East India Company, trespassing its own original purposes, exercised at the end of the eighteenth century. As happened in the case of the peace motions, Baring’s voice remained isolated in the assembly of the shareholders who followed the rising patriotism and approved the formation of an army of 3,000 men available to fight wherever they were most needed.

The supremacy of the British naval forces did not shield all the commercial activities and interest that Francis Baring and his firm had in different fields. In particular, Baring had numerous connections with the capital market of Amsterdam and its main operators, such as the bank of Henry Hope. As emerged in Chapter Four, the approach and the arrival of French armies in the Dutch capital had forced the rich banker and his family to flee the country. Baring was not the only banker in London with manifold connections to the Dutch market: a dynamic community of merchants maintained contacts and ran their business with Dutch counterparts.

The disruption that the French invasion had caused to the London merchant community required an organised structure in charge of defending British trade interests in the United Provinces. For this reason, a group of merchants met at the London Tavern in the City to discuss the best ways to protect their transactions with Dutch peers dealing with the French

³⁰ *The Times*, 24th October 1794, p. 2.

invasion. The numerous merchants, bankers and remitters convened at the London Tavern appointed a committee where the more influential colleagues were in charge of presiding at the meeting. The assembly nominated Sir Francis Baring as chairman of the committee and so the City banker communicated to the government the requests of his colleagues and strained to obtain the legislative measure that the merchant community hoped for.

The main request of the committee was to release the mailings of 13th, 16th and 20th January that instead of reaching the United Province were under seizure of the post office. Within these mailings, many bills of exchange waited to be discounted in the Netherlands and they were due within a two-month period. There were two possible solutions to this deadlock: on the one hand, every single merchant could apply to the secretary of state asking for the release of his bills of exchange; on the other hand, merchants could apply collectively for the release of all bills destined for the United Provinces. This last solution appeared to all merchants as the most suitable, and so on 25th February 1795, Baring went to speak with Lord Grenville and William Pitt about the needs of the London merchant community concerning the Dutch affair.

Sir Francis Baring was the most appropriate ambassador for the London merchant community concerned by the Dutch situation: he knew the Secretary of State and the Prime Minister in person, he had gained a mature political experience in his years at the House of Commons, and he himself was directly concerned by the seizure of the mail to the United Provinces. Moreover Baring enjoyed a strong reputation of being a reliable merchant as a result of his role in the renewal of the charter of the East India Company.

During the first meeting at Downing Street with Lord Grenville and William Pitt, Baring reported on the discussions within the committee of merchants and the request for government intervention to release the mail containing bills of exchange destined to the United Provinces. The government showed the greatest readiness to collaborate with the committee of merchants for what concerned their letters within the seized mail, but it asked for more time to deliberate on the issue of the bills of exchange addressed to Dutch citizens.³¹ In the meantime, Baring focused on the best way to inform his colleagues of the outcome of his meeting with government officials. Instead of publishing a report in the newspapers, Baring thought that the most rapid and efficient way to let merchants know was to leave information of the meeting in the coffee houses where they passed by at least once a day.³²

³¹ See, Baring Archive, A6. 1.6, 26th January 1795.

³² See, Baring Archive, A6. 1.7, 27th January 1795.

Baring did not wait to receive an official invitation from the government to speak on the issue of the bills of exchange; on the contrary, he sent different letters to Lord Grenville and Pitt to ask for a prompt government intervention. Finally, the Secretary of State confirmed the willingness of the government to intervene in favour of the merchants, but to redeliver the mail, it became mandatory to have the authorisation from an Act of Parliament.³³ Therefore, Lord Grenville circulated a draft of a bill that he intended to present in the houses of parliament. Before discussing it at Westminster, Grenville asked the committee of merchants to offer their observations and revisions to his draft. On 13th February 1795, Lord Grenville sent the draft to the parliament and it became a law with the name of ‘Dutch Property Bill’.

The episode of the Dutch committee of merchants is emblematic of an action of lobbying of commercial interest to affect the legislation. In this case the role of Baring was to be the speaker of a larger group of people who shared with him substantial interests in the Dutch trade. As such the activity of lobbying was not the pursuit of private interest, but rather the representation of a larger interest within the merchant community. It is worth noting the functioning of the committee: the merchants met in a tavern where a large number of businessmen could come. Then they elected a committee in charge to deal with the government and to refer to them the development of their petition. The composition of the committee reflected a hierarchical structure of the merchant world, where bankers like Baring, Thornton and Thelluson dominated the London market.

There are no records of the debates taking place at the London Tavern, but the appeal to the government to release the seized mail was unanimous. The government showed its solicitude by meeting immediately with Baring, but the Secretary of State reminded Baring that to release the mail, an authorisation from the parliament was needed. Grenville refused to accord a preferential treatment to the requests of the Dutch committee and maintained his action under the scrutiny of the parliament. In this way, the Secretary of State avoided any accusations of being in the bankers’ pockets. Moreover, during the entire process of appeal to the government, the newspapers reported the results of the merchant meetings at the London Tavern. Therefore, Baring did not hide his action of lobbying in the name of the Dutch committee of merchants, even though secrecy is often a necessary ingredient to succeed at lobbying.

³³ See, Baring Archive, A6. 1. 10, 2nd February 1795.

7.3 An unheard voice: the troubled relation between Thomas Coutts and William Pitt

The role of chairman of the committee made Baring act in a way that he would probably not have followed if he had had to promote only his personal interest. The complicated relationship between Thomas Coutts and Prime Minister William Pitt offers an insightful view on the means/strategies a banker adopted to influence or promote his personal friends using his private connections to political actors.³⁴ As personal banker of His Majesty and his family, it was not surprising that Coutts enjoyed a solid credit and a large network of friends and clients within the government. What is more striking is the great difficulty that Coutts had in promoting his acquaintances to positions within the government, as well as the aloofness of William Pitt to the banker's requests.

In his continuous efforts to reach the prime minister, Coutts relied on one of his most eminent clients: Lady Hester Chatham. Lady Chatham was the widow of William Pitt the Elder and the mother of the Prime Minister as well as of John Pitt, Lord Chatham, First Lord of the Admiralty until 1794,. After the death of her husband, Lady Chatham maintained an interest in politics and her judgement of British political life was held in high esteem. The Scottish banker had a long and frequent correspondence with Lady Chatham during the entire period of the French Revolution and the French wars.

This correspondence shows how Coutts adopted his personal correspondence with Lady Chatham with the intention of promoting his kinsmen or his closest friends. The banker had the possibility to ask his client to plead his case with her sons. Nonetheless, Coutts never asked directly for the favour he hoped to receive from the illustrious sons of Lady Chatham. First he updated his noble client on the state of her account and the possible outlook of her investments as well as on issues on certain payments or the management of her assets. Then, he shared information regarding his personal health as well as the conditions of his three daughters, whom Lady Chatham knew well. Finally Coutts dealt with the political issues at stake, knowing that his client never missed the opportunity to express her opinion on the political evolution of her country and the other European powers. In this section of his letters, Coutts introduced his personal requests that he hoped Lady Chatham could forward to her prominent sons.

A closer analysis of some of the letters exchanged between Thomas Coutts and Lady Chatham illustrates more clearly the strategy that the banker adopted to pursue his interest

³⁴ For a more detailed description of the economic activities of Coutts in those times as well as more biographical information, see Chapter 4.

through the patronage of his powerful client. Moreover it is possible to trace for some cases the success of the application of Coutts for the services of Lady Chatham to obtain the offices required by the banker's acquaintances. The case of Campbell Marjoribanks is particularly telling as a successful application for a promotion within the ranks of the navy.

On 12th May 1789 Coutts wrote to Lady Chatham that he hoped that the elder brother of his relation, Edward Marjoribanks, could be promoted from midshipman to lieutenant.³⁵ The banker informed his client that it was his intention to plead the cause of the young Marjoribanks with Lord Chatham who had the authority to decide such appointments, being the First Lord of the Admiralty. Coutts knew personally the Marjoribanks family, which shared with him their Scottish roots, and the banker took care of pinpointing the reasons behind his active initiative to promote a family friend:

His family had recourse to my aid, which I had much pleasure in giving as they are worthy people, and tho' (though) the Estate which is on the Banks of the Tweed is by no means inconsiderable, yet as a very numerous family such as theirs is not easily provided for.³⁶

Coutts obtained two results from mentioning his role of mediator of Marjoribanks' interest: on the one hand, he stressed his personal knowledge of the family thus helping the candidature of Campbell to the lieutenantancy; on the other hand, the banker tried to put his action of lobbying under the better light of the economic exigencies of a large Scottish family. In this case, the banker's application was successful: Coutts obtained from Lord Chatham the promise of appointing his acquaintance to the office of lieutenant.³⁷

The Scottish banker maintained a close relationship with another member of the Cabinet and relative of the Pitt's brothers: William Grenville. His position of Foreign Secretary made him a preferred choice for Thomas Coutts whenever he needed letters of introduction to other European courts during his travels on the Continent.³⁸ Grenville cared about Coutts not simply because he was his personal banker, but as a friend. A sign of this friendship is the reaction of Grenville to news of the departure of Coutts in the spring 1792:

I am truly concerned to hear that your want of health and Mrs Coutts makes you think of another journey to Italy at a time when so many circumstances concur to

³⁵ See, P.R.O., 30/8/29/2, pp. 160-161.

³⁶ *Ibid.*

³⁷ See, P.R.O., 30/8/29/2, p. 168.

³⁸ See, Chapter IV, pp. 110-111.

make travelling so unpleasant on the Continent: but if you should determine on the journey you may be assured that I shall have great pleasure in giving you any assistance.³⁹

Being a pragmatic businessman, Coutts did not lose the occasion to ask for a favour or promotion from his influential friend in Downing Street. The requests of Coutts to the Secretary of State could be divided into two categories: those directed to Lord Grenville, and others that the banker asked the minister to forward to the attention of the Prime Minister.

The requests to the attention of William Grenville concerned the promotion to more prestigious diplomatic position. At the beginning of 1792, Coutts pleaded the cause of the British ambassador in Munich, Thomas Walpole, who had greatly helped the Scottish banker to find a good doctor to take care of Coutts' daughter's sickness during their stay in Germany in 1791. It was not the first time that Coutts demanded a promotion for Walpole: in the summer of 1791, he recommended the nominee of the ambassador in Munich to the undersecretary. However, he failed in this attempt, as well as in his lobbying for the promotion of Walpole as British agent in Saint Petersburg.⁴⁰

The requests towards Pitt were not of the same specific character as those addressed to Lord Grenville. As Prime Minister Pitt was not in charge of one specific field like the navy, as his brother John, or foreign affairs, as Lord Grenville. Nonetheless, Coutts asked Grenville to forward requests concerning the appointment to certain offices to the Prime Minister. Sometimes the banker advanced requests that were completely out of the domain of the Prime Minister, as happened in the case of his request to retain a certain Mr Moore as a ranger of Hyde Park.⁴¹ As unusual as this request could appear, it was one of the last wishes of one of Coutts' clients, Sir Edward Harley, 4th Earl of Oxford. The mediation of Lord Grenville failed, and also in this case, the activity of lobbying fell short notwithstanding the support of a member of the Cabinet.⁴²

It would be misleading to suppose that only Coutts advanced requests of promoting acquaintances or kinsmen; as a matter of fact, Lord Grenville also entrusted to the Scottish banker some specific needs. Grenville knew perfectly that he could ask for credit to his banker also for the activities of the Foreign Office. In particular the Foreign Office used to

³⁹ See, Coutts Archive, letter on 10th November 1792.

⁴⁰ See, B.L., Dropmore papers, Add. Ms 59451, pp. 29-30, 39.

⁴¹ See, B.L., Dropmore papers, pp. 24.

⁴² Even Lord Grenville did not know how to process the request coming from his friend: 'I am as yet so little acquainted wit the circumstances and natures of the different appointments connected with the rangership of the Parks, as to be unable to say any thing decisive upon the subject of your letter'. See, B.L. Dropmore papers, p. 27.

employ private money to pay and refund its agents around Europe. However, this service was not free from risks, as Coutts experienced with General William Gardiner. He was the British ambassador in Warsaw in the critical period of the second and third partition of the country. In those difficult times, Gardiner chose to play a primary role in defending the Polish people from the crackdown of the Russian troops led by General Suvorov.

Gardiner felt impelled to intervene, and so he decided to host Polish refugees in his residency who hoped to find a safe refuge under the diplomatic prerogatives of the British ambassador. However, this generous act burdened excessively the already strained financial resources of Gardiner, who relied on Coutts for his financial operations. The situation became particularly critical in the spring of 1794, when Coutts informed Grenville that a £ 200 bill drew by Gardiner had been refused.⁴³ The banker asked for guidance from the secretary of state on the treatment of Gardiner and his expenses when he was in charge of the embassy in Warsaw.

Far from finding a solution, the situation became even more critical during the following year: Coutts continued to advance money to the general for up to the sum of £ 500. However, Gardiner received his last emolument for his office in July and even with it, he could not cover all of his previous expenditures.⁴⁴ For this reason, Coutts decided to suspend any discount of bills drawn on him by Gardiner.⁴⁵ The banker was well aware of the consequences of his choice: once all of Gardiner's bills would be refused, the former ambassador risked to end up in jail for his long-standing debts.

As Coutts foresaw, the former ambassador Gardiner was put under arrest for his debts. However, the banker still needed to settle the account that Gardiner had opened with him. For this reason, he continued to remit to Grenville the issue of sending money to free Gardiner from jail. The Secretary of State proposed that to liberate Gardiner from prison, Coutts could

⁴³ 'I have advanced for him all his arrears as minister at Warsaw, and have even done a little more – but I can proceed no further. He writes that his House is full of people to whom he has thought is prudent to give that Asylum – and pressed by the expence there of and other difficulties of the moment he has drawn bills for £ 400 - £200 of which are already protested. 200£ more I believe will also be presented to day and must meet the same fate'. See, B.L., Dropmore papers, p. 85.

⁴⁴ See, B.L., Dropmore papers, p. 93.

⁴⁵ The decision was also the natural consequence of the closure of Lord Grenville towards further credit to his former ambassador: 'Nobody can feel more sincerely than I do for General Gardiner's situation, and I can with truth say that this impression has already induced me to go to the full extent of what I think myself justified to do, in the office in which I am placed and with the duties incumbent upon me. The termination of Gen. Gardiner's official situation having been officially notified to him so long since, and his allowance extended beyond the strict period at which it would have ceased, I really do not see the possibility of my taking any further step on the subject'. See, Coutts Archive, letter on 19th October 1795, p. 9741.

lend him money on the security of his pension as retired ambassador.⁴⁶ The Scottish banker considered the minister's proposal too risky and Gardiner's position seemed impossible to redeem. When all hope seemed lost, a royal intervention changed everything: George III decided to advance money from the Civil List to allow the return of General Gardiner to England.⁴⁷

The vicissitudes of William Gardiner taught the Scottish banker the risks of being involved in financial operations with public officers, especially those employed abroad. Coutts earnestly expressed his opinion in a letter to Lord Grenville:

I hold it contrary to the duty of a banker to engage his money or credit for the public concern — which are too great a magnitude to be undertaken consistently with the safety of himself or his employers — who rely on his discretion as on his solidity.⁴⁸

Notwithstanding this stance, Coutts did not stop to advance his requests to Lord Grenville and to take an interest in politics as well as in the business of the East India Company. As soon as a position was vacant and Coutts knew someone who could fill in, he applied to the Secretary of State. So, once he apprehended that the former secretary of legation in Copenhagen had passed away, he advanced the candidature of Charles Lock to that position.⁴⁹ To promote his relatives, Coutts had no shame to use whatever it took to succeed in his

⁴⁶ See, B.L., Dropmore papers, p. 139. In another letter Grenville expressed his impossibility to ease the release of the former ambassador: 'I am much concerned at the state in which Gen Gardiner's business now rests, as it seems quite a pity that he should remain inactive and his services be lost at this time; and yet I really think that in my official situation I have gone to the very utmost limit that I ought'. See, Coutts archive, letter on 2nd November 1797.

