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BRITISH INVESTMENT IN SOUTH AMERICA AND
THE FINANCIAL CRISIS OF
1825 - 1826.

A thesis submitted for the degree of Master of Arts
in the University of Durham in Epiphany Term, 1969

by

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Preface

Britain had four different reasons to be interested in South America in the 1820's. Diplomatically, she opposed the Holy Alliance in her tacit approval of the breakaway of the former Spanish colonies and Brazil from their masters, and set out to ensure that no European power could in future gain territorial advantages in South America. British recognition of the new nations was as crucial for their success as was the Monroe Doctrine.

The second reason for interest was due to the current feeling in Britain that she was the one great liberal power that could lend support to those struggling for independence anywhere around the globe. Britain had fought the peninsula wars to oppose foreign domination and while the new liberal constitution in Spain was soon to vanish, Britain still had the chance to encourage the liberalism in her crumbling colonial empire.

Thirdly, South America was important to Britain as part of the world struggle for economic influence. Britain had by 1815 won the supremacy of the Atlantic trade that she had fought for against France, Holland and Spain throughout the eighteenth century and was thus in a position to exploit the advantages for trade which her advanced economy gave her. Moreover, she was desperate for new markets overseas, especially as the continent of Europe was erecting high tariffs to keep out British goods. Cotton was the first commodity that was mass produced for a large market and South America provided a new and exciting area of consumption for British

exporters.

The fourth reason for interest was as a sphere for investment and this represents the main field of enquiry for this study. At home, the amount of money that was available for large scale investment had been growing mainly because of the rapid growth of the National Debt throughout the Napoleonic Wars, which resulted in the interest payments on it accounting for over half the calls on the national exchequer. The redistributive effect of the National Debt, in taking money from the poor and giving it to the rich, meant that more and more was available for investment, and yet, the actual mechanisms for investment, especially in home industries, were poorly developed. It was in this era of low interest rates and few outlets for investment that British investors turned to South America, in the form of loans to the governments of the new nations, and through companies formed in London to exploit the natural treasures of the continent.

Several of the South American governments were indebted to British merchants, shipowners, soldiers, and naval officers by the time they had won their independence, and they continued their association by raising money for their countries in the London capital market. The questions to be answered in this context concern the actual mechanisms of investment, the people involved, the often dubious methods of share issue and price raising, the possibility that the South American nations incurred too heavy a debt for the sums they actually received and the reasons for the early defaults on the loans. For a more detailed analysis of these problems

the case-histories of loans to Colombia, Buenos Aires, Chile and "Poyais" will be discussed.

Loans to governments are one part of the picture; the other is the formation of companies, almost exclusively mining companies, for operation in South America. The activities of these companies were more in evidence around the Stock Exchange than they were in South America, as vast sums were made by the originators of the schemes and this study is partly concerned with the methods of these men and the propaganda by which they succeeded in fooling an over-optimistic public. The basis for the expectations of the investing public will be discussed and a close study made of the Rio De La Plata Mining Association and the Chilean mining associations in order that the reasons for the failure of the companies may be clearly seen.

The burst of speculation which reached its height and broke in 1825 revealed the weaknesses of the existing laws relating to company formation and brought about the repeal of the Bubble Act which was the major obstacle in this respect. Attempts in Parliament by promoters of South American mining companies to put joint-stock companies on a firm legal basis tended to dissolve into discussions on the merits or otherwise of these associations, as did disputes in law when their legality was questioned.

Not surprisingly, the merchants and financiers of Britain connected

with South America were the group most concerned that the British government should recognize the new nations at the earliest opportunity. Their opinions expressed in petitions to the Crown and to Parliament are worthy of attention as a pressure group of some considerable influence.

Lastly, the effect of the boom and the subsequent collapse of the investment process is considered both in its short-term consequence to Britain and the nations of South America, and also in the importance it had for the Anglo-South American relationship that was to flourish later in the century.



SOUTH AMERICA IN 1824

based on map in G.S.Graham and R.A.Humphreys,
The Navy And South America, 1807-23, (1962)

CHAPTER 1

THE GROWTH OF BRITISH INTEREST IN SOUTH AMERICA 1800 - 1825

The Break-Up of the Spanish and Portuguese Empires in South America

At the end of the eighteenth century, the two countries of the Iberian peninsula held complete sway over the vast continent of South America. Twentyfive years later, the South Americans had gained almost total economic and political independence. The emancipation of Latin America from European control, although it was to a large extent a product of the revolutions in France and North America, may be ranked as important as any in the world.

The area affected, however, was far wider than that of the thirteen British North American colonies which formed the United States, and the total of inhabitants much greater. It extended not merely over South America, but included the strategic centre of Central America and a large undefined area in North America. Spanish America had been subjected to far stricter control from Europe than Britain had ever exercised over her North American colonies and even at the end of the eighteenth century remained a closed and almost an unknown continent to the rest of the world. Its Governors appointed from Spain had far more power than those in British North America. The Church appointments of a deeply religious people were also in the hands of the distant monarch. Through the Church it was subjected to the censorship of the Index. Its population was more mixed than that of North America,

since the Spaniards and Portuguese had never employed towards the native Indians the system of ruthless destruction which the Anglo-Saxons had used.¹

Even though its commerce was kept within rigid lines, South America was the source of much wealth. In the eighteenth century it remained the world's greatest source of supply of the precious metals, and it was not only a source of supply but also a market of vast potentialities. Yet Spain failed to exploit it and failed to participate in the commercial expansion of Europe.² The stream of gold and silver which flowed from the New World itself contributed to the perversion of her economic development and while she rigidly applied a monopolistic system, she lacked the economic organization successfully to enforce it. In the colonies themselves the most serious effects of this exclusive system were not the restrictions imposed upon colonial manufactures; but the increasing inefficiency of legitimate sources of supply, and the rise of prices. The result was an enormous contraband trade. Cause and effect moved in a vicious circle. The more debilitated Spain became, the greater grew the contraband; the more the contraband, the greater Spain's debility and the weaker her empire.³

It is remarkable that the small state of Portugal should ever have been able to subject the vast area of Brazil to a control similar in kind to that exercised by Spain over her colonies. Though the rise of an aristocracy and

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1. C.K. Webster, Britain And The Independence of Latin America (1938) Vol. I, p. 3.
 2. R.A. Humphreys, British Consular Reports On The Trade And Politics of Latin America, 1824-1826. (1940) p. vii.
 3. Ibid.

the special position of Britain in the Portuguese economy made conditions somewhat different, the trade of Brazil was a monopoly of the mother country, and Brazilian interests were subordinated to the necessities of the European merchants.⁴

Even so, the monopoly of the trade of the New World claimed by Spain and Portugal was challenged from the seventeenth century onwards by Holland, England and France. These three countries, besides forming settlements in North America, established bases in the West Indies for tapping the resources of the Iberian possessions, and furnished the Peninsular states with those commodities which owing to economic limitations, they lacked for the upkeep of their trans-Atlantic markets. Holland took the lead in these movements in the seventeenth century, but thence-forward the contest for the avenues of trade lay between Great Britain and France.⁵

In the period before 1807, British interests predominated in Portugal, and French on the whole in Spain. Great Britain, in addition, claimed the major share of the trade in slaves to Spanish America and of the contraband

4. C.K. Webster, op.cit., vol.I, p.4.

5. J.S.Jones, Historical Study of Anglo-South American Trade, With Special Reference To The Period 1807-1825, London University Ph.D., 1934, Abstract.

"Everything during the eighteenth century worked to increase the tension between Spain and the other kingdoms of her Empire." Salvador de Madariaga, The Fall Of The Spanish American Empire (1947), p.329.

with the mainland from the West Indies.⁶

From 1807 onwards Great Britain, by treaty agreement, held a direct intercourse with Brazil, and, under the protection of her warships, contrary to the wishes of Spain, with the Spanish American provinces. As at the same time she maintained, to an extent, her old connections through the West Indies and the Peninsula, she thus came to monopolise to a large extent the external commerce of Latin America.

The Spanish colonies were first thrown upon their own resources in 1796, when Spain went to war with England for the fourth time in fifty-seven years, and, with a brief interval, remained at war for twelve years more. A brief prosperity was succeeded by an intense depression.⁷ Threatened on the northern borderlands by the territorial expansion of the United States, faced by the sea-power and the commercial expansion of England, the empire collapsed, and with Napoleon's invasion of Spain, the Spanish American Revolution began.

Britain's role in the wars of independence was an important one although her military power was used very little directly in the struggle after Sir Horne Popham's attack on Buenos Aires in 1806 and General Whitelocke's expedition, both of which ended in failure and ruled out any ideas of physical conquest by Britain.⁸ What the British government was seeking was not territory, but trade and bullion. It also wished to

6. J.S. Jones, *op. cit.*

7. R.A. Humphreys, *op. cit.*, p. vii.

8. However as Salvador de Madariaga notes, "Ideas kept pouring in from English amateur conquerors", *op. cit.*, p. 329.

protect Brazil and prevent the extension of French power and influence in South America. Castlereagh from the first wished to avoid "the hopeless task of conquering this extensive country against the temper of its population." "In looking to any scheme for liberating South America," he advised the Cabinet, "it seems indispensable that we should not present ourselves in any other light than as auxiliaries and protectors".

Britain had long been the protector of Portugal and it was by her advice and with the escort of her ships in 1808 that the Portuguese royal family and many of the Court and upper classes emigrated to Brazil when Napoleon invaded the Iberian peninsula. Until the end of the war, Britain practically governed as well as defended Portugal and the price that she asked and obtained was the right to trade at low duties with all the territories of the House of Braganza. "One of the almost immediate effects of this change was to bring Great Britain for the first time into direct commercial contact with Brazil A convoy of merchants went out to Rio de Janeiro where they arrived in July 1808, to form commercial establishments. Meanwhile there was formed in London a committee of merchants trading to London and Brazil."⁹

Similarly, the right to trade with the Spanish colonies, (although how definitely it was given and with what time limit was later a matter of dispute) had to be granted by Spain when Britain became her ally against

9. J.S.Jones, op.cit., pp. 90-91

Napoleon. Spain was reluctant to give up her position of monopoly but by 1810 a new relationship existed between Britain and the Latin-American world. It is a major element in all the negotiations that followed that Britain would not abandon the privilege to trade with Brazil and the Spanish colonies, for as will be seen,¹⁰ trade was increasing at a promising rate. However, there was no special reason why Britain should desire that her new trading partners be independent states, and she was ready and for a time anxious that the authority of the Mother Country be recognized by the colonies.

The Latin American states realized, though, that Britain with her mighty fleet was the key to their success. Only by means of the British fleet could Spain have re-established her power; only by permission of Britain could any other power have assisted her to do so.¹¹ As late as 1823 Bolivar, the great liberator, could write "Only England, mistress of the seas, can protect us against the united force of European reaction."¹² Public opinion in Britain was all the while forming on the side of the emancipators. The growing liberal movement was, of course, from the first deeply interested in their success. As early as 1809, the Edinburgh Review published a long article, inspired by Miranda, the

10. See pp. 15-23

11. C.K. Webster, op. cit., vol. I, p. 11.

12. Quoted in Dexter Perkins, The Monroe Doctrine, 1823-1826 (1927), p. 154.

great Venezuelan patriot, entitled, "South American Emancipation". In the years after 1815, a war-weary Europe saw in the lands of the Spanish empire a new El Dorado. "He must indeed be more temperate, he must be a cold reasoner," said Brougham in 1817, "who can glance at those regions and not grow warm."¹³

When the Napoleonic wars were over, and Ferdinand had re-established absolutism and the Inquisition in Spain, the Spanish government grew exceedingly unpopular in England. Quite apart from any commercial expectations, there was a real desire to see freedom triumph in South America. The revolutionaries defended themselves against Spain to a large extent with arms bought with the money they were able to raise in London, while many British soldiers died on the battlefields of South America, having travelled out in the same spirit that took others to fight for the independence of Greece.¹⁴

The British Recognition of Independence

Thus liberalism and commercial expansion were united in the first quarter of the nineteenth century and both were on the side of the new republics. The resources of Britain's merchants and bankers, coupled with the even more important protection of her fleet, were of

13. R.A. Humphreys, op. cit., p. ix.

14. See the gratitude for British assistance recorded in the Hispanic-American Historical Review, vol. vi, 1926, pp. 190-191.

initial importance in the successful break-away of the colonies. Britain followed a strict neutrality in her dealings with the new states and was always willing to mediate between Spain and (as it was becoming increasingly clear) her former colonies. However, she kept to a plain intimation made by Castlereagh in 1817, that force should never be employed against the colonies by any other state than Spain. As Webster has put it, "It is not too much to say that once the ~~the~~ declaration had been made, the independence of Spanish America was assured. For by refusing to allow Europe to intervene while the issue was still in the balance, Castlereagh made the immediate triumph of the revolution certain. San Martin had already, it is true, taken his army over the Andes, and had fought the battle of Chacabuco on February 12th 1817. But his position in Chile was not consolidated until Maipú was won in 1818, while in the north Bolivar was only just getting control of the line of the Orinoco, and the victory of Boyacá which decided the fate of New Granada did not take place until 1819. At this period, therefore, even a small European force might have been decisive as to the immediate future, and the action of Britain in refusing to allow force was all important".¹⁵ Henceforward, with revolution in Spain in 1820, even Wellington considered independence inevitable, and recognition of the new states was regarded "rather as a

15. C.K. Webster, op. cit., vol I, p. 14.

matter of time rather than of principle."¹⁶

It was not, however, until 1822 that Britain recognized the flags of South American vessels, an act which constituted recognition "de facto", and it was not until October 1823 that commissioners were appointed to go to Colombia and Mexico to ascertain the actual state of affairs in those two countries with a view to recognition "de jure". At the same time, consuls were appointed for Buenos Aires, Montevideo, Chile and Peru, and to accompany the Colombian and Mexican commissioners. Recognition of Buenos Aires, Colombia and Mexico led the way in 1825, significantly in the form of the signing of commercial treaties.