⁴⁷ Notwithstanding the gracious intervention of His Majesty, there were still some issues with the payment of the sum that George III had conceded to the former ambassador. For this reason, Coutts asked for the intervention of Lord Grenville to speed up the entire process: 'I find at the Treasury a warrant signed by the King for £ 2400 to General Gardiner but by the absence of the Lords at various residencies it remains incomplete - when it has gone through all the necessary forms there remains the great point of the payment - to obtain which speedily is so essential in this poor man's case- that I fear I shall be obliged to have recourse to your kind enforcing interference to obtain it'. See, B.L., Dropmore papers, p. 171. From the documents I perused, I cannot agree with the image offered by Richard Butterwick on the king's attitude towards the situation of the former ambassador Gardiner. Butterwick dismissed in these terms the royal concern towards the unfortunate ambassador: "George III pitied his situation but took a dusty view of his expenses", see 'William Neville Gardiner' in *Oxford Dictionary of National Biography* (Oxford, Oxford University Press, 2004).

⁴⁸ See, B.L., Dropmore papers, p. 101.

⁴⁹ In this occasion Lord Grenville satisfied Coutts' request: 'I could inform you that an arrangement in his favour (Lock) had taken place (he being appointed Secretary of the legation at Copenhagen). Also in this occasion Coutts introduced 'his' candidate as an acquaintance of some of his prominent client: 'Lord Craven is out of town, otherwise I am confident he would lose no time in applying to your Lordship to request the appointment of his friend Mr Charles Lock to succeed Mr Bruce. I think I may with truth assure your Lordship that M. Lock is extremely well qualified for the situation, his education has been liberal, his abilities are by no means inconsiderable - the French and Italian languages are easy and the former he is familiar with - he writes with great precision and seems to possess great accuracy of understanding'. See, B.L., Dropmore papers, pp. 155-156; 161.

lobbying. In 1806, he openly supported the candidate of his son-in-law, 3rd Earl of Guilford for election to the parliamentary seat of Banbury, which, Lord Guilford had retained in the previous years. This endorsement had a clear aim: once elected, Lord Guilford's candidate had to support and enhance the nomination of Campbell Marjoribanks to the seat of director of the East India Company.⁵⁰ However, Coutts was particularly unfortunate because Lord Guilford's candidate, Doug North, lost the seat of Banbury, where the banker William Praed defeated him with 10 votes out of 16.

Notwithstanding this defeat, Coutts did not give up his hope to see his relation and friend Marjoribanks elected to the board of directors of the East India Company. Moreover, the Scottish banker could rely on the fact that at the beginning of 1806, Lord Grenville had taken the place of the deceased William Pitt at the lead of a new cabinet. The Scottish banker presented the case of Campbell Marjoribanks as an opportunity for Lord Grenville to widen his political support. In this view, Coutts explained to his eminent friend that Campbell's elder brother, John, had a large political network of friends and acquaintances in Scotland that could be extremely helpful to the government.⁵¹

Even if it was common practice to recommend and propose acquaintances and kinsmen for different positions within the administration, Coutts felt that his request concerning the two Marjoribanks brothers was close to being thoughtless: 'I am ashamed to be so often troublesome, but indeed what this letter contains is in favour of a very respectful Family; and I am convinced both brothers will be found very useful in their respective lines'.⁵² Also this time Coutts' efforts were not successful: Lord Grenville wrote to him that government had decided not to take any side in the race and he could not support the candidature of Campbell Marjoribanks to the seat of director of the East India Company.⁵³

Once again, Coutts could not secure the support of his eminent client to advance the career of one of his acquaintances. Nonetheless, Campbell Marjoribanks obtained the seat of director of the East India Company in the elections of April 1807. This outcome meant that even without the open support of the government, a candidate could succeed in his attempt to reach a prestigious office like the directorship of the East India Company. At the same time, the

⁵⁰ See, B.L., Dropmore papers, Add. Ms 59452, p. 53.

⁵¹ In a very pragmatic way Coutts proposed both the brothers Marjoribanks to different positions - the Board of Directors for the younger, the Board of Customs in Scotland for the elder, in the same letter: 'I am in hopes your Lordship may give the support of Government to Cap Marjoribanks who will aspire to the first vacancy, and that you will recommend him to Mr Tierney. [...] But I would not recommend him to your Lordship in the strong manner I have done did I not believe Him to be eminently qualify to render public service as a commissioner of the Customs in Scotland, to which I shall certainly be most particularly obliged if your Lordship on the present or any future occasion should have the goodness to promote him'. See, B.L., Dropmore papers, p. 58.

⁵² See, B.L., Dropmore papers, p. 58.

⁵³ See, B.L., Dropmore papers, 1st February 1807, p. 62.

relationship between the banker and the Prime Minister did not deteriorate as a consequence of the refused support to Marjoribanks.

On the contrary, Coutts kept proposing to Lord Grenville the collaboration of John Marjoribanks.⁵⁴ The banker hinted to the Prime Minister that he could employ Marjoribanks as a consultant in the situation of the Bank of Scotland, which was experiencing a series of changes within the board of directors that could open the way to “schemers or men of desperate fortunes”.⁵⁵ A mark of the closeness between the banker and the politician was also the liberty that Coutts took to ask for personal favours, like the possibility for his daughter to stay in Grenville’s summerhouse at Boconnoc in Cornwall.

As Coutts was at ease to recommend and ask for any favours to his friend, so Grenville enjoyed unique conditions as a client of the bank. Sometimes it happened that Grenville largely overdrew on his account, thus putting the Scottish banker in a difficult position. The former Prime Minister recognised that his banker had always shown an ‘obliging and friendly disposition to accommodate me which I have constantly experienced from you’.⁵⁶ This allegiance to Grenville was not the fruit of a simple friendship between the two, but rather the result of a long history of service that the Scottish banker had offered to the Grenville family.

Coutts expressed this attachment to the entire family of his clients when it occurred to him that he had still not met one of the members of the family of Lord Nugent:

The long knowledge I have had above three score years with every individual of your Lordship family and the uncommon friendship I have been honoured with by almost all – particularly by your most worthy father the Earl Temple Lord and Lady Chatham your Lordship most kind Brothers and yourself- not should I omit

⁵⁴ The stubbornness of Coutts in lobbying in favour of the Marjoribanks brothers can be understood in light of the fact that Edward Marjoribanks had become a partner in the bank in 1796. Therefore, Coutts considered Marjoribanks as a branch of his family because one of them was his main partner in the banking business. This case confirmed what I described in Chapter One on the nature of the bank firm at the end of the eighteenth century.

⁵⁵ See, B.L., Dropmore papers, 27th February 1807, pp. 64-65. Coutts suggested John Marjoribanks as a competent consultant in banking issues not only for his direct involvement in banking activities, but also for his personal relations: ‘[...] Mr John Marjoribanks from his experience and his connection with Mr Ramsay the richest and most respectable banker in the place would be a very fit man for Lord Grenville to converse with upon these subjects as well as in regard to the revenue measures and might be made very useful’.

⁵⁶ See, B.L., Dropmore papers, 15th September 1811, p. 76. Another sign of the closeness between the banker and the former minister was the freedom of the first in lecturing the second: ‘my objection was not so much to the sum overdrawn as to the principle of overdrawing - which not only very much deranges the regularity of our daily operations and puts our clerks to constant difficulty – but is really destructive of the very existence of the business – every account having some money upon it and none overdrawn the aggregate is what the banker draws his profit from there being no charge of Agency, or as it is usual in all mercantile houses of commission’. See, Dropmore papers, 13th September 1811, pp. 74-75.

your surviving cousins and the present marquess make me feel mortify to find one exception and that I have not even any acquaintance with Lord Nugent.⁵⁷

Through its highs and lows, the relationship between Thomas Coutts and Lord Grenville remained solid, notwithstanding the many requests of the banker that were refused or openly dismissed. Between the two figures, communication was never once completely discontinued or suspended. Such resilience in the relationship between Coutts and Grenville was something completely absent whenever the Scottish banker dealt with Grenville's cousin, William Pitt. Coutts experienced such frustration to deal with the prime minister that he could not refrain from mentioning it in the letters destined for Pitt's mother, Lady Chatham.

From these letters we learn that when Coutts addressed his requests directly to the Prime Minister, he did not receive any marks of attention from Downing Street.⁵⁸ Coutts could not conceive for what remote reasons a member of the family that he served so loyally and faithfully refused him even the smallest signs of respect due to any gentlemen. Whereas Lord Chatham always found time to meet Coutts in person or to reply to his requests, William Pitt avoided him or treated him with a certain aloofness and disdain.⁵⁹

Pitt's distance towards his banker was even more surprising when Coutts and his family came back from Europe after almost one year travelling between France, Italy and the German states. Even His Majesty took care to ask after Coutts and his family after their long journey on the Continent.⁶⁰ Lady Chatham tried to convince Coutts that the attitude of her son towards him was not the outcome of a changed opinion of the banker; rather it was due to the great workload on Pitt's shoulders.⁶¹ Lady Chatham even went further: she did not just justify his son's conduct, but she also forwarded him the requests from Thomas Coutts.⁶² At the

⁵⁷ See, B.L., Dropmore papers, 27th August 1813, p. 91.

⁵⁸ 'I had never either from former ministers, or from Gentlemen of any rank, experienced the indignity of letters totally unanswered, and disregarded'. See, P.R.O., 30/8/29/2, 16th September 1789, p. 167.

⁵⁹ 'I have had frequent opportunities of seeing Lord Chatham [...] he has in every occasion shown the greatest desire to oblige me, and I feel a sincere attachment to him [...] it was with him at the Admiralty, I saw Mr Pitt for the only time these three years [...] I am sorry to say I have found a markd (sic) distance and coldness in him to me for a long time, such as I have never met with from any other of my friends'. See, P.R.O., 30/8/29/2, 26th July 1791, pp. 188-189.

⁶⁰ Coutts recognised that the prime minister could have no time for meeting him in person, but giving him no signs of welcome was beyond his understanding. 'I certainly do not expect Mr Pitt to waste his time upon me. I only thought after so long and uncommon an absence it was particular he should hardly even seeing me by accident take any notice or make a single enquiry about me or my family'. See, P.R.O., 30/8/29/2, 1st August 1791, p.190

⁶¹ See, Coutts Archive, letter on 27th July 1791.

⁶² 'I hope you will have trusted me for not being inattentive to what you have mentioned about Mr Walpole. So soon as ever I have the opportunity by my son William's coming hither, to name the subject to him. I will do it, and with that earnestness, which my own desire to succeed in the business, will insure my using'. See, Coutts Archive, letter on 8th August 1791.

same time, she never hid from Coutts the obstacles to obtain the favours he demanded from the prime minister.⁶³

7.4 When bankers dismissed politicians: Henry Hugh Hoare and his noble clientele in the 1790s

The complex dynamic between Coutts and his influential clients belonging to the Grenville and Pitt families highlighted the resistance of political actors to the intervention of money interest in the political game. Therefore, even the more approachable Lord Chatham did not promptly deliver on Coutts' requests, but he rather gave his word to favour Coutts' candidates without any further engagements. However, it was not always the political side to have the upper hand in bargaining with bankers. In this respect, the correspondence between the bank Charles Hoare & Co. and some of its more prestigious clients can add some elements to the understanding of the dialogue between financial elites and political actors.

Politicians could be distant and dismissive of requests coming from their personal friends active in finance, in the same way that bankers could remain deaf to any types of application from their clients holding political offices or renowned members of the aristocracy. This attitude emerged in the exchange of letters between Henry Hugh Hoare, one of the bank partners, and Earl Ludlow. The 1st Earl Ludlow was a MP from Huntingdonshire from 1768 until 1796. Between 1782 and 1784, under Lord Shelburne's cabinet, he held the office of Comptroller of the Household.

In early March 1790 Henry Hugh Hoare addressed his client Earl Ludlow to remind him that he was in arrears with the payment of the interest on the large sum of £1,000 that the bank had lent him thirty years before.⁶⁴ Over the course of the following years, the situation did not improve: Ludlow's wife wrote to the bank asking for a renegotiation of the debt, but the bank

⁶³ '[...] It is not likely the application for Mr Walpole (British Ambassador in Munich whose promotion to a new place Coutts pushed forward) don't immediately succeed'. See, Coutts Archive, 17th September 1791.

⁶⁴ At the same time, Henry H. Hoare reminded his client of the past privileged treatment that he had received: '[...] It is ever irksome and disagreeable to us, to be under the necessity of making application for the repayment of money, and is what, if possible, we constantly avoid as our wish is to accommodate to the utmost those friends who honor us with their confidence, [...] I can say that we have not on our books any bond or mortgage at all similar to that of your Lordship, both with respect to length of time, and irregularity in the payment of interest'. See, Hoare Archive, *Private letter book commencing 27th November 1789*, letter on 4th March 1790, pp. 14-15.

not only refused her plea, but also decided to leave the solution of Ludlow's loan in the hands of his solicitor, Mr Blake.⁶⁵

Henry H. Hoare dismissed the attempts of Lord Ludlow to postpone the payment of the loan because these proposals always lacked of a clear time schedule of the new restructured debt.⁶⁶ It was no wonder that the London bank showed no readiness to accept a vague proposal concerning a standing thirty-year loan. Almost at the same time, Henry H. Hoare agreed to offer a loan to Lord Keeper of the Privy Seal, Lord Spencer. The banker reminded him of the difficult credit conditions that characterised England at the end of 1794, but he decided to make an exception for his new client.⁶⁷

The discretion of the banker towards his clients emerged clearly from the examples above: in the case of Lord Ludlow, Henry H. Hoare preferred to leave the matter in the hands of his solicitor, whereas in the case of Earl Spencer, the banker decided to satisfy the need of money of his client even though the circumstances were not favourable.⁶⁸ From the banker's perspective, the higher a client's government office, the more convenient the loan appeared. Private bankers like Hoare had as their clients not only members of the aristocracy, but also officeholders or cabinet members, as the Coutts case properly illustrated. Nonetheless, the office rank was not always a guarantee of success in obtaining a loan.

Even the prime minister could fail to obtain a loan from the bank, as it happened in the winter of 1797. William Pitt's request for a loan was dismissed with a polite but firm reply by Henry H. Hoare: 'it has ever been an invariable rule in our house not to advance so large a sum as you request on personal security only even in the best of times, and for some months past, and for some months past the aspect of affairs has been so serious'.⁶⁹ As a perfect

⁶⁵ See, Hoare Archive, *Private letter*, letter on 12th August 1794, p. 43. It is interesting to highlight the lady's intervention to help her husband to obtain better conditions to repay the loan. In the case of the Coutts-Grenville relationship, Lady Chatham played an essential role to forward Coutts' requests to the prime minister. Here, Ludlow's wife - Lady Frances Lumley Saunderson, daughter of the 3rd Earl of Scarbrough – tried to appeal to the good will of the bank towards a noblewoman and her husband in financial straits. So, it is safe to say that women played an essential role in the economic world when the reputation of their husbands as well as of their sons was at stake in the economic and the political spheres.

⁶⁶ See, Hoare Archive, *Private letter*, letter on 2nd December 1794, p. 49.

⁶⁷ *Ibid.* letter on 22nd November 1794, p.49. Lord Spencer succeed Lord Chatham at the admiralty during the month of December 1794.

⁶⁸ Sometimes, Henry H. Hoare referred to the circumstances as the main reason to refuse a loan: '[...] in such dangerous and alarming times as at present it is improper for bankers to be in advance at any extent, and your balance against your Lp (Lordship) is pretty considerable (...) as it is our intention to comply with your wishes we hope that you will take into consideration the circumstances that at present exist and whilst deprive bankers of the power of accommodating their friends to that extent which in more peaceable times they are able to do'. See, Hoare Archive, *Private letter*, letter on 28th July 1797, p. 82.

⁶⁹ Notwithstanding the firm refusal to offer a loan, Hoare confirmed his availability to do other operations in Pitt's name: 'We are thoroughly sensible of the great punctuality with which you have ever performed all your engagements, and shall be happy to accommodate you in any way that is not incompatible with established rules'. See, Hoare Archive, *Private letter*, letter on 29th December 1797, p. 84.

nemesis, William Pitt — who eschewed any direct involvement with bankers and lobbying from economic actors — was rejected for his financial needs by Henry H. Hoare.

From this analysis of the interactions between the London financial world and the political world, it emerged how the two worlds were connected and in what measure lobbying from bankers went hand in hand with financial requests from politicians. However the proximity and familiarity between the two spheres did not mean an excessive predominance of one world over the other. On the bankers' side the activity of lobbying and recommending kinsmen or acquaintances was not always smooth and politicians seemed strong enough to reject the pressures from market actors. On the politicians' side their bankers did not always satisfy their financial needs.

The proximity between bankers and politicians, MPs as well as members of the government, can explain the broad suspicions and fears that motivated/spurred on the radical movement in the second half of the eighteenth century. At the same time a closer look at the outcome of bankers' lobbying would reassure those who pointed the finger against the Pitt cabinet for its corrupt state resulting from its closeness with City bankers. Even though Thomas Coutts was not a City banker, his case is emblematic: the London banker repeatedly asked for favours from his clients, Lord Grenville and William Pitt, who seemed on many occasions to be reluctant to grant him what he asked for. Politicians could rely on the support of their bankers as long as the general conditions of the economy allowed it, and bankers were not always so inclined to comply with the requests of their influential clients.

Finally, the different lobbying activities of the bankers had a strong common thread: the eminent role of family. The main aim of lobbying was to obtain a promotion within the administration of a kinsman or a close acquaintance. Rather than a promotion of a banking interest in relation to the legislative activities, bankers focussed their efforts on improving the condition of their close relations.

The case of the Dutch committee of merchants differed from this tendency: in that case, the main goal was the passage of a legislative act that defended the interests of the committee. Such a divergence was probably due to the different areas in which the two bankers were active: Coutts as a private banker promoted his private interests through his own clients,

whereas Baring as a merchant banker defended his interests together with other merchants active in the same sector.⁷⁰

⁷⁰ The difference in activity of lobbying between private bankers and merchant bankers should not be overstretched: there are no doubts that merchant bankers, such as Francis Baring, also advanced their personal requests to their political friends, just as private bankers found common ground with other peers to promote their interests in the political game through their clients.

CHAPTER EIGHT

Constraint and autonomy: finance and politics under Napoleon's rule, 1800-1812

Lorsqu'on veut réussir en affaires,
il faut ne pas avoir d'opinion,
et marcher toujours avec ceux qui dominant la société.

François Nicolas Mollien, *Mémoires d'un ministre du trésor public*, vol. 2 p. 98.

The previous chapter focussed on the world of English private bankers and their strategies and plans when they dealt directly with political power in the figures of ministers or political actors. With few exceptions, such as the episode of the Dutch Committee of Merchants, the study of British bankers considered the market actors each struggling individually to promote their own specific interests. This chapter aims to explore the relationship between bankers and politics in the Napoleonic Empire, but it proposes to do this from a different perspective compared to the English situation. Rather than focusing on bankers as private figures, this chapter considers bankers and merchants within institutions, such as the *Banque de France* or the Parisian Bourse, or as a group of divergent voices belonging all the same to a specific context, such as that of the Dutch bankers with interests in the Parisian capital market.

The choice of these three different environments — such as the *Banque de France*, the Parisian Bourse and the Dutch investors — enables a distinctive view of the impact on the financial world of the transition from the Consulate to the Napoleonic Empire. Even though the Napoleonic Empire did not last long enough to leave a durable mark on the French economy, it was during this period that an institution like the *Banque de France* was established and took root. At the same time, a well-established institution like the Parisian Bourse underwent a series of reforms that were an expression of a clear attempt to regulate the financial world. Similarly the Dutch interest in the Parisian financial market was not new: Dutch investors had been keen on investing in the various French stocks even before the outbreak of the French Revolution. Nonetheless the shift from the Directorial Republic to the Consulate and then to the Empire did not fail to have consequences for the Dutch market, as well as for the attitudes of Dutch investors towards the French financial market.

Through these different examples I aim to tackle the relationship between political power and the financial market with its main institutions, such as the *Banque de France* and the Parisian Bourse, as well as an active group of investors like the Dutch bankers. In particular, the main focus of this chapter is how political power presided over the Parisian financial world as well as another financial community that depended on French political choices, like the Amsterdam market. In the case of the *Banque de France*, the focus is on how tight the government's hold was on the decisions taken by the newly established institution.

As far as the Parisian Bourse is concerned, it is well known that the government put into place a strict monitoring scheme to follow closely all financial transactions run at the Bourse. Police agents drafted daily reports on the activity at the stock exchange: speculations, rumours, fraud and unrest, everything that could be suspicious or dangerous to the public order found a place in these detailed reports. These reports are crucial to understanding the relationship between political power and the Parisian financial world: on the one hand, they showed what the priorities and the worries of the police agents were towards the activity of brokers and bankers; on the other hand, they revealed the understanding that government agents had of the operations on the Bourse and how they linked political events to the evolution of the stocks at the Bourse.

As treated in Chapter Four, the invasion of the United Provinces by the revolutionary armies was a blow to the prosperity of the Amsterdam marketplace; many bankers followed Hope's example and fled the country. Nonetheless, some Dutch bankers continued to invest on the Parisian market and the French government tried to encourage these foreign investments in government stocks. Moreover the Netherlands are an interesting point of observation for the evolution of the external relationship between this country and France, and, more specifically, between the large community of merchants and bankers of Amsterdam. At the same time it is possible to look at the relations between the two countries from the point of view of bankers. As the business correspondence between Dutch houses of commerce and Parisian bankers shows, Dutch bankers strove to profit from the new situation created in their country with the foundation of the Batavian Republic and later of the Kingdom of Holland.

In the first part of this chapter I introduce the main features of the *Banque de France* and the main historiographical positions on the development of this financial institution and its relations with the government during the Napoleonic period.

In the second section of the chapter my analysis focusses on the complicated dialogue between the *Banque de France* and the government on the prerogatives of the financial institution and its efforts to maintain its independence from political power. In the third

section I look at the strict control that the government maintained on the Parisian Bourse and the consequential understanding of government officers of the financial operations under their scrutiny. Such monitoring activity reveals not only the government's distrust towards the world of finance, but also provides an original perspective on the understanding of the market mechanisms as well as its trends by government officers.

In the last section, the focus is on the fluid and unstable relationship between France and Holland and the role that bankers and merchants played in shaping the diplomatic tone between the two countries. French officers struggled to find a profitable way to include Dutch interests in the new political frameworks. Diplomats distrusted Dutch bankers and their manifold businesses with other European powers and the Dutch community of merchants and bankers feared that their interest would greatly suffer under French rule.

8.1 The evolution of the Banque de France between the Old Regime and the Napoleonic Empire

The establishment of the *Banque de France* did not fill an empty space in the financial framework of the Parisian market. On the contrary, after the suppression of the assignats, various financial institutions flourished and tried to offer discounting services as well as deposit functions under the cautious name of *caisse*, which raised fewer suspicions than the hated name *banque*. The two main financial institutions that replenished the void left by the suppression of the *Caisse d'escompte* were the *Caisse des comptes courants* and the *Caisse d'escompte du commerce*.¹

The *Caisse des comptes courants* was the result of the initiative of a group of merchants and bankers that hoped to favour the commercial credit with the new bank. Behind this project were important names from the world of commerce, such as Augustin Monneron and Jean-Charles Davillier, as well as a successful banker like Jean-Frédéric Perregaux. The bank accepted deposits and received the commercial bills due in three months with three signatures on their back at 6% interest. It also created a network of correspondents within France and abroad, thus easing the circulation of bills of exchange drawn by its clients.

¹ See, Yves Leclercq, *La banque supérieure: la banque de France de 1800 à 1914*. (Paris, Éditions Classiques Garnier, 2010), pp. 75-88. The best work on monetary issues during the period between the Directory and the Empire is Jacoud, Gilles. *Le billet de banque en France, 1796-1803: de la diversité au monopole* (Paris, Ed. l'Harmattan, 1996).

While the *Caisse des comptes courants* was enlarging its business and its prominence, a scandal jeopardised its status and risked its collapse. On 27th Brumaire year 7 (17th November 1798), the director of the *Caisse*, Augustin Monneron, left a note admitting that he was 2.5 million livres in debt. Rapidly rumours spread of a crisis related to Monneron's debt. The public authorities could not remain idle and they arrested Augustin's brother Louis near Bordeaux. Louis Monneron confessed that he knew that his brother was experiencing some troubles, but said that he did not know their gravity or their extent. Police officers believed this version and suspected that the huge debt accumulated by Augustin Monneron was the outcome of reckless loans to people interested in the collapse of the Republic.² The *Caisse* did not collapse because the merchandise in stock owned by Louis Monneron was enough to cover the debt of his brother, who later was acquitted of all responsibilities, being himself a victim of fraud.

The *Caisse d'Escompte du commerce* opted to operate on a different level: its activities were open only to the merchants who had adhered to it and as such it appeared more as a credit association than a modern discount bank. The majority of the members were small to medium-size merchants who knew each other. Every shareholder contributed to the capital of the bank with cash and credit and to discourage an excessive withdrawal of cash the yearly discount interest was 12%, exactly double the interest requested by the *Caisse des comptes courants*. At the same time, the bank accepted commercial paper with just two signatures and payable at two months term. These two banks were the main but not the only institutions that played a role in the circulation of capital during the time of the Directory. The development of local credit institutions, such as the *Société Général du Commerce* in Rouen or the *Caisse d'Escompte du Commerce* in Troyes, demonstrates how fragmented the credit system was as well as how widely diffused the need for credit was to buttress industrial activities after the disruption caused by the Revolution.

In the aftermath of the 18 Brumaire *coup d'état*, the First Consul Bonaparte was well aware that a rationalisation of the credit system was strongly needed and that many bankers were asking for it. Therefore he did not hesitate to support the plan of Perregaux and Lecouteulx de Canteleu that proposed the creation of a larger and stronger bank under the name of *Banque de France*. Both had been active in the *Caisse des comptes courants* and a large part of the investors in the new bank came from the ranks of the *Caisse*. The *Banque de France*

² 'L'établissement de la caisse des comptes courants commençoit à donner au commerce françois une activité et une prépondérance qui ont du irriter les ennemis de la république et il a du entrer dans leur projets de renverser un établissement si utile' in A.N., F/7 6166, f. 12.

had a capital of 30 million francs divided into 30,000 shares.³ The declared aims of the new bank were to discount commercial bills, with three signatures and issued by trustworthy businessmen, to accept deposits and to operate financial operations for private as well as public clients, and to issue banknotes.⁴ Like the old Discount Bank, the *Banque de France* could not engage in any trade, with the exception of the acquisition of gold and silver.

At the head of the new bank were fifteen directors (*regents*) and three inspectors (*censeurs*), appointed by the assembly of the shareholders. The first two hundred shareholders with at least five shares composed the assembly. The statutes allowed foreign investors to buy shares of the new bank, but they could not vote in the election of the directors and the inspectors unless they appointed a French citizen as their representative. The directors of the bank led the activities in committees supervised by the inspectors.⁵

The *Banque de France* appeared as the natural successor of the *Caisse des comptes courants*: with the exception of Mallet, all the others bankers came from the ranks of the *Caisse*. As shareholders of the *Caisse*, they could ask to receive five *Banque de France* shares out of one of the *Caisse*. The merger between the two institutions took place on 27th Pluviose (16th February 1800), when the *Banque de France* agreed to move into the building of the *Caisse*, the Hotel Massiac, the old headquarters of the India Company.⁶

Notwithstanding the public support that the First Consul offered to the new bank, the full subscription of the 30,000 shares took longer than expected. It took more than two years to see the completion of the subscription, and such a result was more the outcome of the intervention of public institutions like the *Caisse d'amortissement* (a bank explicitly created to make large acquisitions of debt obligations to reduce the debt) and the exchange of shares between the *Caisse des comptes courants* and the *Banque de France*. While the bank seemed to gain the confidence of the investors, who noticed that the dividends had been paid duly on time every six months, a wave of bankruptcy affected the Parisian market, involving the *Banque de France*.

Two directors of the *Banque de France*, Carié Bezard and Barillon, went bankrupt. The latter managed to settle his debts, but the former waited unsuccessfully for the government to pay him back for the supplies that he had provided to the army. Moreover the French market

³ See, *Statuts Primitifs de la Banque de France*, 24 pluviose year 8 (13th February 1800), art. 4.

⁴ *Ibid.* art.5. The bank was well aware of the suspicion that the French public had towards paper money and so it assured investors that the emission of notes would be always in a proportion to avoid any suspension or delays of payments.

⁵ *Ibid.* artt. 8-10; 15-16.

⁶ See, Jacques Léon Godechot, *Les institutions de la France sous la Revolution et l'Empire* (Paris, Presses universitaires de France, 1968), pp. 649-651.

went through a period of credit restriction that led many merchants to ask for a discount on their commercial bills in order to obtain cash. Such a trend put in jeopardy the *Banque de France* that became close to suspending its payments. An additional issue that the *Banque de France* faced as a challenge to its role on the Parisian market was its coexistence with other banknotes and circuits of credit, like the *Caisse d'Escompte Commercial*.

The First Consul did not miss the opportunity to put his hand on the *Banque de France* as well as on the monetary system. On 17th Germinal year 11 (7th April 1803) a law defined the content of silver and gold in the coins circulating in France. The law introduced bimetallism to the French economy: the franc contained 4.5 grams silver, and the twenty-franc coin contained 5.8 grams gold.⁷ One week after this monetary reform, Bonaparte, with the support of his Minister of the Treasury, Gaudin, pushed forward new legislation for the *Banque de France*.

The new law, passed on 24th Germinal year 11 (14th April 1803), constituted the *Banque de France* as the only authorised issuing bank. The bank obtained this privilege for the duration of 15 years. With the aim of absorbing the two other issuing banks, the *Caisse d'escompte du Commerce* and the *Comptoir Commercial*, 15,000 new shares were created, and thus the capital rose to 45,000 shares.⁸ The structure of the bank was not modified, with the exception of the composition of the board of directors, and the creation of a discount council and of a central committee.

The first two innovations were clear signs that the *Banque de France* should not act as the bank of a close club of bankers, but also as the main credit institution for the entire world of commerce and trade. The law contained a clause that required that seven of the fifteen directors had to be merchants or entrepreneurs and not bankers. Even in the first group of directors, there was a group of people who did not belong to the financial world, but this situation was not the result of any clause. At the same time, a new organ was envisioned: the discount council. The inspectors appointed 12 stockholders active in Paris as merchants. Even though the law did not specify the functions of this new organ, it emerged as the way of giving voice also to the world of the small trade and entrepreneurship within the *Banque de France*. Finally, the central committee was in charge of leading the bank activities and to

⁷ Herein I share Michel Bruguière's interpretation of the strict connection between the monetary reform and the revision of the *Banque de France* statutes. The franc germinal, Bruguière rightly claimed, was not an original measure because it rehearsed previous monetary reforms like the Calonne's debasement of the livre in 1785 as well as the law passed by the Convention on 28th Thermidor year 3 (15th August 1795), which stated the bimetallism for the first time. Yet it holds a special place in the monetary history of France because it prepared the way for the reformation of the *Banque de France*. See, Michel Bruguière, 'Franc Germinal' in Jean Tulard, (ed.), *Dictionnaire Napoléon*. (Paris, Fayard, 1987), pp. 757-758.