Recognition by Britain set the seal on nationhood and was well received in ~~the~~ ^{the} country, but rapturously in the new states. For example, when Sir Woodbine Parish left London in December 1823 for the provinces of the Rio de la Plata, he was armed with very full instructions for the recognition of the republic and was welcomed heartily by the inhabitants who realised the significance of his mission. Not long afterwards, Parish received instructions from Canning, the Foreign Secretary, to treat with the government of the republic for the negotiation of a treaty "placing on a permanent footing the commercial intercourse which has so long existed between H.M. subjects and those states."¹⁷

16. F.O.92/48. Earl Bathurst to the Duke of Wellington. C.K.Webster, op.cit., vol.II, p.71.

17. E.L.Delgado, The Economic Development Of The Argentine, London University Ph.D., 1939, p.17.

The announcement of the British Government's intention was made at a dinner party given by the Scottish residents in Buenos Aires on St. Andrew's Day (November 30th) 1824. A scene of the wildest enthusiasm followed the declaration. Parish in describing it says, "We were a very numerous party. I believe upwards of seventy and I must say I never saw such a scene in my life as took place after what I told them They appeared all mad, and I expected that the tables and chairs would have followed the bottle and glasses out of the windows, in true Spanish style. Some of the Buenos Aireans who were desirous to drink Mr. Canning's health insisted upon having bottles of wine to drink it in, and yet they were sober." 18

The Growth of British Trade to South America
1800-1825

Well might the merchants have been enthusiastic over the prospects of Anglo-South American trade in 1824, for trade had been on the increase for the past twenty years.¹⁹ It is difficult actually to quantify it during

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18. Reginald Lloyd, Twentieth Century Impressions Of Argentina (1911) p. 64. See also, Nina L. Kay-Shuttleworth, Sir Woodbine Parish and Early Days in Argentina (1910) p. 292.
19. "I called a new world into existence", boasted Canning; but his claim to fame rests on the recognition and not the creation of a new condition. To the British merchants, rather, and to their American rivals, belongs the credit for shaping the circumstances that called forth Canning's boast on the one side of the Atlantic and the Monroe Doctrine on the other," Goebel, D.B. "British Trade To The Spanish Colonies, 1796-1823," American Historical Review, 43, (1938) pp. 288-320.

the first years of the century as it was carried on as contraband trade via the West Indies. A resident British agent in San Domingo informs us in 1810 that smuggling into Spanish America from the West Indies was triple the regular imports.²⁰ Apparently, passes for carrying on a clandestine intercourse with the British islands were freely granted by the governors. The Spanish vessels cleared out ostensibly for Guadaloupe, Martinique and St. Domingo, then in possession of their allies, and when returning from the British possessions produced false clearances and fabricated papers by way of form. These documents were obtained with astonishing ease; passports to any island, or ship's papers of any nation, could be obtained for a trifle, especially at Curaçao, which would deceive the most scrutinising cruiser at sea. The officers charged with the prevention of this trade often shared in the profits.²¹

Walton gives us an insight into the type of cargo suitable for the Spanish American colonies. His list of commodities, running to close on two dozen pages, reveals that there was no great demand for any one article, and that the cargo to command a quick and profitable sale depended on a wise selection of a huge variety of goods, prominent amongst which were linens. It was emphasised that the linens should imitate the German, for which there was a strong preference, and that goods and spices from the East Indies should be cheap, to avoid being undersold by the U.S.A. The

20. W. Walton, Present State Of Spanish Colonies, (1810) vol. II, p.164.

21. Ibid., vol II, p.161.

articles generally were to be cheap and showy, and made up in assorted packages of a weight not exceeding 100 lbs., as all goods had to be carried into the interior on mules or the heads of Indians.²²

After the whole coast of the South American continent had been thrown open to Britain in 1809 when she became Spain's ally, a good deal of speculation was indulged in with unhappy results. It was probably want of judgment, through lack of knowledge of the market conditions, in making up properly balanced assortments for the South American markets, that was part cause of the failures in the speculation period of 1809-11. Many of the cargoes under such conditions could only be disposed of partially.²³ More cotton goods are said to have been sent to Rio de Janeiro in a few weeks than had been consumed there in the previous twenty years.²⁴ Trade with the South American continent, however, revived in 1812, and afterwards showed steady progress.

After 1815, South America provided one ray of light in the gloom of England's commercial depression. England was rapidly changing into a manufacturing nation, and consequently becoming increasingly dependent upon the sale abroad of her surplus productions to secure her normal supplies of food and raw materials. But the European nations, her principal customers, impoverished by the protracted struggles of the war, were unable to

22. Ibid., vol. I, pp. 327-349.

23. J. S. Jones, English Foreign Trade In The First Half Of The Nineteenth Century, Together With Some Observations On The War Period of 1793-1814, London University M.Sc., 1928, p. 75.

24. Ibid., p. 74.

take her goods in as large quantities as before, whilst at the same time they displayed a tendency, as did the United States, to aim at their exclusion by fostering their own industries behind high tariff walls. Crouzet has pointed out that Britain in 1815 was in a position to dominate the world economy, but needed new expanding markets, especially for her major export, cotton goods, which was suitable for a mass market.²⁴ In these conditions, the great question of the time became therefore that of finding an adequate outlet for the nation's expanding production, and this she sought in the first instance by turning her attention, as indeed she had done during the Napoleonic Wars, to the possibility of developing the Latin American markets, as well as those in the East.

The image that South America presented to many people in Britain, as in the rest of Europe, was that of the new "El Dorado". For over 200 years it had been known that great riches had been taken out of the continent by Spain: Legends of a very imprecise nature had grown up over South American mineral treasures in particular, although little was known in detail, for the Spaniards had not encouraged foreigners to explore their lands in the New World. Many Britons firmly believed in the immense wealth of South America, but would have found it difficult to explain of what it consisted and where exactly it was to be found.

For an example of increase in British activity in this period, attention will be focussed on Buenos Aires and the States of the Rio de la Plata. The

24. F. Crouzet. "Wars, Blockade & Economic Change in Europe, 1792-1815" Journal of Economic History, XXIV, 1964

States were particularly neglected by Spain, partly due to the distance that separated them from the Mother Country, partly to other pre-occupations of the Court of Castille, and perhaps, as Sir Woodbine Parish says, to their lack of gold and silver.²⁵ Britain had an unfortunate early clash with Buenos Aires in 1806 when Sir Horne Popham with a military force took possession of the city for a short time. He immediately saw the prospects of the market for English manufacturers and sent out a circular letter to English manufacturing towns inviting them to send out consignments of their wares. By the time the British force decided to evacuate Buenos Aires, the port was encumbered with vessels having more goods on board than the country could consume in five years.

Mr. Forbes, the U.S.A. Consul-General at Buenos Aires, in 1821 acknowledged the immense prestige of the British there and their rich trade.²⁶ Exports to Buenos Aires had in fact doubled in the period 1817-19, having grown from £330,000 to £660,000,²⁷ while the sea-borne commerce of Buenos Aires was almost entirely in English hands, and the river-borne trade wholly so.²⁸ Forbes observed that of the 15,000 foreigners on the Plata, 3,500 were said to be British, in whose hands lay the greater part of the commerce of the region; most of these lived in the city of Buenos Aires, but a number of them, on the other hand, owned large "estancias" farther inland. The majority of the merchants were Scottish. In Buenos

25. Sir Woodbine Parish, Buenos Aires And The Provinces Of The Rio De La Plata, (1838) p.1.

26. J.S.Jones, Ph.D., op.cit., p.283.

27. Ibid., p.261, p.1.

28. E.L.Delgado, op.cit., pp.13-14.

Aires alone there were thirty-nine British commercial houses having correspondents at Rio de Janeiro and Montevideo, whilst both there and in the provincial towns a host of English and Scottish shopkeepers resided. Several wealthy traders had become directors of local banks. It was partly because of the fact that British interests in the Plata had become so extensive that the British Government sent out a mission to report on the question of whether a stable government worthy of recognition existed there.²⁹

Consul-General Parish's reports give us further insight into British involvement. Writing from Buenos Aires in April 1824, Parish confirmed that British interests there exceeded all others, half the public debt and the best part of the most valuable property being in the hands of our subjects who were universally respected and appeared to enjoy the good will of all parties.³⁰ Three months later he forwarded home an extended report, drawn up by the merchants there, on the trade of the river Plata. This account was divided into two sections, the Import Trade and the Export Trade, both of which were treated to an extent historically. Under the old Spanish regime, it said, with its oppressive regulations, the trade of Buenos Aires was monopolised by a few individuals, who enhanced their fortunes by charging high prices for goods imported and paying their own prices for the local produce exported. In 1796, Cadiz sent to the port about 2.8 million dollars worth of goods, and received in exchange 5 million in specie and produce, the latter accounting for 1,075,877 dollars. Including

29. J.S.Jones, Ph.D., op.cit., p.283.

30. F.O.6/3, 25 April, 1824, Parish to F.O.

the contraband trade the imports might have amounted in general to 3 million dollars, it was thought, but British manufactures comprised in these were trifling; the use of plain cotton goods was then almost unknown, French and German linens being the articles used instead, and these, together with the productions of Spain, formed the principal imports of the province. In 1810 the old exclusive privileges were entirely abolished, and the trade was thrown open to foreigners. The resulting intercourse was at first subject to some fluctuation owing to political causes, whilst over-enthusiastic and incorrect reports led to the Buenos Aires market being glutted, as were others at this time. In addition, the exaction of unreasonable duties, and the importation of articles badly suited to the demand, here as elsewhere, helped to contribute to cause losses to those first engaging in the trade. However, with a growing knowledge of the market of Buenos Aires in Britain, and the abandonment of high import duties, an extensive and prosperous trade grew up.³¹

The amount of the imports at Buenos Aires from the opening of the trade to 1816 did, though, fluctuate considerably. Some improvement then took place until 1820, when there was another temporary decline because of excessive trade in 1819 and the reduction of territory under the government of Buenos Aires.³² The commerce of the port made great progress between 1820 and 1824 owing to the good administration of its public affairs, the encouragement given to trade, the rapid increase of population

31. For copies of the report, see F.O.119/1, F.O.6/4, Parish to F.O. 30 July 1824.

32. F.O.119/1, fs.17-18.

including a great influx of foreigners, and a reduction of prices for foreign articles together with a rise for the local produce.³³ Actually, by 1824 it traded with almost every part of the world, though to the greatest extent with England, the chief imports from which were plain and printed calicoes and cloth. Indeed, the country population at large was almost entirely dependent on British manufactures, from which it was to be gathered that British trade would maintain its superiority over all others, and henceforth would not fluctuate greatly.

In fact 1824 was a boom year as can be seen from the following official declared values of exports from Great Britain to the States of the River Plate. ³⁴

1822	£ 981,000
1823	£ 664,000
1824	£1,142,000
1825	£ 850,000
1826	£ 371,000
1827	£ 155,000

The figure for 1824 is outstanding and was not approached until 1849 when British exports more than doubled in a year to reach £1,399,580.³⁵ The increase in trade in 1824 was part cause, part effect, of the feverish interest that anything South American was having in England and the drastic reversal in trade was an indication of subsequent disillusionment. In 1824 however, further proof that commercial intercourse was growing between the two countries was the establishment of a regular monthly packet service

33. J.S.Jones, Ph.D., op.cit., p.290.

34. P.P. 1826, X, p.480.

35. Sir Woodbine Parish, op.cit., p.360.

from Liverpool to Buenos Aires. ³⁶

Buenos Aires and the states of the Rio de la Plata were fairly representative of the growth of British interests in South America up to 1825. In fact, though, of the several Latin American states our largest dealings were with Brazil, for under a treaty of 1810, which did not expire until 1825, Britain retained the advantage of 15% import duty as against 24% paid by other nations. ³⁷ This privilege enabled Britain practically to dominate the trade of the country. Exports rose from just under £2 million in 1816 to over £4 million in 1825, whilst our imports from there similarly doubled (from nearly £1 million to nearly £2 million). ³⁸ The principal exports of Brazil were sugar, coffee, cotton, bullion and specie. The sugar and the cotton were taken mostly by Great Britain, which took in addition some coffee, tobacco, drugs, dyewoods, hides, gold, precious stones and specie, in exchange for cottons, woollens, linens, glass and earthenware, brass and copper ware, hardware and cutlery, and iron and steel chiefly, with cottons accounting for over 50% of the total. ³⁹

The revolutionary struggles at times seriously inconvenienced

36. E.L. Delgado, op. cit.

37. J.S. Jones, Ph.D., op. cit., p. 399.

38. The Brazilian trade appears to have progressed fairly smoothly, for official references to the commercial affairs of Brazil are rare. In general, British merchants only approached the state departments when they had grievances to bring forward.

39. P.P. 1820, III, p. 460, and 1826-7, XVIII, p. 404.

J.S. Jones, Ph.D., op. cit.