⁸ See, *Loi du 24 Germinal an XI*, artt. 2, 28.

evaluate the financial accountability of those who asked for their commercial bills to be discounted.⁹

Once again the subscription of the new shares of the *Banque de France* did not meet with an enthusiastic welcome from the investors: it took three years to complete the full subscription of the new capital. The *Banque de France* did not manage to buttress its position on the Parisian market because of the reawakening of hostilities between France and England that severely affected French merchants as well as the quotation of the stocks listed on the Parisian Bourse. In particular the *Banque de France* found itself in a difficult situation: on the one hand, the government demanded that the bank support the military expenditure; on the other hand, paper circulation had reached such a size that the bank notes were no longer accepted at par.

Moreover the *Banque de France* was directly involved in the operation that Ouvrard and other bankers had designed to lend money to Spain that needed to pay a subsidy to France. At the centre of this huge scheme, in which also the houses of Baring and Hope played a role, there was a large shipment of silver from Mexico to Europe. However, the outbreak of hostilities between France and England delayed the precious cargo, and so Ouvrard and his partners started to draw between themselves, bringing these bills to the *Banque de France*. The bank was directly concerned by these operations because one of its directors, Medard Desprez, was a partner of Ouvrard and he did not hesitate to involve the *Banque de France* in their attempt to recover the funds lent to Spain.

The peak of bank notes circulating in the Parisian market, the collapse of the bank Desprez, and rumours of the introduction of fiat money created the conditions of a general panic that resulted in a run on the *Banque de France*. The victory of Emperor Napoleon on the battlefield of Austerlitz and his prompt return to the French capital prevented its collapse. Napoleon blamed the entire direction of the bank and Finance Minister Barbé Marbois for their management of the crisis, and so he decided to modify the statutes of the *Banque de France* in a more definite way. This reform would shape the structure and the way of operating of the *Banque de France* for more than a century.

As mentioned above, Napoleon blamed the board of directors for their handling of the discount activities in 1805, and as a consequence he curbed the autonomy of the bank with the creation of the figure of the governor and his two deputies. These three figures, appointed by

⁹ See, *Loi du 24 germinal an XI*, on the clause concerning the composition of the board of directors, art. 17; on the discount council, art. 18; on the creation of the central committee, art. 21.

the Emperor, took the place of the former central committee.¹⁰ Moreover, three out of fifteen directors had to be tax collector officers, marking a further presence of public officers within the structure of the bank. The new law intervened also in the functioning of the bank as far as the distribution of the dividend was concerned, as well as by the creation of five committees, each one with specific tasks to implement. With the implementation of this law, the *Banque de France* lost its previous independence and almost became a branch of the public administration.

With few exceptions, interest in the history of the *Banque de France* emerged at the end of the 1950s.¹¹ The works on the development of credit in nineteenth-century Europe rekindled interest in the *Banque de France* and its role in the growth of the French credit market. In particular, a surge of interest in the trajectory of the bank during the Second Empire shaped the approach to the topic in a lasting way.¹² As a consequence of this trend, scholars tended to explore more extensively the evolution of the bank after the Second Empire, rather than going back to the origins of the establishment of the bank.¹³ While scholars of the bank did not go into detail on the origins of the financial institution, historians of the Consulate and the Empire did not disregard the novelty and the importance for France of the establishment of the *Banque de France*.

Jacques Godechot considered the *Banque de France* as a private bank that rapidly became a tool in Napoleon's hands to finance his wars and to support the treasury in advancing money every time it was needed. Godechot attributed the development of provincial branches of the bank to the initiative of the Emperor. However, even in this case, the operation was not particularly successful, because the *Banque de France* managed to open just three provincial branches: one in Lyon, another in Rouen and the last one in Lille.¹⁴

François Crouzet highlighted that the interventions of the state within the bank business started immediately after its foundation: as such, the transfer of five millions livres by the

¹⁰ See, *Loi du 22 avril 1806*, art. 12. The direct relation between the Emperor and the Governor and his deputies was cemented by an oath that they had to pronounce in front of Napoleon (art. 16). This symbolic gesture made even more evident the dependence of the bank on the government.

¹¹ To have an overview of the historiography concerning the *Banque de France*, see Alain Plessis, *Histoires de la Banque de France* (Paris, A. Michel, 1998), pp. 11-53.

¹² See, Alain Plessis, *La Banque de France et Ses Deux Cents Actionnaires Sous le Second Empire* (Geneva, Droz, 1982); Alain Plessis, *Régents et gouverneurs de la Banque de France sous le Second Empire* (Geneva, Droz, 1985). On monetary practices adopted by the bank during this period, see Marc Flandreau, 'Les Règles de La Pratique: La Banque de France, Le Marché Des Métaux Précieux et La Naissance de L'étalon-or 1848-1876'. *Annales. Histoire, Sciences Sociales*, 51, 4 (1996), 849-72.

¹³ Between the few exceptions worth of mentioning are: Bertrand Gille, *La banque et le crédit en France de 1815 à 184.* (Paris, Presses universitaires de France, 1959) and Alain Plessis, 'La Révolution et Les Banques en France: De La Caisse D'escompte à La Banque de France', *Revue Économique*, 40, 6 (1989), 1001-14.

¹⁴ See, J. Godechot, *Les Institutions de La France*, pp. 647-653.

Caisse d'amortissement was the consequence of a direct order of the First Consul. Therefore, Crouzet agreed with Michel Bruguière that the different origins of the *Banque de France* and the Bank of England marked the two different institutions for a long period: while the French bank started with an injection of liquidity from a public institution, the English bank started with a loan from private actors to the crown.¹⁵ On his part, Bruguière insisted on the continuity between the *Banque de France* and past institutions like the *Caisse d'escompte*: both institutions aimed to favour the credit in France, lowering the discount interest and issuing notes. Moreover, some bankers, like Lecouteulx, managed to hold positions on the board of directors of the *Banque de France* after a career in the *Caisse d'Escompte*.¹⁶

Louis Bergeron was responsible for shifting the focus from the relationship between political power and the bank towards “internal” aspects, such as the composition of the body of the shareholders. From an analysis of the first 208 stockholders, who retained more than half of the entire capital (53.7%), Bergeron stressed the small but not irrelevant group of Dutch investors in the bank shares. This observation regarding the foreign investors dismissed the idea that the bank was only a club of Parisian bankers, as the composition of the board of directors seemed to suggest.¹⁷ Another seminal work that offers a detailed picture of the directors of the bank is the book by Romuald Szramkiewicz.¹⁸ In this book there is a description of each bank director's family, wealth, and political and religious affiliation. Through a painstaking study of notarial documentation, Szramkiewicz succeeded in conveying a more lively image of those bankers and traders than other historians before him.

More recently, Emmanuel Prunaux shed new light on the establishment of provincial branches (*comptoirs d'escompte*) of the *Banque de France*. Prunaux convincingly showed the importance of studying these realities beyond their economic failure. As a matter of fact, through these branches it is possible to reconstruct the variety of actors in the different provinces — Rouen, Lyon and Lille — their credit, their soundness, and their main business with the *Banque de France*.¹⁹

The issue here is to focus on the transcripts of the Board of Directors of the *Banque de France* to see how far the first directors tried to save the autonomy of the bank from the encroachments of political power. This study allows us to gauge whether the first years of the

¹⁵ See, Crouzet, François. *La Grande Inflation*, pp. 532-548.

¹⁶ See, Michel Bruguière, *Gestionnaires et profiteurs de la Révolution*.

¹⁷ See, Louis Bergeron, *Banquiers, négociants et manufacturiers parisiens*, pp. 122-126.

¹⁸ See, Romuald Szramkiewicz, *Les régents et censeurs de la Banque de France nommés sous le Consulat et l'Empire*. (Geneva, Droz, 1974).

¹⁹ See, Emmanuel Prunaux, ‘Les comptoirs d’escompte de la Banque de France’, *Napoleonica. La Revue*, 5-6 (2009), pp.14-146;49-98.

bank, from its foundation until the 1806 reform, could be considered as an attempt to build this economic independency from political power, or whether they were just a short interlude before the government established new prerogatives over the new-born institution.

8.2 Fight for autonomy: the thorny relationship between the Conseil Général of the Banque de France and Napoleon, 1800-1806

The transcripts of the *Conseil Général* of the *Banque de France*, which included the directors and the inspectors, are particularly rich in details on the activity of the bank. The board met each week and sometimes it held extraordinary sessions whenever emergencies arose or the credit market required swift and immediate decisions from the bank. The transcript contains a summary of the main discussions held at the *Conseil* concerning the amount of commercial bills discounted, the cash reserves available, cases of failures and communication from and to the Minister of Finances. A standard transcript includes the names of the directors in attendance, the ratification of the transcript of the previous meeting, the division of the directors into the different standing committees, the discussion over some specific requests from other bankers or from the government. In the following pages, the analysis focusses on these communications between the bank and the government, ministries and even the emperor, to understand the nature of this relationship and its evolution.

Once the first statutes of the bank were ready, a delegation from the bank met in person with the First Consul to present these to him.²⁰ On 25th February 1800 Lecouteulx gave this speech, in which he made the First Consul aware of the leading reasons behind the foundation of the *Banque de France*:

Les Citoyens Français qui se sont réunis pour fonder la Banque de France, ont dit que la Nation Française [...] ne devait pas se laisser opprimer par les

²⁰ 'French citizens who gathered to establish the *Banque de France* hold that the current circumstances and the weak public credit should not encumber over them. Citizen Consul we want to answer to the call of our first officer [...] Citizen Consul, French people have already one of the most powerful tool to achieve this new glory, it is the general trust that the new government enjoyed, I venture to say that the citizen's interest in the *Banque de France* is one of the most concrete proofs that this trust is real. It proclaims the personal security, the security of properties, the steadiness of wealth and the support which develops from great and honourable actions [...] Accept the pledge of the Directors and the Inspectors of the *Banque de France* that we will have no other ambition than to build an ageless monument to the 18 Brumaire revolution' (Author's translation). Copies of the bank statutes were also presented to the two other consuls, but it was the President Lecouteulx to address the First Consul. See, *Banque de France* Archive (henceforth, B.F.), *Procès-verbaux du Conseil Général* (henceforth, PV), vol.1, 4th Ventose year 8 (23rd February 1800), p. 7.

circonstances qui ont altéré le crédit public et ralenti la circulation. Citoyen Consul, nous voulons répondre à la voix de notre premier Magistrat [...] Citoyen Consul, les français ont déjà un des moyens les plus puissants d'atteindre à cette nouvelle gloire, c'est la confiance générale qu'a obtenu leur nouveau gouvernement, et j'ose dire que la réunion des citoyens qui se sont empressés de s'intéresser dans la Banque de France est une de preuves les plus réelles que cette confiance existe. Elle annonce la sécurité individuelle, la sureté des propriétés, la stabilité des fortunes et l'encouragement qui se répand dans de grandes et honorables entreprises [...] recevez la promesse que vous font les Régents et les Censeurs de la banque de France de n'avoir d'autre ambition que celle de consacrer par un monument durable la Révolution du 18 brumaire.²¹

In this passage of the president's address to the first consul emerges the attitude of the bank towards political power: on the one hand, the claim that the establishment of the *Banque de France* was the outcome of a private initiative; on the other hand, that the directors of the bank were well aware that such an initiative was part of a wider plan that Bonaparte aimed to push forward to stabilise France. Lecouteulx presented the group of bankers behind the bank's project as good patriots who answered the call of the first consul to sustain the French credit system. As we know, the role of government towards the foundation of the bank was not simply to persuade the bankers to take part in the project, but also to support financially the newborn institute.

The bankers of the *Banque de France* rejoiced in the success of Bonaparte's putsch because it seemed to bring back some stability to France and thus helped the entire credit market to flourish. Yet this speech also seemed to contain an attempt to defend a certain level of independence of the bank from the government's attempts to lead the activities of the bank. In particular, the bank accepted to be part of the 'revolution du 18 Brumaire' but at the same time it depicted itself as an independent establishment created by private citizens who saw in the Consulate the return to a political situation where property and commerce enjoyed full protection from the government. However this return to stability was not a given that could not be revoked or jeopardised by external as well as internal menaces.

During the Directory the world of affairs learnt that the external victories of French armies did not prevent the country from going through very serious political crises in the aftermath of the elections every two years. Similarly the *Banque de France* feared that the second Italian

²¹ See, B.F., PV, vol.1, 8th Ventose year 8 (27th February 1800), pp. 10-11.

campaign could provoke a new internal instability should the First Consul die during military operations. It is easy to understand the relief that Lecouteulx expressed at the return of Bonaparte from Italy. The banker expressed his understanding that the flourishing of trade as well as of the circulation of credit heavily depended on the positive outcome of the military campaigns and the prompt return of peace in Europe.²²

It did not take long before the proclaimed autonomy of the *Banque de France* clashed with Bonaparte's wish to control the activities of the new financial institution. The reason for the conflict between the First Consul and the bank was that Bonaparte had heard rumours about the excessive easiness with which bankers of the *Banque de France* succeeded in having their bills discounted. In order to verify these rumours, Bonaparte intended to call the inspectors to give their opinion on the matter in front of the finance council. The board of directors protested against this prospect because it would jeopardise the 'la sage et convenable indépendance qui devoit exister entre le gouvernement et la Banque'.²³

The bank went even further: it not only defended its complete independence from the government, but also claimed that its discounting policy was completely fair and the result of an attentive examination of the titles of the people who presented commercial papers. Moreover the results of the first semester of activity put the bank beyond any suspicion of limiting its discounting activities: over 84 million livres in commercial bills had passed through the bank. At the same time the bank admitted that whenever it had doubts to accept or refuse some bills, the members of the bank had priority over all the other people presenting commercial paper.

On this occasion, the government did not insist in its request for a much wider disclosure of bank activities. However, the relations between the *Banque de France* and the government were far from being untroubled. The bone of contention was the right of seigniorage, from which the bank had asked the government an exemption. This right consisted in the difference between the cost of the production of money (bills or coins) and its current value. In this way, the government could rely on an important source of revenue without raising taxes.

On 22nd Frimaire year 10 (13th December 1801), the bank received a firm refusal from the government on the possibility to not be subjected to the seigniorage.²⁴ The confrontation continued over the following months without any change from one side or the other of the dispute.²⁵ In the meantime France and England signed the Peace of Amiens (25th March 1802)

²² See, B.F., PV, 16th Messidor year 8 (5th July 1800), vol. 1, pp. 75-77.

²³ See, B.F., PV, 8th Fructidor year 8 (26th August 1800), vol.1, p. 106.

²⁴ See, B.F. PV, 22nd Frimaire year 10 (13th December 1801), vol.1, p. 274.

²⁵ See, B.F., PV, 26th Nivose year 10 (16th January 1802), vol. 1 p. 288.

that put an end to the conflict between the two powers that had lasted since 1793. The *Banque de France* rejoiced at the return of peace that the “*Guerrier Magistrat*” had assured to the country.²⁶

As a principal consequence a renaissance of trade and transactions took place everywhere and the Parisian market, with the *Banque de France* at its head, testified to a surge of requests for discounting papers that provoked a serious slump in the levels of the reserves.²⁷ The bank did not lose the occasion to propose again to the government the suspension of the seigniorage in order to reduce the costs of the bank in the coinage of the new coins required to discount the growing mass of commercial paper presented to the bank. Under such pressure, the government conceded to the bank the exemption from the seigniorage as a measure to favour the bank in its action to support the credit in the expansive phase which France experienced after the Peace of Amiens.

It is worth pointing out that sometimes the directors of the main financial institution in France reasoned in the same way as the police agents who monitored the activities of the stock exchange: whenever serious disruption affected the market, whether it be on the stock values or the credit of some houses of commerce, the cause was a hidden project to weaken the Republic. Such a project was of a political nature, and so the directors of the bank called on government intervention to resolve the crisis:

Qu'il est du devoir de la banque [...] de provoquer l'action protectrice et répressive du gouvernement sur les manœuvres d'une malveillance aussi prononcée et en même temps d'autant plus dangereux qu'il lui est plus facile d'échapper à la surveillance de l'autorité.²⁸

²⁶ See, B.F., PV, 7th Germinal year 10 (28th March 1802), vol. 1, p. 305.