British trade with the South American states, particularly along the Pacific coast, where Chile generally had first call upon our merchandise, the surplus being afterwards sent forward to Peru. However British naval forces in the Pacific were able to ensure some protection for British interests, and in December 1824, when the revolutionary forces entered Lima, the prospects of trade began to improve, and the west coast attracted more attention from British merchants. Consequently we find that exports to Chile and Peru, which had been growing slowly from £33,000 in 1816 to £561,000 in 1822, rose to £898,000 in 1823, and an average of nearly £1½ million in 1824-5, with a corresponding rise in imports, though these were on a much smaller scale.⁴⁰ The commodities sent to the coast were very much similar to those shipped to the Plata, and the principal returns were bullion and specie.

From Chile, in addition, our vessels carried copper and hides, the former mostly to India, and from Peru, where English manufactures were in general use, come cocoa, cortex, hides, cotton and wool. Peru and Chile (as well as Buenos Aires) had a growing trade with the East Indies, and in both countries the principal part of the foreign trade was in the hands of the British. By 1825 there had been a great deal of over-stocking of the Pacific coast with British merchandise, particularly cotton goods.

Besides the large commission agents, the English in Valparaiso seem to have been a motley crew of traders, sailors and adventurers. "English traders, shoemakers, saddlers and innkeepers," wrote Maria Graham,

40. J. S. Jones, Ph.D., op. cit., p. 404

"hang out their signs in every street; and the preponderance of the English language over every other spoken in the chief streets, would make one fancy Valparaiso a coast town in Britain."⁴¹ According to J. Miers, many were "sailors, or persons in the lowest sphere of life,"⁴² and Robert Proctor, who like Miers was somewhat embittered by his experiences, described the town as "full of English, many of them of the lowest description and of the worst characters," who acted as brokers and smugglers.⁴³

Our commercial connections with the northern coast of South America, with Central America, and with Mexico, continued for a great part of the period up until 1825 to be conducted through the old channels of the West Indies. In these regions also, until the year 1822, the struggles of the revolutionary movement were a cause of hindrance to commerce, although Britain maintained a strict attitude of neutrality. Privateers of the contending parties, (as well as others) interfered with British shipping, but by admitting Spanish vessels and employing British ones, and using the services of our warships both for convoy and in bringing back to a large extent the specie received for our merchandise, Britain managed to keep up an intercourse with the mainland.⁴⁴

British trade with Colombia appears to have been particularly impressive. "The power of England," observed a French traveller, "is

41. Maria Graham, Journal Of A Residence In Chile During The Year 1822 (1824) p. 131.

42. J. Miers, Travels In Chile And La Plata (1826) pp. 446-447.

43. Robert Proctor, Narrative Of A Journey Across The Cordillera Of The Andes, (1825) p. 109.

44. J.S. Jones, Ph.D., op. cit., p. 405.

without a rival; no fleets but hers are to be seen; her merchandises are bought almost exclusively; her commercial agents, clerks and brokers are everywhere to be met with!"⁴⁵

With the exception of the years 1796 and 1798, our exports to the Latin American countries had been comparatively small until 1806-7, when Britain first established direct contact with the Southern Continent. They then rose, following a period of speculative trading, to an average of about £6-million in 1809-10, then dropped to rise again to £5½ million in 1818, and following a second drop, eventually reached £10 million in 1825. Our imports from these countries were on the whole rated much lower than our exports to them, the difference being made up by shipments of bullion and specie. Brazil and the foreign West India Islands were Britain's best customers until the twenties, when, following the culmination of the struggles for independence, the Spanish American states came into prominence.

The Latin American countries were pre-eminently a market for our cotton goods, for these accounted for about 50% of our exports to them. Next in importance came woollen goods and linens, forming roughly 25%, whilst the remainder were composed of glass, earthenware, hardware, cutlery, silks, iron and steel, millinery, beer and ale, brass, copper and miscellaneous articles. Our principal imports in exchange were coffee, cocoa, hides, sugar, cotton, cochineal, dyewoods and tallow, besides

45. G. Mollien, Travels In The Republic of Colombia In The Years 1822 And 1823 (1824) pp.215-216.

bullion and specie. In addition to that resulting from a direct trade, considerable quantities of our merchandise must have passed as well to these countries through the British West Indies, the foreign West India islands, Portugal, Spain, the U.S.A. and Gibraltar.

The great rise in the exports from under £3½ million in 1819 to over £10 million in 1825 was followed by a crisis and decline in trade, though a recovery was made in 1828. The causes of the trouble were very similar to those which led to the crisis of 1810, that is, overstocking of the market by exporters who were not regular mercantile houses with branch connections, but manufacturers attempting to get rid of surplus stock which had been on their hands for some time through slackness of trade in England. Their speculations were injudicious and badly managed, they had little knowledge of the state of the country, and the specie and produce for making returns proved insufficient.⁴⁶

Conclusion

It is evident then that after striving for over two hundred years, Great Britain had succeeded by the 1820s in gaining for herself predominant command of the Latin American trade. The persistent pursuit of this goal was by no means an isolated incident, but rather it was part and parcel of the wider struggle for world territorial possessions and world commerce. Both diplomatically and commercially Britain came to play a vital role in South

46. For a discussion of the effects that the loans from Britain to the newly-formed governments had on this burst of speculation, see pp.158-161.

American affairs during the first quarter of the nineteenth century, at a time when the image of "El Dorado" in South America could be contrasted strongly with the depressing economic realities of the European continent. South America was a land of unknown riches waiting to be transformed by the genius of the world's most advanced economy. However, she was governed by men who were thankful of the part Britain had played in the Wars of Independence. Loans from Britain to the new governments and investment by British companies in the new states therefore became in a sense inevitable. The following chapter should indicate more precisely the attractiveness of South America from the point of view of the British investor.

CHAPTER II

GENERAL FACTORS BEHIND THE BRITISH INVESTMENT BOOM
OF 1824 - 1825

The prosperity that reached its climax in 1825 has often been referred to as the first truly modern cyclical boom in British economic history.¹ The basis for that conception is the enlarged role played by capital market floatations. From 1822, but more particularly in 1824-5, docks, railways, gas and water companies, and, above all, foreign governments, mainly South American, and companies formed to work the South American mines, came to London for funds on an unprecedented scale.

Coinciding in time with the stock market boom was a considerable speculation in imports. Commodity stocks were found to be low towards the end of 1824, and with cotton leading, import prices rose, and large quantities of the staple commodities were contracted for.² Exports paid for in part by the new South American loans were shipped in large quantities. A boom at the same period in the United States also brought increased orders to the textile and iron industries.

These demands, coming when the system was already close to full employment, pushed capacity to the limit and induced investment in new plant and machinery. In cotton, iron, wool and the coal industry, the same pressures can be traced in 1824-5 and the same sorts of expansion. Non-agricultural

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1. A.D. Gayer, W.W. Rostow and A.J. Schwartz, The Growth Of The British Economy, 1790-1850 (Oxford 1953) p.171.
 2. See New Monthly Magazine, Vol XV, 1825, Commercial Report, Feb. 23rd, p.131, for the short-lived speculation in commodities.

prices, after sagging in 1822-4, rose sharply in this final phase of prosperity. They turned downward, however, in the spring of 1825, and rose again only at the close of 1826. By that time the financial aspects of the panic had been liquidated, and excess stocks had, largely, been worked off.³

The Resumption of Cash Payments

It can be reasonably argued that the basis for the boom lay in the monetary measures of the government and the Bank of England. It was decided by "Peel's Act" of 1819 that the Bank was to resume full cash payments by May 1st, 1823, but this final date was anticipated and on May 1st, 1821, the paper currency, established since 1797, was replaced by a currency on a metallic basis, of which the country had been deprived for 24 years and 2 months.⁴ However, under the instructions of the House of Commons of 1819 the Bank had been required not only to pay off in gold within four years the amount of their £1 notes then in circulation (about 7,500,000), and provide the requisite surplus bullion for insuring the convertibility of all its liabilities, but also to provide the coin for paying off about £7 million or £8 million of country small notes in 1825. The

3. A.D. Gayer, W.W. Rostow and A.J. Schwartz., op.cit., p.172.

4. A. Andreadès, History Of The Bank Of England (1909), p.242.

Governor of the Bank later estimated that it had been necessary to procure £20,000,000 of gold from foreign countries within the space of four years from 1819.⁵

The supply of gold could only be purchased by reduced prices of commodities, the Bank withdrawing a given amount of securities in the first instance, the notes for which could be re-issued in payment of the gold imported.⁶ Thus, buying at a loss, the Bank had at the February balance of 1821, when it was preparing to resume cash payments two years before the appointed day, more treasure in hand (£11,900,000) than ever in its history.⁷ It was assumed that the small notes were to be paid off two years hence. Leave to issue these small notes in England had always been treated by Parliament as a temporary war measure, to be discontinued as soon as the metallic basis for the currency had been completely restored. One object of abandoning £1 notes was to isolate the poor from any fluctuations arising from a paper currency, as well as ending the easy forgery of these notes. The Act of 1816, which extended the suspension of cash payments but contemplated resumption in 1818, had allowed two years from the date of resumption within which the issue of notes under £5 was to cease.⁸

5. P.P.1832,⁷²² VI, p.69. House of Commons Committee on the Renewal of the Bank Charter, Memorandum of the Governor of the Bank of England.

6. Ibid.

7. J. Clapham, The Bank of England (Cambridge, 1944), vol.II, p.75.

8. 56 Geo. III, c.21.

Ricardo, who had always feared "the evil consequences which might ensue from a sudden and great reduction of the circulation, as well as from a great addition to it,"⁹ had suggested in 1819 that it might be wise to continue the use of the £1 note - at any rate for some time - so as to ease pressure on the gold. His ideal currency would have contained such notes permanently "in all the country districts",¹⁰ though not in London. But his advice had not been taken: the Act of 1816 still applied and the cancellation of the Bank's own small notes was to be followed by the country issues.

Parliament suddenly changed its mind, though, and scared by recent price falls and influenced by widespread agitation against "Peel's Act" of 1819, extended the bankers' power to issue small notes until 1833, the year in which the Bank's charter was timed to expire.¹¹ "The consequence of that measure was, to leave in the possession of the Bank an inordinate quantity of bullion."¹²

The first step to expand credit was taken in December 1821, with the substitution of ninety-five days for the traditional sixty-five days as the maximum currency of bills discounted by the bank.¹³ However, the major

9. D. Ricardo, Proposals For An Economical And Secure Currency: Works, (1951), p.407.

10. D. Ricardo, Plan For The Establishment Of A National Bank: Works, p. 509.

11. J. Clapham, *op.cit.*, vol. II, p. 76.

12. Memorandum of the Governor of the Bank of England, *op.cit.*

13. L.S. Pressnell, Country Banking In The Industrial Revolution, (Oxford 1956), p.478. J. Clapham, *op.cit.*, vol. II, p. 85.

development in the process by which money became "cheap" was the conversion of government stock.

The Conversions of Government Stock, 1823-1824

Great significance was attached to this with reference to the boom years by Palmer, the Governor of the Bank of England, during the 1832 Committee on the renewal of the Bank Charter.

Q. "Will you state to the committee what in your opinion was the nature and march of the crisis in 1825?"

A. The Committee will of course understand me as expressing merely a speculative opinion, and in no way committing other parties who may have different views. I have always considered that the first step towards the excitement was the reduction of interest upon the Government securities; the first movement in that respect was, I think, upon 135,000,000 l. of Five per Cents, which took place in 1823; in the subsequent year, 1824, followed the reduction of 80,000,000 l. of Four per Cents. I have always considered that reduction of interest, one-fifth in one case and one-eighth in the other, to have created that feverish feeling in the minds of the Public at large, which prompted almost everybody to entertain any proposition for investment, how-

ever absurd, which was tendered " 14

The funded debt in 1822 amounted to rather more than £795, 000, 000. The money had been borrowed at 3 per cent., 4 per cent., and 5 per cent., and more than £153, 000, 000 of the amount carried interest at 5 per cent. This portion of the debt was usually known as the Navy 5 per cents, and the Act under which this money had been chiefly borrowed, stipulated that the 5 per cents should be irredeemable till £25, 000, 000 3 per cent Stock had been paid off. A previous Act had directed that no portion of the 3 per cents should be redeemed without twelve months' notice to the holders. The Sinking Fund, had, however, discharged considerably more than £25, 000, 000 of the 3 per cents, and the Government therefore contended that it was at liberty to proceed with the redemption of the 5 per cents. 15

The terms offered for the redemption of the 5 per cent Stock were as follows. Every holder of £100 5 per cent Stock was to be at liberty to receive £105 New 4 per cent Stock. But any person objecting to this arrangement was to be paid off at par.