²⁷ The bank did not miss the opportunity to offer a blunt description of the risks that the entire system ran under the pressure of such a strong need of money. ‘[...] La réserve qui le 2 messidor était de f. 15,200,000 s'est trouvé réduite le 24 a matin a environ f. 9,000,000: que si on ne se hâte de pourvoir aux besoins résultants de l'écoulement progressif du numéraire, elle sera totalement épuisée avant la fin de thermidor, que par conséquence à cette époque la banque sera dans l'impossibilité de payer les rentes, qu'elle sera forcée de cesser son escompte et de se mettre en liquidation: que l'épuisement de la réserve vient de ce que le nouveau mode de faire les fonds pour les rentes a totalement privé la banque des valeurs avec les quelles elle se procurait du numéraire’ in B.F., PV, 26th Messidor year 10 (15th July 1802), vol. 1, p. 343. The tones employed aimed to impress the government and to push forward again the request of being not liable to seigniorage in such perilous context.

²⁸ ‘It is the bank’s duty to recall the government's protective and repressive action against such manifest criminal intents which are more lethal because they easily go unnoticed to authorities’ control’ (Author’s translation). See, B.F., PV, 17th Frimaire year 11 (8th December 1803), vol. 2, pp. 34. The bank asked explicitly for the intervention of the Minister of Justice: ‘Arrête que le comité central au quel on adjoint le c.en Couteux se rendra le plutôt possible chez le c.en Grand Juge Ministre de la justice pour lui faire connaître l'état de crise où le commerce, le crédit public et le crédit particulier se trouvent réduit par l'effet de ces bruits calomnieux, pour le prier d'interposer son autorité et, d'employer ses moyens de surveillance afin d'en découvrir les premiers auteurs à l'effet de réprimer un système de diffamation dont les conséquences sont si funestes’.

In this call for action, the bank seemed to forget all its previous attachment to a complete and sound independence from the government. At the same time, the directors of the bank realised that as much as the public credit relied largely on the good credit of private bankers, the *Banque de France* similarly relied on the protection of the government. At the eve of the passing of the law that changed the statutes of the bank, the dialogue between the government and the bank on the issue of the independence of the financial institute found a new hindrance: the regulation concerning the use of the bank dividend.

Whereas in the first statutes (artt. 17-18) it was stated that the dividend went to the shareholders in its entirety, in the projects of the new statutes, the directors faced the possibility that part of the dividend had to contribute to buying 5% stocks. The aim of such a move was to support the effort of the government to reduce the debt, as well as the stability of the main obligation on the French market. It was quite understandable that the directors of the bank feared that the government could decide at a certain point to use the dividend of the bank for a different goal.²⁹ The fact that the government could choose the destination of the dividend was a prominent limitation of the rights of the stockholders. Another point of friction between the *Banque de France* and the government was the proposal to change the rules of the choice of the inspectors: rather than being the free and independent will of the shareholder assembly, the inspectors had to receive approval from the First Consul.³⁰

The 24th Germinal year 11 (14th April 1803) law epitomised the long negotiations between the bank and the government over more sensitive issues, such as the dividend or the role of the inspectors. On the one hand the new statutes needed to regulate in a very clear way the use of the dividend to reduce the debt; on the other hand the bank obtained that the general assembly had to nominate the inspectors without any possibilities for the First Consul to revoke these appointments.

This compromise did not mean that the government would not be tempted again to employ the *Banque de France* as a branch of the system of public finances. In the summer of 1803 the reawakening of the conflict between England and France led the French government to ask the bank to lend money in order to purchase navy ammunitions from Riga and Saint Petersburg. The bank refused to provide its support because the government plan went

²⁹ See, B.F., PV, 23rd Ventose year 11 (14th March 1803), vol. 2, pp. 73-74.

³⁰ 'Enfin le droit attribué au premier consul par l'article 19 d'approuver la nomination des censeur investis du droit de choisir le douze membres du conseil d'escompte, fait craindre pour l'indépendance des Administrateurs; indépendance sans la quelle l'établissement ne peut jamais obtenir aucune confiance' in B.F., PV, 7th Germinal year 11 (28th March 1803), vol. 2, pp. 86-87.

blatantly against the interdiction against actively taking part in trade, with the exception of gold and silver.³¹

The contrast between the *Banque de France* and the treasury emerged again on the request from Barbé-Marbois, the director of the treasury, to devote bank reserves to pay annuities and pensions. The minister proposed that whenever the bank had to proceed to the payment of annuities and pensions, it should consult the treasury that would operate jointly with the central committee of the bank. In the eyes of the bank directors, the ministerial proposal looked slippery because if they accepted that the minister could have a voice in secondary matters such as the payment of the pensions, they feared that this request was only the first move to gain more influence within the bank.³² On this point, the bank had to withdraw and to accept that part of its resources would go to the payment of pensions and annuities, as the treasury demanded.

The independence of the *Banque de France* was not put under strain just by the government, but also through pressure that arose from the world of merchants as well as from the merger with the *Comptoir commercial*. As mentioned above, the end of the short peace between England and France had immediate effects on the world of trade: the English Navy started to chase and seize all French vessels sailing in the Atlantic. Therefore, the Atlantic trade was almost entirely disrupted, especially that with Haiti, where the French expedition was not able to subdue the slave rebellion. The Atlantic cities of Nantes, Bordeaux and La Rochelle suffered most from the new situation and many houses of commerce were in dire straits because they had just resumed the long distance trade with the Caribbean, thus incurring large debts.

This troubled scenario directly concerned the Banque de France: being the main institution dealing with commercial paper, it dealt with traders and merchants on a daily basis, but also because many of these figured in its ranks as stockholders or directors. The most embarrassing case for the bank was the financial distress of one of its directors, Jean Joseph François-Alexandre Barillon. Barillon was particularly active in the Atlantic trade between Bordeaux and Haiti and his business suffered badly from the outbreak of war. During the

³¹ '[...] La déviation de la Régence dans cette partie essentielle des règlements pour un service de dix millions en cinq mois, auroit l'irréparable inconvénance de compromettre le crédit public et d'anéantir peut être celui de la banque' in B.F., PV, 17th Prairial year 11 (6th June 1803), vol. 2, pp. 144-145.

³² 'Le Conseil considérant que le payement des rentes et pensions n'est qu'un service accidentel et accessoire aux opérations qui dérivent du régime constitutionnel de la Banque de France' in B.F., PV, 24th Messidor year 11 (13th July 1803), vol. 2, p. 183. The directors employed the term 'constitutionnel' to describe the legal framework of the reform passed in Germinal year 11. This reference to the constitution signified how essential the respect to the letter of the rules regulating the bank were to its functioning, just as a constitution is essential to the life of a country.

summer of 1803, the house of trade Barillon suspended all its payments due to the disruption of all transatlantic trade. Barillon appealed to his colleagues at the *Banque de France* to come to his aid.

Barillon asked the bank to lend him enough money to cover his expenses on the collateral of his merchandise in the warehouses in Paris, Orleans, Anvers and Lille. More precisely, the merchant needed two million francs on the security of merchandise worth of 600,000 francs. To support his request, Barillon could count on the assistance of other merchants such as Chegeray and Basterrèche, and bankers such as Recamier and Fulchiron. However the *Banque de France* refused to offer its capital on the guarantee of merchandise that was not in Paris. The bank took such a significant stance to protect its capital from any risky engagements, even though such refusal could result in the failure of one prominent merchant house.³³ Eventually, Barillon stepped down from his office of director of the bank and managed to settle all his debts.

During the summer the Consul for Life Bonaparte set into motion the complex organisation of an army destined for the invasion of England. The government asked for the direct intervention of the *Banque de France* to support the gigantic efforts. In particular, the government asked the bank to lend money on the collateral of the money raised by the special taxation to support the expedition against England. The concerns of the bank were about the nature of this operation, which recalled the support of the *Caisse d'Escompte* to the Old Regime monarchy with loans.

Whereas all the directors had chosen unanimously to reject the request of funds coming from Barillon, the board was not so united in accepting the request from the government that appeared like a return to the past, and the issue of bonds seemed 'un emprunt déguisé'. Eventually, the bank approved the issue of bonds on the collateral of the future revenues raised to support the expedition against England. However, this time there was no unanimity and one of the directors, Jean-Paul-Benjamin Delessert, asked that his dissent be noted in the transcript. The Lyon banker expressed the concern that the bank could lose its independence and thus jeopardise its credit:

Un établissement comme la banque doit être à l'abri de tout ce qui pourrait porter atteinte à son crédit ; il est autant de l'intérêt du gouvernement que de celui des actionnaires et du public de respecter son indépendance [...] la moindre brèche faite à ces principes finit pour entraîner la chute de cet établissement. [...] La

³³ See, B.F., PV, 5th Fructidor year 11 (23rd August 1803), vol. 2, pp. 239-240.

nouvelle demande du gouvernement, d'une somme indéterminée en billets contre obligations sur les contributions volontaires pour l'armement contre l'Angleterre, absorbent une grande partie du capital de la banque. Cette dernière mesure, en remplissant le portefeuille de la Banque de valeurs qui toute solides quelles sont se négocient à un taux inférieur à celui du papier du commerce aura tôt ou tard l'inévitable effet de rendre le crédit de la banque entièrement dépendent des évènements politiques.³⁴

The risk of binding the bank to the political choices of the government was not a far-fetched fear of the old director. In light of the policy of establishing the *Banque de France* as the only issuing bank in the country, the merger between the bank and the *Caisse d'escompte de commerce* took place in the autumn. This operation was not welcomed by the market, where the bank stock fell: for this reason, the *Banque de France* decided not to flood the market with all the new 15,000 shares of the new capital, as sanctioned in the 24th Germinal law.³⁵

The growing needs of the government to supply the army at Boulogne led the treasury to ask the bank to increase the sum of money destined to the bond issued on the collateral of the war revenues. The government insisted with the bank to allot 20 million francs for the payment of the bonds. This request put the bank into an impossible situation: to support the government with heavy consequences for the world of trade, or to dismiss the government demand to hold sufficient resources for the discount of the commercial paper. The bank estimated that to reserve 20 million francs for government bonds would result in a two-month suspension of any discounting operation, with catastrophic consequences for trade in France.³⁶

The bank and the government agreed on a fragile compromise: the bank accepted to designate 10 million francs to pay government bonds, and the government accepted that

³⁴ 'An institution like the bank must be defended from any offence against its credit; it is in the government's interest as well as in its stockholders and the public to respect the bank's independency [...] the smallest infringement of these principles may provoke the fall of this institution. [...] The new government request, of an unknown amount of notes on the collateral of voluntary contributions for the expedition against England, engages large part of the bank capital. This last order will add in the bank's portfolio assets that will be acquired below commercial bills. Therefore the bank credit will be entirely dependent on political events' (Author's translation). See, B.F., PV, 7th Fructidor year 11 (25th August 1803), vol. 2, pp. 245-246. Underlined text in the original.

³⁵ See, B.F., PV, 10th Brumaire year 12 (2nd November 1803), vol. 2, pp. 306-307.

³⁶ See, B.F., PV, 1st Frimaire year 12 (22nd November 1803), vol. 2, pp. 314-316. The director and member of the central committee of the bank, Louis Charles Thibon, expressed clearly how high and dramatic the risks were: '[...] comme Citoyen, je consent que ma portion d'intérêt à la Banque soit employée d'autant à l'escompte des obligations que propose le Gouvernement. Mais comme Régent de la Banque et comptable envers mes commettants de l'emploi de leurs capitaux, je me refuse à la demande comme impossible dans son exécution comme devant arrêter l'escompte habituel dont le Commerce a besoin; comme atténuant la sévérité des principes statutaires de la Banque et comme destructive des ressources commerciales que le Gouvernement lui même a le plus grand intérêt de conserver', *Ibid.*

bonds maturing in the month of Frimaire could be accepted by the treasury as fiat money. The agreement constituted a short truce between the *Banque de France* and the government: a new object of contention was the amount of notes circulating in Paris and in the entire country. On the one hand Bonaparte asked the bank to issue at least 100 million francs in notes to favour the needs of commerce; on the other hand, the bank expressed its doubts on the necessity to issue 100 million notes while there were no need to expand the volume of notes to such a level.³⁷

Before the 1805 crisis the relationship between the *Banque de France* and the Treasury Director Barbé-Marbois was severely strained: the bank resolutely refused to offer the services of annuities and pensions without receiving compensation, while the minister challenged the strategy of the bank to support credit in Paris. The bank claimed that the payment of annuities and pensions required space and staff, so that it resulted in a cost for the bank. The treasury decided to take charge of the payment of the pensions, but it blamed the bank for the lack of liquidity on the Parisian market.³⁸

In the autumn of 1805 a series of events led to the most serious crisis that the *Banque de France* had experienced since its foundation. The war against the Third Coalition was straining France as never before: the English Navy disrupted France's external trade, the long absence of the imperial court from Paris caused all sorts of anxieties, the growing needs of the armies provoked a large outflow of gold and cash that put the internal market at serious risk. The *Banque de France* faced an almost impossible choice between two options: to restrict the activity of discount of commercial bills to protect its scant reserves, or to keep its normal discount activities, thus affecting the level of cash reserves. The bank opted for the second

³⁷ The board of directors did not want to oppose the Consul Bonaparte in a blatant way. On the contrary, in a letter written to the treasury director, they expressed their disagreement still underlying their shared interest in the mission of the bank: 'En effet, c'est la bonne opinion qu'on conservera de l'institution de la banque, ce sont les principes connus du Gouvernement, qui étendront progressivement cette circulation. Le but de la régence est bien d'attendre le point que le Premier Consul lui désigne ; mais elle ne doit point dissimuler ses craintes sur les inconvénients de devancer les besoins de la circulation en émettant des billets qu'elle ne demande pas et qu'on n'eut jamais l'intention de lui refuser' in B.F., PV, 12th Pluviose year 12 (2nd February 1804), vol. 2, pp. 377-379.

³⁸ The payment of pensions and the liquidity crisis were not correlated. Yet, in the eyes of the directors of the bank, the attacks from the treasury were clear signs of distrust: 'Le Conseil est vivement affecté de ce que le ministre paraît vouloir lui reprocher de la négligence dans l'emploi des moyens capables d'entretenir la réserve dans l'état que nécessitant les besoins du commerce et la somme des billets en circulations. Ce reproche est d'autant plus moins mérité dans les circonstances que jamais la Banque n'a fait pour alimenter sa réserve autant d'efforts que ceux dont elle est à même de justifier depuis trois mois puisque depuis le premier prairial elle a fait fabriquer par le moyen des piastres, vingt sept millions cinq mille francs d'espèces ; que la réserve que c'étoit plus de quinze millions au premier prairial était aujourd'hui réduite à six millions, il est évident que dans ces trois derniers mois, elle a procuré à la circulation de Paris trente six millions' in B.F., PV, 2nd Fructidor year 12 (20th August 1804), vol. 3, pp. 112-113.

solution to avoid spreading panic, but in this way, the situation of the bank reserve became even more worrisome.³⁹

This critical stage led Desprez, one of the bank directors, to offer his aid and capital to the merchant Ouvrard to buy a large amount of silver from South America to replenish the bank's reserve. As mentioned above, this operation failed due to the late arrival of the precious cargo from Mexico, while in the meantime Desprez and the other associates of Ouvrard struggled to settle their debts with their Spanish as well as British and Dutch counterparts. The *Banque de France* was heavily affected by the failure of the partnership *Négociants réunis* — which brought together all merchants and bankers implicated in the operation with South America — for two reasons: first, the later the silver cargo arrived, the worse the situation became for the bank reserve; second, the more desperate the situation of Desprez & Co. became, the riskier the position of the bank appeared.

Desprez had received four million franc from the bank to pay the incurred expenses of the operation.⁴⁰ At the same time, the banker had increased his quota of shares from holding 1,135 shares in 1804 to 4,752 in 1805. The *Banque de France* issued 45 million in bank notes in one month to support the credit, thus alarming the market that regarded such a decision as a desperate move that threatened the very existence of the bank. The shares plummeted, the lavish issue of notes caused strong inflation, and a general run on the bank took place, customers fearing that the bank could go bankrupt. The news of the victory of the French armies at Austerlitz and the prompt return of the Emperor prevented this worst scenario from occurring.