The value of £100 4 per cent Stock in February, when the offer was made, was about £98; the value of £100 5 per cent Stock was about £105.10s. The holder, therefore, who accepted the Government terms received Stock

14. P.P. 1832, ~~VI~~^{VI} Q. 606, House of Commons Committee On The Renewal of the Bank Charter. Evidence of John Horsley Palmer.
15. Spencer Walpole, A History of England From The Conclusion of the Great War in 1815, (1914), vol. II, p. 119.

worth about £103; the holder who refused them had the alternative of accepting £100 in money. There could not, under these conditions, be much doubt about the success of the scheme. The dissentients among the fundholders were very few, and about £150,000,000 out of the whole amount of £153,000,000 was converted into a 4 per cent Stock.¹⁶

Similar manoeuvres in 1824 brought a conversion of 4 per cent Stock to $3\frac{1}{2}$ per cent. In February the price of Consols had risen to 90; the old 4 per cents, redeemable at par were quoted at about 102; and the time had therefore arrived at which it was both possible and desirable to redeem this Stock. The old 4 per cent annuities amounted to about £75,000,000 and involved an annual charge of about £3,000,000, but they could not be legally redeemed without six months' notice to their holders. Robinson, the Chancellor of the Exchequer, proposed to give the holders of the 4 per cents six months' notice that the Stock would be redeemed, unless, within six weeks from the receipt of the notice, they desired to exchange it for $3\frac{1}{2}$ per cent Stock.¹⁷ In the great majority of cases the exchange was at once made and the Treasury thereby saved £375,000 annually.¹⁸

The relative surplus of money at the Bank of England, which will be shown later to have contributed to the inflationary pressures of the boom years, was exhibited in 1822 when the Government tried to rid itself of the

16. Ibid., p.120, J.Clapham, op.cit., p.478.

17. Hansard, N.S., X, 317.

18. W.D.Jones, Prosperity Robinson (1967), p.102.

naval and military pensions liability of around £5,000,000 inherited from the Great War. This was known as the deadweight annuity - or just the Deadweight. Ministers argued that it was not really part of ordinary expenditure, "in fact had nothing to do with it". The pensions were a dwindling liability, "a dead expense".¹⁹ The government proposed to issue a 45-year annuity of £2,800,000 a year, so "saving" £1,200,000; from the funds raised by selling the annuity they would meet the heavy pensions costs of the earlier and reduced costs of later years. The scheme had obvious deficiencies that were propounded by Ricardo, Hume and others, but was passed by a confused House of Commons.²⁰

It became necessary to find some capitalists who were prepared to undertake the contract, and the largest capitalists declined to have anything to do with it.²¹ In 1823 the Government appealed to the Directors of the Bank of England. Very reluctantly they agreed to take £585,740 of the annuity, paying for it £13,089,419 spread over five and a quarter years.²² This was not to be the only time that the Bank was to lend money to the Government.

19. Hansard, N.S., VII, 164: Vansittart.

20. The debates are summarized in W. Smart, Economic Annals of the Nineteenth Century, (1910), vol. II, pp. 85-87.

21. Spencer Walpole, op.cit., vol. II, p. 122

22. J. Clapham, op.cit., vol. II, p. 89.

Though the Directors had been glad, when accumulating treasure against resumption of cash payments, to reduce their holdings in the floating debt, they were only too willing in the years of high bullion reserves and low profits - from 1821 to 1824 - to oblige the Treasury in most emergencies. It advanced £4 millions on Exchequer bills that had been issued by the government during the summer of 1822: this was to enable the Treasury to assist the hungry Irish, as well as to facilitate the current loan conversion operations, and to extend its own circulation.²³

The Credit Policies of the Bank of England and of the
Country Banks

The Bank thus co-operated with the Government in its reflationary measures, but to this should be added the Bank's independent policy of lending money on mortgage, which it had virtually abandoned a century earlier.²⁴ The Bank proposed to lend money on mortgage in May 1823, as one way of using its surplus bullion and enhancing its flagging profits, and when a very attractive mortgage proposal was made to the Committee of Treasury in October it was accepted at once. The Duke of Rutland had mortgages and encumbrances on his land amounting to £280,000 and asked for a single mortgage of £300,000 at 4 per cent so that he might clear these off. His rent roll was returned at £71,000 and because of "the great eligibility of the security", the committee at once recommended it to the Court who

23. L.S.Pressnell, op.cit., p.480. J.Clapham, op.cit., p.86.

24. L.S.Pressnell, op.cit., p.479.

accepted it the next day.²⁵

When accepting this Rutland mortgage, the Court agreed to proceed with a policy of lending on the security of land up to a sum of £2,000,000. Once it was known that the Bank was open to landlords, applications poured in from all over the kingdom. Before the year was out, nearly fifty had been received. The Marquis of Bath wanted £200,000; the Duke of Devonshire £130,000; Mr. Bucknall Estcourt £70,000; Earl Cowper, the Earl of Chichester, Sir John Trevelyan and a crowd of others are all on this first list of 1823.²⁶ Nearly all were accepted.

The business slackened off in 1824; there were only a dozen applications from January to May, but one was big and another the biggest yet received. The trustees of Sir Corbet Corbet wanted £104,000 and the Earl of Oxford not less than £350,000. The former got their mortgage, the latter did not. The Bank refused to lend on Scottish or Irish land but appear to have been overworked with their English correspondence. The Directors were accused in Parliament in 1824 by the radical, Joseph Hume, of "acting as pawnbrokers on a large scale", at a time when new mortgage business was already slackening off. They were more reasonably accused by Edward Ellice of locking their money up in an unrealizable form of security, the very thing that had brought down so many country banks in

25. J. Clapham, *op. cit.*, p. 82.

26. *Ibid.*, p. 83

1815.²⁷ The money lent out exceeded £1,000,000 by the end of January 1825, and by July 1825 it had reached an apparent maximum of £1,452,396.²⁸ The operation was dis-continued in October 1826.

However, the Bank had also decided, by September 1823, to lend on government securities and upon its own stock. A trivial amount was lent at first- a thousand pounds or so - but in June 1824 it bounded up to £1,000,000, and barely dipped below that figure until July 1825, when it dropped to £166,500 to trail away almost to nothing.²⁹

The Bank, then, made every effort to put its unaccustomed wealth to good effect and perhaps in this way contributed to the over-speculation that was to occur. However, the bullion at the Bank reached in January 1824 the enormous and unprecedented amount of £14,200,000 and was in April 1824 as high as £13,800,000, while the circulation in April 1824 was £19,300,000, or only one million higher than it had been in February 1823.³⁰ The Bank influenced the boom only indirectly: it was financed directly by the private bankers in London and the country bankers.