The bank blamed the treasury for the late delivery of revenues that were the main guarantee of liquidity for the bank. After the issue of 45 million, the bank had proposed to reduce and withdraw part of the notes, but the treasury did not share this view, thus aggravating the crisis. As we know, Napoleon was particularly irritated with the treasury for its role within the crisis as well as with the *Banque de France* and its excessive involvement with the operation of the *Négociants réunis*. It was not surprising that the law of April 1806 modified the framework of the *Banque de France*, allowing much stricter control by the government. After the 1805 crisis, the bank directors could not provide any opposition to the government's will: Napoleon

³⁹ See, B.F., PV, 24 Fructidor year 13 (11th September 1805), vol. 3, p. 269.

⁴⁰ 'Tous les grands services de l'état reposaient sur Mr, Desprez. Il était le centre, le moteur, le régulateur de toutes les opérations. [...] Telle était sa position que du 1^{er} au 10 vendémiaire la banque lui avait escompté extraordinairement près de quatre millions pour l'aider à remplir ses engagements.' In B.F., PV, 12th February 1806, vol. 4, p. 35.

was the victorious Emperor against whom nobody attempted to resist, while the *Banque de France* had never been so weak and discredited.

To approach the story of the relations between the *Banque de France* and the political establishment by starting from 1806 would be biased and would risk simplifying the rich and complex period between the foundation of the bank and the 1805 crisis. As emerged from the previous pages, the bank did not just defend its independence from the government, but also stood as firmly as it could to oppose all attempts to restrain or modify its prerogatives. The *Banque de France* was not a rebellious institution and always strained to collaborate with the government. As long as the bank enjoyed strong credit, it could defend its entitlements, but everything changed when the 1805 crisis opened the way to a revision of these rights in a restrictive sense.

8.3 Learning through monitoring: understanding the market trend through police reports

The relation between the world of business and the government is not limited to the *Banque de France* and its direct contacts with the Ministry of Finances or the Treasury. Beyond these relations another environment existed where the officers of the government, in this case police officers, dealt with market operators on a daily basis: the stock exchange. Established by royal decree on 24th September 1724, the Parisian Bourse held its sessions in a palace (nowadays the *galerie des estampes* of the National Library, site Richelieu) in rue Vivienne.⁴¹ The stockbrokers were members of a guild and their number was limited to sixty. They were essential to the good functioning of the stock exchange because nobody could buy or sell any stocks directly without asking for the services of the registered stockbrokers. As members of a guild, stockbrokers could not trade stocks for their own account, but their main goal was to facilitate other investors and guarantee them against any frauds. The 1724 decree put some restraints on the financial operations of the Bourse: it outlawed all short-selling operations as well as the forward market.

The rapid growth of the Parisian market in the last quarter of the eighteenth century led the crown to intervene again in regulating the bourse. In 1774 it was stated that stockbrokers had to shout the prices of the stocks so that clients could clearly understand the offer price of the

⁴¹ 'Rue Vivienne' became the common name to indicate the world of speculation, just as during the system of Law, the rue Quincampoix, close to *Les Halles*, was a synonym of frenzy and bold speculation. On the Parisian Bourse, the most insightful works are: Paul Lagneau-Ymonet, and Angelo Riva, *Histoire de la Bourse* (Paris La Découverte, 2011) and Pierre-Cyrille Hautcoeur, Georges Gallais-Hamonno (eds.), *Le Marché Financier Français Au XIXe Siècle* (Paris, Publications de la Sorbonne, 2007).

different stocks. Another innovation was the construction of a wooden floor (*parquet*) where official transactions took place. However, this attempt to regulate and put the financial transactions in good order did not prevent stockbrokers from trading stock also outside the floor in the lobbies (*coulisses*) within the building on rue Vivienne.

The coming of the Revolution brought the guild of the stockbrokers to an end and everybody could trade at the Bourse once they had paid a license to do it. This partial liberalisation of the role of the stockbrokers led to a spectacular increase of people trading at the Bourse. This initiative of the Constituent Assembly did not mean a benevolent attitude towards the world of the financial transactions in the following years. Under the Convention, the authorities shut down the Bourse and persecuted stockbrokers and suspended the quotation of all trading or private companies. The final blow to the stockholders was the partial debt cancellation of two thirds of the national debt in 1797. At the same time such a drastic move put an end to the financial disorders of the revolutionary period and sanctioned the birth of the main government obligation: the 5% perpetual annuity.⁴²

During the Directory and the Consulate, the government intervened to regulate many aspects of the stock exchange: the working hours, the role of the stockbrokers association, the stock exchange listing.

The law of 1st Thermidor year 10 (20th July 1802) stated that the Bourse was open to the public (with the exclusion of women and people who had defaulted) from two to three o'clock for buying or selling shares. After three, stockbrokers met and brokered the official stocks listing as well as checking on the commercial bills that they had discounted during the day.⁴³ For what concerned the organisation of the stockbrokers, the law of 15th Pluviôse year 4 (4th February 1796) previewed that each stockbroker had to offer a monetary guarantee in order to obtain the right to act on the market floor. Such a guarantee created a strict connection between the broker and the government and it openly clashed with the liberalisation of the office of brokers realised during the first years of the Revolution.⁴⁴

The end of free entry into brokering should not be considered as a fatal blow to the functioning of the securities market. As Eugene White has shown, the short period between 1791 and 1793, when free entry into brokering was allowed, did not result in an increase in the liquidity in the market or in lower trading costs. Under the Consulate the Parisian Bourse

⁴² See, P. Lagneau-Ymonet and A. Riva, *Histoire de la Bourse*, pp. 18-20.

⁴³ See, P.- C. Hautcoeur, Georges Gallais-Hamonno, *Le Marché Financier Français*, pp. 50-54.

⁴⁴ *Ibid.* pp. 55-56.

experienced strong volatility due to the low levels of liquidity.⁴⁵ Moreover, the Parisian market was still marked by the expropriations, breaches of property rights and inflation that occurred during the revolutionary decade. Under Napoleon's rule the stock market was strictly regulated, but it became more stable and its volatility decreased in comparison with the period of the Revolution.

The great variety of stocks available at the Bourse before the Revolution was reduced to give place to the trade of the 5% stock, which bundled the different issues of annuities issued during the Directory, and the *Banque de France* stock. Eventually, the stock list also included issues such as those of the Canal Building Company of Orleans or that of the Midi. The limited number of stocks available did not mean a consequential loss of importance of the Bourse in the government's eyes. On the contrary Napoleon was profoundly convinced that the variations of the government stocks were the mirror of the confidence that investors had in the government. As mentioned above the *Caisse d'amortissement* had in its prerogatives to buy government stock in order to support their price in critical moments such as the period before the outbreak of a war or in the aftermath of the diffusion of negative news in Paris.

Bonaparte felt deep mistrust towards the stockbrokers and the entire world of financial operators.⁴⁶ For this reason he was resolute in asking the police ministry to put under strict surveillance the Bourse and what happened there on a daily basis. Such a move has led many historians to speak of a state control of the market. The study of the police reports on the activities of the Bourse offers the possibility to evaluate this statement, as well as to consider what information and understanding police agents had of the dynamics of the Parisian financial market.

Here the interest resides not in how much the police control affected the activities of the Parisian Bourse, but rather in how the public officers understood the daily transactions of the market. In particular, the focus draws on the role that information had on the movement of the stock market, especially when they concerned the outcome of battles or the signature of a peace treaty or other foreign events with a direct impact on France. Alternatively, it remains to be assessed whether the police officers developed an understanding also of the internal

⁴⁵ See, Eugene N. White 'The Paris Bourse, 1724-1814: Experiments in Microstructure' in Stanley L. Engerman, Philip T. Hoffman, Jean-Laurent Rosenthal and Kenneth L. Sokoloff (eds.), *Finance, Intermediaries, and Economic Development* (Cambridge, Cambridge University Press, 2003), pp. 56-63.

⁴⁶ On Bonaparte's distrust towards bankers and businessmen, this passage is particularly eloquent: '[...] Il (Bonaparte) était convaincu que tout pouvoir est faible lorsqu'il a besoin de recourir aux banquiers et aux gens d'affaires. A l'armée d'Italie il avait vu à l'œuvre les banquiers et les fournisseurs, et il gardait une juste et mauvaise opinion de leur délicatesse; les opérations de banque lui étaient ou inconnues ou antipathiques; [...] l'incomparable souplesse de l'argent qui échappait à toutes les compressions lui donnait de l'impatience et de la colère' in François Nicolas Mollien, *Mémoires d'un ministre du trésor public 1780-1815* (Paris, H. Fournier, 1845), vol. 2, pp. 226-227.

dynamism of the stock exchange, or whether they always understood the choices of the investors as reactions to political events or even as part of a plot against the credit of the Republic.

These police records marked a new stage in the relations between finance and politics in France. During the period of the Terror, bankers were persecuted under the charge of plotting against the Republic by easing the flight of capital from the country. The police's activity was entirely devoted to gathering information to nail bankers and to offer evidence of their guilt to the revolutionary tribunal. On the contrary, the reports studied in the following pages show that police officers started to develop a more nuanced appreciation of the stock market and its own trends and means. This transition from a persecutory attitude to a less discriminatory behaviour did not mean that the financial world could claim complete autonomy. Yet bankers and brokers could be relieved that imprisonment and capital executions were no more the order of the day, as had been the case during the Terror.

The main period of analysis goes from 1801 until 1803, which included the short Peace of Amiens, and then between 1810 and 1812, when the French Empire was struggling against Russia and England. These two intervals of times seem particularly interesting to analyse for two reasons: the nature of the sources produced in those times and the different situations that France faced in these two periods. The main source on the police's control of the stock exchange is the collection of the *Bulletins* (reports) of the police at the Bourse who answered to the Paris prefect. In general, studies on the police during the Napoleonic period rely particularly on the collection of reports written between 1804 and 1814.⁴⁷

As emerged from these works, attention went only to the imperial period, leaving aside the short peacetime following the Peace Treaty of Amiens in 1802. This aspect is crucial to understanding the second reason for taking an interest in these two periods: whereas the period following Amiens embodied the only peaceful time under the Empire, the second interval, from 1810 to 1812, marked the apex of the Empire as well as the collapse of the Napoleonic armies in Russia. Taking into consideration these two different periods, the analysis of the police control of the Bourse highlights whether the changing of situation, peace or war, affected the understanding of market dynamism.

As mentioned above, the police agents in charge of reporting on the daily situation of the Parisian Bourse reported to the police prefecture of Paris. On 28th Pluviose year 8 (17th

⁴⁷ The main collections of police documents of the period are: Ernest d'Hauterive, *La Police secrète du premier Empire, bulletins quotidiens adressés par Fouché à l'Empereur* (Paris, Perrin, 1908-1922), 3 volumes; Nicole Gotteri, *La Police secrète du premier Empire, bulletins quotidiens adressés par Savary à l'Empereur*, (Paris, H. Champion, 1997-2004) 7 volumes.

February 1800), a decree established the *Préfecture de police* with the aim of monitoring all activities taking place in the capital. The prefect was a government nominee who reported the main events that concerned public order to the minister of the police. Moreover, he also played the role of mayor of the city, an office that remained vacant for the entire nineteenth century. Forty-eight *commissaires*, one for each of the 48 sections of the city, assisted the prefect in his task of monitoring the various aspects of Parisian life.⁴⁸

The main collaborators of the *commissaire* were the *inspecteurs* and the *officiers de paix*, who had as their main task to patrol and, with their simple presence, to make it more difficult for thieves and robbers to breach the law. The area of the Bourse, close to the Palais Royal, was particularly turbulent and for this reason it required two *commissaires* instead of one.⁴⁹ *Inspecteurs* and *officiers de paix* received their offices after a career in the military, or came from public administration. The *commissaire* was not an office free of risks, but half of the persons who were commissioners in 1800 still retained their office in 1812. The *commissaire* Descoings was one of them: he remained in office in both periods taken into consideration here.

Similarly to his colleagues, the Bourse commissioner was in charge of maintaining order in the area under his control. In the case of the Bourse, Descoings paid attention that the tensions between brokers and clients did not end up in open clashes or fights. Further concerns at the Bourse were the circulation of false notes or bills of exchange that could endanger the credit of the Parisian market. The commissioner had to take care not only of the order and safety within the building of the Bourse, but also in locations nearby, like the *Palais Royal* where many brokers reported the stock prices and the general trend of the market to the public.⁵⁰

The observation of the Bourse as a public space also could offer some hints on the market trend. An example of this was the scrutiny of the people who attended the Bourse session: if they were numerous and they were habitual traders, that meant the interest towards the stock was alive and a rise of the stocks possible. On the contrary, when the stocks seemed flat or the

⁴⁸ On the organisation of the police during the French Revolution and under the Napoleonic Empire see, Jean-Marc Berlière and René Levy, *Histoire des polices en France. De l'Ancien Régime à nos jours* (Paris, Nouveau Monde éditions, 2003), pp. 24-25; 50-58; Clive Emsley, *Napoleon: Conquest, Reform, Reorganisation* (London; New York: Routledge, 2014), pp. 44-47.

⁴⁹ On the Parisian police, see Clive Emsley, 'Policing the Streets of Early Nineteenth-Century Paris'. *French History* 1, no. 2 (1987), 257-82.

⁵⁰ It happened that the commissioner sent spies on the floor of the stock exchange to have the widest overview of the different opinions circulating. See, A.N., F/7 3040, on 26th Thermidor year 9 (14th August 1801), f. 50. On the police control in the area of the *Palais Royal* during the French Revolution, see Vincent Denis 'Une police sans policiers: la police du quartier du Palais Royal en 1789-1790' in Jean-Marc Berlière, Catherine Denys, Dominique Kalifa, Vincent Milliot (eds.), *Métiers de police. Être policier en Europe, XVIII^e-XX^e siècle* (Rennes, Presses universitaires de Rennes), pp. 475-486.

outlook negative, the population of the Bourse decreased as a sign of the lack of interest towards investing in the securities market.⁵¹ Sometimes increased attendance of people at the Bourse did not trigger an increase of transactions, thus showing a certain diffidence towards investing in securities.⁵²

The commissioner Descoings did not limit himself to communicating to the police prefect the variations of the stocks, but he offered his point of view on the possible reasons behind the daily stock movements. His attitude towards the market was rarely discriminatory: he recognised the fights between bears and bulls as a clash of interest and not as a plot to undermine the credibility of the French Republic.⁵³ The police officer was aware of the bears' strategy to depress the market:

Les premiers (joueurs de baisse) ne craignent pas de dire qu'après trois jours de hausse il faut une baisse, et la faculté de vendre ce que l'on n'a pas principalement à terme, leur garanti le succès si on les laisse maitres de la place : ce qu'ils s'appellent trois jours de hausse se réduit pour le cours des cinq pour cent à la différence de 52 fr. 90 à 53 fr 60.⁵⁴

The main trigger of market variations was the diffusion of certain news that encouraged or dissuaded investors from buying or selling.⁵⁵ The variety of news that Descoings pointed out as the main reason behind the stock trends was wide. It embraced different fields of action like the military and the diplomatic worlds, as well as the internal debates on new laws or the health of the emperor and his family. It was easy to preview that the conclusion of a peace treaty between France and its enemies could produce a positive effect on the 5% stock and in

⁵¹ 'La population de la Bourse est la véritable thermomètre des cours des effets et de l'activité des négociations ; pendant la stagnation trop longue qui a eu lieu une grande partie des habitués s'étoit éloignée et tout était languissant : maintenant le local est à peine suffisant ; on assure, même que plusieurs personnes qu'on n'avait point encore vues en bourse, ont fait prendre de très fortes parties de rentes.' in A.N., F/7 3040, on 2nd Pluviose year 10 (22nd January 1802).

⁵² See, A.N., F/7 3040, on 24th Thermidor year 9 (12th August 1801).

⁵³ A confirmation of this attitude is the rare reference to specific brokers as responsible for the stock fall as part of a plot. An isolated exception is Descoings' denunciation of two brokers as responsible for the fall of 5% stock: 'Après la clôture de la bourse d'hier, le tiers consolidé étoit offert à 58 fr, [...] nous ne craignons même pas de répéter les noms des citoyen Michel de la place Vendôme, et celui de Citoyen Froment, l'un de leur agents, a qui le reproche à été faite de s'être chargé d'un pareille commission.' in A.N., F/7 3040 on 27th Pluviose year 9 (16th February 1801).

⁵⁴ 'The first (the bears) are not afraid to say that a fall is necessary after three days of rise. The possibility to sell forward assures them the success if we leave them to do it. What they call three days of rise is just the difference between 52,90 fr. To 53,60 fr.' (Author's translation) See, A.N., F/7 3041 on 19th Thermidor year 10 (7th August 1802).

⁵⁵ Descoings considered news so crucial to defining the market that even their absence had a (negative) impact on the market transactions: '[...] La disette de nouvelles étoit la cause évidente de cet état de choses (stagnation); elle a déplu sans doute, à ceux qui en fabriquent, quand il n'y en a pas' in A.N., F/7 3040 on 18th Floreal year 9 (8th May 1801).

general on the other stocks. What remained to assess was when such momentous news would affect the investors in their choice concerning the action to take at the stock exchange.

The Bourse maintained its unpredictability also in the eyes of an attentive observer like the commissioner Descoings: it was not rare that the police officer predicted a rise in the stock market, while the next day a fall occurred.⁵⁶ In other cases, an expected event that could have a positive effect on the stock market did not bring any positive fallout on the transactions on the market floor. Two explanatory examples of this situation are the reaction of the Parisian stock market to the constitutional change from the Consulate to the Consul for Life and the impact that the birth of Napoleon's heir in 1811 had on the community of the Rue Vivienne.

In June 1802 rumours circulated that the constitutional change from the Consulate to the Consul for Life was debated in the Council of the Elders and a referendum would soon take place. Such change would sanction the rise of Bonaparte as the only magistrate in charge of leading the country. The victorious campaign in Italy and the peace with England offered the first period of peace to France since the outbreak of Revolutionary Wars in 1792. As a consequence the First Consul could advocate more power for himself and prepare France for the advent of the empire. The creation of the office of Consul for Life marked a further step in the stabilisation of France and in the consolidation of Bonaparte's power.

The community of merchants and brokers had every reason to appreciate the stabilisation of the country from which they all could profit. Therefore Descoings reported that the stock exchange showed signs of a rise waiting for the referendum that needed to confirm the creation of Bonaparte as Consul for Life.⁵⁷ On the contrary the market did not react positively to the constitutional change and in the following days, the price of 5% stock kept falling. Descoings did not hide his surprise at the lack of positive impact on the market: 'On s'attendait à une progression de hausse très soutenue d'après le résultat des votes pour le consulat à vie; [...] on a vu avec un grand étonnement l'effet presque insensible'.⁵⁸

⁵⁶ During the autumn 1801, rumours of a possible peace with England were broadly circulating and the coming of the peace made Descoings very optimistic about the good effects that such news could have on the market. On 1st Brumaire year 10 (23rd October 1801), Descoings enthusiastically reported the rise of the 5% stock (also called '*le tiers consolidé*'): 'le tiers consolidé s'est encore fortement amélioré; ce résultat a démontré de la manière la plus convaincante que la hausse ne peut plus rencontrer d'obstacles'. However the day after the situation was completely changed: 'Le tiers consolidé s'est ouvert aujourd'hui à 62 et a été constamment en baisse'. As a consequence of these sudden changes, Descoings became more cautious in his predictions: 'L'expérience du passé détruit l'espérance que pouvait faire concevoir ce mouvement, et d'après les observations fondées des plus clairvoyants on ne peut ajouter foi aux belles apparences du jour qui s'évanouissent le lendemain' in A.N., F/7 3041 on 5 Thermidor year 10 (24 July 1802).

⁵⁷ See, A.N., F/7 3040, on 24th Messidor year 10 (13th July 1802).

⁵⁸ 'We expected a strong rise after the electoral result concerning the consulate for life [...] the effect was almost absent to our utmost surprise' (author's translation), in A.N., F/7 3041, on 17th Thermidor year 10 (5th August 1802).

The stock exchange was also attentive to news concerning the health of the emperor and his family. So in Descoings' eyes, the entire Parisian market awaited with frenzy the official announcement of the birth of Napoleon's heir.⁵⁹ Such disposition seemed to increase the demands of stocks and so to support the rise of the price of 5% stock. All these elements made the police officer think that after the birth of the heir, the rise would become even steadier. To his surprise, in the days following the birth of Napoléon François Charles Joseph Bonaparte, the Bourse reacted negatively to the happy event.

Even though Descoings was surprised by the lack of positive reaction at the Bourse, he did not point the finger at some plots against the French Empire or to some machinations of bears with the aim of depressing the stock price. On the contrary, the commissioner explained the lack of positive fallout at the Bourse on the excessive orders of stocks before the birth of the King of Rome. Investors expected a stronger positive reaction after the birth and so they had largely bought stocks before this event, hoping to sell the stocks after the announcement of the birth to gain largely from the operation. However, continued Descoings, they were disappointed to find that their previsions did not come true and so they had preferred to sell their stocks, avoiding further loss.⁶⁰

Supervising stockbrokers' activity, Descoings did not miss the occasion to mention the importance of international events on their financial moves. News reporting the French failure in Egypt or the growing concern about the situation of the Caribbean island of Haiti deeply troubled investors in Paris.⁶¹ Whenever mercantile cargo reached France from these far outposts, reports reached Paris bringing updates on the situation of French armies employed there. At the same time, events that occurred in the European courts provoked reactions on the Parisian Bourse: in 1801 the death of Tsar Paul deeply troubled Parisian investors, who feared a long period of uncertainty at the Russian court. On the contrary, stockbrokers enthusiastically greeted the alarming news concerning the mental illness of George III with large acquisitions of stocks.⁶²

⁵⁹ 'L'opinion générale paraît se prononcer pour une hausse très prochaine; elle est fondée d'une part, sur ce que l'on paraît rassuré sur les craintes que l'on avait pour les paiements de la fin du mois; et de l'autre sur l'espoir d'apprendre incessamment la nouvelle de la naissance d'un héritier du trône impérial' in A.N., F/7 3041, on 28th February 1811.

⁶⁰ See, A.N., F/7 3041, on 22nd March 1811.

⁶¹ 'Selon les uns on a reçu des nouvelles défavorables de St. Domingue desquelles il résulte un échec considérable éprouvé par l'armée française sur la quelle on a point fait de prisonniers' in A.N., F/7 3040, on 16th Floreal year 10 (6th May 1802). On Egypt, see A.N., F/7 3040, 2nd Floreal year nine, (22nd April 1801).

⁶² On the death of the tsar Paul I, see A.N., F/7 3040, on 23rd Germinal year 9 (13th April 1801). On the impact of British political events on the Parisian market, see A.N., F/7 3040, on 21st Pluviose year 9 (10th February 1801).

No international events had a more profound impact on the stock exchange than the ratification of a peace treaty. Yet, Descoings did not generalise this assumption, as he noticed that rumours of a peace treaty between France and Portugal went almost unnoticed on the market floor.⁶³ This lack of a positive reaction to the possible peace between France and Portugal was largely due to the scarcity of trade between the two countries, as well as the still existing conflict with England. A completely different situation occurred when France and England signed the peace treaty of Amiens on 25th March 1802. This momentous agreement meant the first durable interruption of hostilities between the two countries since 1793. Moreover, this event brought to an end not only the conflicts on the European continent, but also the fight between the British Navy and French forces all around the globe.

However the Parisian stock exchange seemed to react in a completely illogical way to the restored peace: instead of rising, the stocks fell and the request of selling stocks largely outnumbered the offers. Descoings knew well this apparent contradiction of a negative day on the Bourse following positive news for the market. He looked neither for a scapegoat of such unintended consequences of the peace, nor for a plot aiming to undermine the settlement between the two European powers. He offered a much more convincing explanation to the seemingly negative reaction of the Bourse:

La publication de la paix avait attiré hier soir au café de Chartres, palais du tribunal, une très grande affluence j'ai su que l'on y faisait peu d'affaires, et que le tiers consolidé se maintenait à 57 fr. 60. Aujourd'hui cet effet très offert a été constamment en baisse ; un résultat aussi extraordinaire paraîtrait sans doute, inconcevable à ceux qui n'ont pas l'habitude de la bourse, mais il y avait été annoncé d'avance, et les réflexions à son regard sont les mêmes qu'une longue expérience doit suggérer : depuis longtemps on parlait de la paix, on attendait d'un instant à l'autre et les spéculateurs s'étaient en conséquence pourvus de rentes avec l'intention de réaliser des bénéfices aussitôt que cet événement leur en assurerait. La multiplicité des offres faites avec ce dessein produit infailliblement la baisse et l'on pense généralement qu'elle peut avoir lieu par la même raison pendant plusieurs jours.⁶⁴

⁶³ See. A.N., F/7 3040, on 5th Ventose year 9 (24th February 1801).

⁶⁴ 'The proclamation of the peace provoked a great affluence of people at the *café de Chartres*, close to the tribunal, I knew that few transactions were done and the consolidated thirds remained at 57,60 fr. Today this stock was constantly falling due to the large availability of it. Such a result would seem without doubt absurd to a not acquainted observer of the Bourse, but it was previewed in advance. On this episode a long experience suggests the following observations: it has been talking of the peace since long time, stockjobbers largely bought this stock waiting for the peace so that they could sell those stocks. Such a large offer of stock on the market

Descoings offered a detailed analysis of the immediate aftermath of the peace at the Bourse. The official announcement of the peace caused a great movement at the stock exchange, but without a resulting increase of the financial transactions. The following day went even worse: a wave of selling orders hit the Bourse, thus easing the fall of the 5% stock. However, the police commissioner understood what was going on: investors were not challenging the stability of the new peace, but rather were profiting from the high quotation of 5% stock reached before peace. Descoings had previously witnessed such a movement and had described it in this expressive way: ‘selon l’usage de la place, l’effet avait précède la cause’.⁶⁵

In other words, investors had not waited for the official announcement of the peace to buy 5% stock. While the two delegations were still figuring out the details of the peace agreement, investors bet on the success of the peace talks. So when the peace came, many of those who had previously invested in the 5% stock decided to clear their position to realise the gain achieved. Once again, Descoings showed his knowledge of the mechanisms of the stock market and his efforts to offer an analysis of the market, excluding explanations that involved plots, cabals or intrigue against the stability of the French Republic and later of the French Empire.

The Parisian Bourse reacted not only to internal political events or to external news, but also had a strong connection to another stock market: the Amsterdam market. Such a strong bond between the two markets was a consequence of different factors: the geographical proximity, the political evolution of the two countries, and the presence of houses of commerce that had important stakes in the two financial capitals. The geographical position allowed frequent communication of news concerning foreign loans issued on the Dutch market as well as the trend of French stocks. After the French invasion in 1795, the Netherlands became a satellite republic under the name of the Batavian Republic. This new political framework made the two countries closer: French authorities looked at the Batavian Republic as the best market in which to raise fresh capital to support the revolutionary expansion. Dutch houses of commerce had taken a large interest in French annuities starting from 1780s, and they still maintained an interest in investing on the French market even after the revolutionary turmoil. Moreover the distress caused by the conflict between France and England led many Dutch

provokes the fall for the following days.’ (Author’s translation). See, A.N., F/7 3040, on 6th Germinal year 10 (27th March 1802).

⁶⁵ See, A.N., F/7 3040, on 13th Vendemiaire year 10 (5th October 1801)

bankers to invest their resources in the French stock market rather than investing on trade operations by sea.⁶⁶

The interaction between the Dutch and the French financial markets increased in the last years of the eighteenth century. The French Directory imposed heavy war indemnities on the young Batavian Republic that already faced a troublesome deficit inherited from the rich province of Holland. Facing this burdensome situation, the Batavian government resolved to issue paper money, called Batavian rescriptions, with which they could pay the French government.⁶⁷ The Amsterdam market maintained its role as a financial hub where loans of foreign courts were placed. However the abundance of stocks available on the Amsterdam market could offer better conditions than those available on the Parisian market.

Descoings was an attentive observer of this trend: on 12th Ventose year 10 (1st March 1802), he remarked a dramatic fall in the 5% stock due to the concurrent availability on the Amsterdam market of more interesting stock.⁶⁸ The General Commissioner Coquebert-Montbret reported the enthusiasm of Dutch investors concerning the new 30 million guilders loan issued by the Batavian Republic: ‘ces conditions (of the loan) ont paru tellement avantageuses aux prêteurs que les souscriptions ont excédé de beaucoup le montant de l’emprunt et qu’il y en aura plusieurs qui demeureront sans effet’.⁶⁹ This loan was particularly appealing because it offered 5% of interest and to those who subscribed before the 1st March, when a 2% premium was offered.⁷⁰

With the exception of the launch of new loans that could deeply affect the Amsterdam market, the Dutch financial world followed a similar path as the Paris Bourse. Dutch investors looked forward just as much as their French colleagues to the end of the hostilities between France and England because these increasingly affected the Dutch economy and its pivotal role in international trade.⁷¹ The strong dependency of the two financial markets led many Dutch houses of commerce to invest on the Parisian stock market through the agency of a

⁶⁶ ‘Le commerce d’Amsterdam est toujours dans le même état de langueur et la paix seule peut l’en faire sortir. Il s’étoit tourné dans ces derniers temps du cote des spéculations sur les fonds publics français’ in M.A.E., 13CCC/5, *Correspondance consulaire Amsterdam*, on 18th Messidor year 9 (7th July 1801), f. 226.

⁶⁷ See, Marjolein Catherina ’t Hart, Joost Jonker, and Jan Luiten van Zanden. *A Financial History of the Netherlands*, pp. 71-80.

⁶⁸ See, A.N., F/7 3040, 12th Ventose year 10 (1st March 1802) and 19th Prairial year 10 (8th June 1802).

⁶⁹ ‘The loan conditions appeared so inviting to the investors that the requests of subscription of the loan overwhelmed the entire sum available and many remained without no stock’ [author’s translation] in M.A.E., 13CCC/5, f. 252.

⁷⁰ The successful loan had such an impact that almost no remaining credit was available in Amsterdam: ‘[...] L’empressement des capitalistes à verser leurs fonds pour jouir de la remise de deux pour cent accordée à ceux qui les auront fournis avant le premier Mars a occasionné à Amsterdam une rareté d’argent presque sans exemple. On ne trouve point à placer le meilleur papier de commerce [...] l’escompte a été porté jusqu’à huit et neuf pour cent, ce qui est regardé ici comme un taux exorbitant’, in M.A.E., 13CCC/5, ff. 252-253.

⁷¹ See, M.A.E., 13CCC/4, ff. 1, 26, 63.

banker residing in Paris. An exemplary case of this trend is the bank syndicate of Dirk Jan Voombergh, Arent Van Halmael and Willem Borski.

These bankers had a long experience in brokering foreign loans on the Amsterdam market and they did not refrain from taking a large interest in the French stock. At the end of the Napoleonic period they jointly held 733,984 francs in 5% stock.⁷² All their financial operations were in the hands of the bank Hottinguer & Co. Jean-Conrad Hottinguer was one of the directors of the *Banque de France* and was particularly active not only in financial markets, but also in the transatlantic trade with the two branches of his bank in Nantes and Bordeaux. It was highly probable that Hottinguer knew his Dutch peers from previous operations on the Amsterdam market.

From 1803 the bank Ketwich & Voombergh took a growing interest in the French securities market: in 1803 they invested 106,078 francs in the acquisition of 5% stock. Their investment grew the following year, when they purchased 330,553 francs of 5% stock.⁷³ Voombergh's stake in the French securities market increased in 1805 with new 5% stock for 1,000,000 francs. In 1806 the creation of the bank consortium between Voombergh, Halmael and Borski expressed the peak of this trend. This new partnership was the consequence of the increased weight of Voombergh on the French securities market and the need to create a solid framework to manage such momentous investment. At the same time the contribution of the two other houses of commerce showed how appealing it was to invest in French securities in the Napoleonic Empire.

The three partners decided to join their capital in the acquisition of 2,479,990 francs in 5% stock. Each bank had the same rights on the management of the bought stock: no one could change its position without the consent of the other partners. The contract previewed that after a partner's death, the two others acquired the control over his share unless he had not disposed differently.⁷⁴ The width of the operation led Hottinguer to employ a clerk with the task of following all the practices related to this large investment: collecting the yields, writing letters to the partner, noting on the book account all the transactions relative to the capital invested in the French 5% stock.⁷⁵

The partnership between Voombergh, Halmael and Borski testified to the growing interest of Dutch investors in the French securities market in the Napoleonic Empire. The endless

⁷² See, S.A., Voomberg Archief, 600/40, 22nd September 1813.

⁷³ See, S.A., Voomberg Archief, 600/46. The growing investment in French securities generated increasing gains to Hottinguer, who asked a 1% commission on the stock acquired.

⁷⁴ See, S.A., Voombergh Archief, 600/20,22.

⁷⁵ See, S.A., Voombergh Archief, 600/23, on 15th May 1806.

state of war from 1803 until 1815 did not discourage Dutch banks from investing on the Parisian Bourse. On the contrary, Voombergh's involvement in the French financial market increased after the end of the short peace between France and England. It cannot be said that the Dutch bankers who had made the choice to stay in their country had no other option than to invest in the French securities. The Dutch merchant community maintained a certain autonomy, not only during the period of the Batavian Republic, but also under the Kingdom of Holland.⁷⁶ No doubt the long list of victories of Napoleonic armies around Europe increased the confidence of Dutch investors towards the Parisian market. However, this trend did not last long: in the autumn of 1810 an alarmed Descoings reported the flight of Dutch capital from Paris to the Netherlands.⁷⁷ The bank syndicate of Voombergh, Halmael and Borski did not stand out as an exception to this trend: in 1813, their large investment in French 5% stock had been cut by more than 70%.

The first decade of the nineteenth century appeared as an extraordinarily fluid time in the relationship between financial actors and political authorities. The case of the *Banque de France* illustrates how bankers strove to prevent political power from intruding on the functioning of the bank. However the defence of the bank prerogatives was put in danger by hazardous financial transactions, such as the transatlantic operation led by Ouvrard and Desprez to bring a large amount of silver to replenish the exhausted reserves of the bank. Napoleon did not miss the opportunity to put the bank under closer scrutiny after this mishandled operation.

Control over the financial world increased during this period, but the study of the police reports showed how developed the understanding of the market was as a complex environment where different interests and strategies clashed. The police commissioner rarely referred to plots or cabals against the country as the main reason to explain sudden falls or long periods of stagnation at the Bourse. The improved understanding of the movements of the stock market did not imply its autonomy or the absence of restrictions and even persecutions.⁷⁸ Nonetheless, even a police commissioner made an effort to understand the

⁷⁶ See, Annie Jourdan, *La révolution batave: entre la France et l'Amérique (1795-1806)* (Rennes, Presses Universitaires de Rennes, 2008).

⁷⁷ See, A.N., F/7 3041, on 24th October 1810.

⁷⁸ 'Sa Majesté l'Empereur et Roi a éliminé de la compagnie des agents de change 11 de ses membres qui la déshonoraient en manquant à leurs engagements' in A.N., F/12/971/B.

functioning of the stock market without pointing the finger to hidden plans or plots to undermine the French Republic and then the French Empire. The great attention to the circulation of news, the inside fights between bears and bulls, the impact of laws and constitutional change, all these aspects showed how connected the financial world was with the political one, but at the same time how divergent and autonomous they were in their development.

Conclusion

Merchants have always been travellers. They cannot ignore what happens in other, often remote, countries where they have interests at stake or partners engaged in long-distance trade transactions. At the end of the eighteenth century, the borders between the world of trade and the sphere of banking and financial activities were blurred; few bankers dealt exclusively with financial matters. In the early phases of their profession, bankers shared with merchants a period of formation and traineeship in bookkeeping, accounting, and learning foreign languages as well as the principal laws of foreign countries. The case of Alexander Baring's apprenticeship in Amsterdam revealed how this period was central not only in the technical formation of a banker, but also in the creation of stronger ties between different houses of commerce.

The activity of a banker was not a solitary enterprise, as emerges from the case of Hoare & Co. Banking activity required the work of many clerks as well as guards and messengers. Moreover, the activity of a banker had a larger impact beyond his clients: bankers were the first consumers of imported luxury goods and, at the same time, they funded charities or promoted the development of their neighbourhood as part of their duty towards the society in which they lived.

The role of bankers and financiers became more and more prominent over the course of the eighteenth century in the field of government debt. Towards the end of the century, in England as well as in France, the role of bankers came under a closer and more severe scrutiny than before. The two countries faced a growing debate over the sustainability of the debt as well as of the entire credit system and its institutions. Notwithstanding the common features of the crisis in the two countries, a clear difference emerged from the debate: in England, unlike in France, the legitimacy of banking activities together with their fundamental role in the funding system were not under scrutiny or openly challenged.

In England the growing outcry against government corruption and the excessive prominence of City bankers in the political affairs of the country were common features of the public debate. Yet bankers such as Sir Francis Baring could express their position openly, and freely took part in the political debate over the credit crisis involving the Bank of England. At the same time economic debates such as those concerning the English government debt and the funding system became political tools to weaken the enemy, as Thomas Paine did in masterful style with his *The Decline and Fall of British System of Finance*.

In France bankers or financiers were not so free to share their positions on the decision in 1797 to partially repudiate the public debt. After the period of the Terror, when many bankers and financiers were condemned to death, bankers were quite understandably silent on the economic matters discussed under the Directory. Therefore, in France, merchants and bankers tried to rebuild the French financial system with the establishment of banks like the *Caisse des Comptes Courants* or the *Caisse d'Escompte du commerce*. However they did not dare to engage in the public debate on financial matters, such as the partial bankruptcy of 1797 or the lack of strong credit institutions in the French system.

Yet the absence of the bankers' voice in public debate did not go unnoticed: an experienced politician like Pierre-Louis Roederer prepared the ground for the return of commercial interest in the political arena. With his extensive editorial activity, the Alsatian lawyer pointed out the necessity for the French political world to give an attentive ear to the voice of the bankers. From this perspective, the period of the Directory was neither a parenthesis between the Terror and Napoleon's rise to power, nor an open rebuttal of all revolutionary achievements. Rather it was also a crucial moment when members of the political life understood the need to listen to the voice of economic interest before taking political decisions. Without this crucial passage the establishment of the *Banque de France* would have never happened in a country where the excessive circulation of *assignats* and the 'ghost of Law' were still haunting the minds of many French people.

The period from the outbreak of the war between revolutionary France and the Austrian Empire in 1792 to the Battle of Waterloo in 1815 marked the longest period of hostilities in Europe since the Thirty Years' War in the seventeenth century. With the exception of the short period of the Peace of Amiens from 1802 to 1803, England and France never ceased to fight each other, not only in Europe, but also in the Caribbean as well as in Egypt and Asia. Thus merchants and bankers were directly affected by the long state of war and needed to find new markets or take risks on the basis of information they received on their counterparts as well as on the countries where they had interests at stake.

Risks and information have been major components of the life of merchants and bankers throughout the centuries. In this context, the period of the revolutionary wars and the Napoleonic Empire does not constitute an exception. However, bankers could not think to suspend their activities because of the long-lasting period of war. It is here that evidence of the complexity of the banker's task emerges: crucial choices of investing a large fortune in one market instead of another or the narrow margin between risk-taking choices and plain hazards distinguish one banker from another. No strategies, models or points of reference

were at hand: bankers during the period of the revolutionary wars had to rely on their understanding of the political situation as well as of the economic fundamentals.

The cases of James Bourdieu's financial support for France and Baring's investments in the American securities market are examples of the need to appreciate the interactions between finance and politics. Experience was not always a key to success: Bourdieu had followed the activities of the French National Assembly closely and he confidently relied on his connection with French Minister of Finances Jacques Necker. Neither the political support, nor the economic reforms, helped Bourdieu profit from the new situation. However, he did not refrain from getting involved in the French situation, supplying silver and *pesos* to the Discount Bank. Bourdieu decided to start trading with French subjects when the war was becoming a credible possibility. He paid dearly for his mistake based on his poor political understanding of the situation.

Baring's involvement in the American securities market followed the opposite trajectory. Francis Baring and his partner Henry Hope wanted to be sure that the investment in Maine land was not fraudulent. Their involvement with the United States went well beyond this first investment: the young Alexander Baring convinced his father and Hope that the political situation was stable beyond the conflicts between Federalists and Republicans. It was the keen understanding of the young Baring that introduced Baring and Hope to the United States securities market. In a second phase, the English bank gained the direct trust of eminent politicians of the United States, but these connections were not in place when the young Baring first convinced Francis Baring & Co. and Hope & Co. to invest on the other side of the Atlantic.

Bankers were not always willing to change their investments abruptly in response to political changes. The case of the partnership between Voombergh, Van Halmael and Borski stands out as a clear example of the commitment of Dutch investors to take an interest in the Parisian stock market. Dutch investments in French securities came before the outbreak of the Revolution: French annuities offered better yields already during 1780s. However, Voombergh and his partners were not committed blindly to the French market: the Russian campaign in 1812 was the final nail in the coffin for their involvement in the Parisian market.

As clearly emerged from Baring's history of investment in the United States, it was essential to have a good understanding of the rapid political changes. At the same time London bankers had close ties with eminent politicians and members of the Pitt Cabinet. Nonetheless, their proximity to the political world was not always a guarantee of success. Thomas Coutts' pressure to obtain favours for him and his closest friends did not meet William Pitt's support.

Francis Baring was more successful in lobbying for the British merchants with interests in the United Provinces that risked seeing their business interrupted by the seizure of mail with bills of exchange drawn on Dutch bankers. This case highlighted how the Pitt Cabinet might be open to the representation of interest, but not to requests from an individual banker.

The relationship between the French bankers within the *Banque de France* and the French authorities suggested that the equilibrium between the autonomy of a new credit institution and the political establishment was constantly changing for manifold reasons. The *Banque de France* maintained its independence in the first years of its history, firmly defending the autonomy of the credit institution from government attempts to employ the credit of the bank as a branch of government. The bank managed to protect its autonomy as long as no crisis took place. However cases of failure of directors of the bank and the 1805 credit crisis gave Napoleon the opportunity to put the institution under closer scrutiny. It was probable that the Emperor's mind had always been in favour of strict control over bankers, yet without those cases of mismanagement or failures, the *Banque de France* might have remained independent for longer.

The attempt to have full control over bankers' activities was only one facet of the complex relationship between bankers and political power. In a paradoxical way the police reports of the first decade of the nineteenth century highlight how government officers increased their understanding of the mechanisms of the securities market as responding to external news as well as of the internal strategies of different groups of brokers. There is no doubt that police agents monitoring the stock exchange never wanted the market to have complete autonomy. Nonetheless the acknowledgement of different strategies of brokering, as well as admitting that certain news could have a positive or a negative impact on daily transactions, marked a step forward in the relationship between market and power. The accusation of cabals plotting against the state whenever the stocks fell became less and less common.

Flandreau and Flores have argued that far from being amorphous, the stock market knew brands, as the trend of government debt highlighted during the 1820s. It was not equal in the eyes of investors whether a loan was issued by Rothschild or Baring or from another second-rank bank. In this work, I argue that bankers needed to rethink constantly their position, taking into account political events, their financial situation and especially the financial situations of their counterparties, and society's evaluation of their acts and moves. This balance was not easy to maintain, but was the only way for a banker to survive (sometimes literally) in this Age of Revolution.

The evaluation of political scenarios in order to invest capital was not a novelty for bankers and merchants. In this aspect, the Age of Revolution did not mark a revolutionary change for the world of finance. During this period, no great innovations or changes affected commercial tools or financial techniques; the remarkable and unexpected changes that the French revolution brought into the political field had no comparable examples in the world of finance and trade. Nonetheless, the political changes and the disruption caused by war challenged bankers and their business. In order to save their businesses, all bankers needed to assess the political scenarios and their eventful interactions with their investments. In consequence bankers played a role not only as political observers, but also as political actors, as emerged in the cases of Sir Francis Baring and Robert Barclay.

The political establishment decisively curbed bankers' requests, as the correspondence between Coutts and Pitt proved. At the same time government officers made an effort to understand the inner logic of the market and its rules. Far from being an acknowledgment of the autonomy of the market and its actors, it represents a considerable step forward in a country like France, where suspicion towards bankers and financiers was at its height, as exemplified in the debate on the establishment of a national bank in 1789. As disruptive as the French Revolution had been for the French economy, from its ruins emerged not only a new generation of bankers, but also a new way of conceiving the relations between politics and the financial world.

At the end of this perilous journey, following the footprints left by bankers in the Age of Revolution, it emerges how the turbulent period opened by the calling of the General Estates did not modify in an unambiguous way the relationship between the financial and the political worlds. Whereas bankers gained some ground in the eyes of governments who badly needed resources to fight their wars, they still did not have the upper hand in dealing with governments, neither when they strove to defend their autonomy, nor when they looked forward to seeing their friends and acquaintances promoted to government offices.

This balanced outcome should not lead us to the conclusion that the end of the eighteenth century did not bring any substantial change in the life of bankers and merchants operating between England, France and the Netherlands. Governments tightened their hold on the economic activities, as in the case of Bourdieu in England as well as the Parisian Bourse under the strict monitoring of the police. At the same time despite the troubled war scenario neither the English nor the French governments entirely neglected financial interests: in England, the Pitt government was ready to hear, and accept, the arguments of the Dutch

committee of London merchants, while Napoleon, at least in a first phase, was willing to create the *Banque de France* following the request of the most eminent Parisian bankers.

This work does not aim to draw the line between successful cases and failures in the world of finance during the period marked by the French Revolution and the Napoleonic Empire. Nonetheless, another result of this work, analysing different firms active in different countries, is to highlight some features of a successful bank. The case of Baring epitomises a successful firm able to take risks, such as investing in the US securities market, and to establish strong relations with political institutions at home. On the contrary, the case of James Bourdieu pinpoints the side effects of taking high risks: the Anglo-French businessman failed to read the political evolution of the relations between England and France, and this mistake precluded him from continuing his business.

In times of revolution and war, no recipes for survival were available to bankers active in Europe. Bankers could thrive or simply survived during those troubled times following different paths, as emerged in the cases of Thomas Coutts and the Baring bank. The former decided to restrain investments and in this way survived the storm; the latter invested in far-distant markets like the US securities market and became the main bank for all financial operations in Europe of the United States.

On a macro level of analysis, during this period, the financial world and the sphere of politics strongly intermingled and both sides made an effort to master the other side. In this troubled relationship, both sides strengthened their positions: the sphere of politics reaffirmed its primacy over financial interests in times of war, while the main actors of the financial world fought for a greater autonomy from government. At the same time, both sides of the controversy started to learn that they needed each other, as the editorial activity of Roederer diffused under the Directory. Also in this case, no easy recipes were available and no magic balance between financial interest and government priorities was at hand. Yet, for the first time in the history of modern Europe, both government and financial actors fought to defend their rights and interests and at the same time tried to find a fruitful agreement to cooperate.

This was not an issue just at the time of the French Revolution and during the Napoleonic Empire: as we know well, the debate after the 2009 crisis revolved around regulation and solutions to curb financial greediness. Far from having found a solution to this conundrum, this work went to the roots of the long confrontation when political power still maintained a certain control over finance, but it was starting to admit that private interests had their autonomy and needed to be recognised in order to be a constructive force within the society.

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