The debt conversions and the fall of the bank rate from 5 per cent to 4 per cent in June 1822³¹ had an immediate effect on the credit situation of the country bankers, if only because a fall in the rate of interest, by reducing

27. Hansard, N.S., X, 226.

28. See statistics of mortgage lending etc. in Committee on the Bank Charter, 1832, Appendix No.6.

29. Ibid. L.S.Pressnell, op.cit., p.480.

30. T.Tooke, History of Prices (1838), vol.II, p.174.

31. J.Clapham, op.cit., p.84.

the profitability of their London balances and investments in bills, compelled them to employ their resources more fully, more actively.³² On the other hand, falling rates of interest and rising confidence among the public could be expected to stimulate the circulation of the means of payment generally. The country banks, some of which in 1819 had expressed a dislike of small notes, now either threw their dislike to the wind, or found it impossible to resist their customers' demand for them.³³ One estimate of the total volume of country bank notes stamped each year in the period 1821-3 puts the figure at 4 millions, rising to 6 millions in 1824 and in 1825 to more than 8 millions.³⁴ In the provinces, small notes became the common method of paying wages, and by 1825 one-half or more of the issues of the bankers in many districts were notes of less than £5.³⁵

Henry Burgess, then the secretary of the Committee of Country Bankers, presented to the Bank Charter Committee of 1832 a series of index numbers for the note issues of 122 country banks, in July of each year from 1818 to 1825.³⁶ A simple arithmetic average of all the indexes showed that issues had fallen unbrokenly from 1818 to 1823 by 12 per cent. From 1823 to 1825 they rose by 16 per cent. Since the statistics are of ratios only,

32. L.S.Pressnell, *op.cit.*, p.480.

33. A.E.Feaveryear, *The Pound Sterling* (Oxford, 1931) pp.218-219.

34. Hansard, N.S., XIV, 17, Lord Liverpool.

35. William Cobbett, *Rural Rides* (1830), Vol.II, p.24.

36. Committee on the Bank Charter, 1832, Q.5165.

and not of absolute amounts issued they are of limited value. The issues of sixty-four of the banks had risen less than the average, and some had actually fallen- those of forty-nine had risen by more than the average - some of them by very much more. Clapham's suggestion of a "minimum extra issue of 20 to 25 per cent", may not be far out for many banks.³⁷

Even the sound Bedford Bank increased its issues by 16 per cent between December 1823 and December 1824.³⁸ The increases in the issues cited by Burgess are the more revealing when an examination is made of the rise between July 1824 and July 1825, when the country notes were to reach their peak: the overall overage was a rise of 6.7 per cent, but fifty banks showed rises of 10 per cent or more.³⁹

As early as July 1822, Barclays could write to bankers at Whitby that "money can scarcely be employed at all or bills obtained at a higher rate than $3\frac{1}{2}$ per cent from the brokers the present unusual abundance of money renders the occupation of it so difficult, and when occupied it is at so low an interest that after a material sacrifice from being unable to employ our money, and particularly since the payment of the last dividends, we are obliged to place a limit on the balances of correspondents on which interest is allowed".⁴⁰

37. J. Clapham, op. cit., vol. II, p. 97.

38. L. S. Pressnell, op. cit., p. 481

39. Ibid.

40. K. F. Dixon, The Development of the London Money Market, 1780-1830.
London University Ph. D., 1962, p. 166

There was also a considerable increase in the volume of bills of exchange. William Leatham, a Quaker banker of Yorkshire, estimated that the total stamped in 1825 was £260 millions, £28 millions more than in 1824; the daily circulation of bills he estimated to have increased from £58 millions to £65 millions. ⁴¹

These were days of very easy paper money. Credit was expanding rapidly and yet there were few opportunities for investment. The debt conversions, in particular, partly accentuating, partly reflecting the downward tendency in the long-term rate of interest, had the immediate effect of exciting "among persons whose incomes were in consequence diminished, a restless feeling, and a disposition to hazardous investment."⁴² There was a proverb current in the financial world that "John Bull can stand many things but he cannot stand 2 per cent".

The Progress of the Trade Cycle
1821 - 1825.

Before turning to a detailed analysis of the investment boom that focussed itself on South American prospects, it is wise to interpret more fully the underlying trends of the British economy in the first half of the eighteen-twenties. A descriptive account of the timing of the booms, for

41. W. Leatham, Letters on the Currency (1840), pp.67-68.

42. T. Tooke, op.cit. vol. II, p.191.

it will become apparent that there was in reality more than one, will then be outlined.

A clearly marked cycle can be traced from 1820 when recovery from the depression of the post-war years was already under way, to 1826, the bottom of the succeeding depression. The economic system gradually recovered to the end of 1824. Security and commodity prices then rose in a spectacular inflationary spiral and industry moved to an unstable full employment. In the spring of 1825 a turning point came, and by December there was severe financial panic. The depression deepened until the closing months of 1826, when a mild revival began.⁴³

This was an age when advances were made towards free trade. In 1823-5, tariffs, with the exception of those on grain, were generally lowered, and their administration simplified. Huskisson's new tariffs ranged between 10 and 30 per cent, while the old rates varied between 18 and 40 per cent.⁴⁴ These alterations were by no means an acceptance of the blessings of pure free-trade, but were a reflection of the confidence that British manufacturers had in an unrestricted international market. In another sense, as Gayer, Rostow and Schwartz agree, they were strictly a product of the boom of 1822-5, as in 1825 British manufacturers were less concerned with foreign competition than with cheaper supplies of raw

43. A.D.Gayer, W.W.Rostow and A.J.Schwartz, op.cit., p.171.

44. W.Smart, op.cit., vol.II, pp. 192-226, 264-290.

materials. The timing of the tariff reductions was closely connected with, and indicative of, Britain's economic growth in the early twenties.

Domestic prices fell almost continuously from 1818 until the trough was reached in May, 1822. The index remains at this low level through the rest of 1822, but moves rapidly up from January to June 1823. After breaking sharply to October, it rises by February 1824 to about the level of the previous June. Until September it sags slightly, only to rise steadily through the last quarter of 1824 to a peak in May 1825, from which time it falls severely away to a low point in July 1826.⁴⁵

The conditions of supply for agricultural commodities were the principal determinants of the price level. The rise in the index in the early months of 1823 and the fall and recovery in the latter half of the year are clearly connected with fluctuations in the grain market.⁴⁶ The low point in the domestic index comes in May 1822; in grain prices in October. The movement of non-agricultural domestic commodities determines the lower turning-point, as they tended to recover slightly in the spring of 1822 from the long downward movement begun in 1818. A few domestic commodities reflect a further brief spurt about December 1822 to February 1823.

45. Ibid. p.74.

46. T.Tooke, op.cit., vol.II, pp.121-122.

in response to fears of a general European war.⁴⁷ The major rise was in colonial products, whose supply, it was feared, would again be obstructed, but some domestic commodities as well were affected. After the short rise, they sagged again until 1824, while later in that year, the substantial rise began which ended abruptly with the cessation of the boom in the middle of 1825. Individual domestic prices, of course, vary considerably in their movement, although they agree in the decisive rise and fall of 1825-6.⁴⁸

Except for the rise in the prices of colonial produce in the early months of 1823, and of cotton, in the latter months of the year, import prices tended to fall steadily from the beginning of 1822 to October 1824.⁴⁹ At that time, an apparent deficiency of commodity stocks, combined with the feverish speculative optimism which pervaded the stock exchange and industry, caused a commodity import boom. This reached its peak in May 1825, when a severe decline set in, which persisted to July 1826.⁵⁰ Overtrading manifested itself particularly in the case of cotton which was of paramount importance and it was here that the reaction was first felt. The decline of overall import prices in 1825-6 brings the index to its lowest point since 1791.⁵¹

Between 1821 and 1824 Tooke states that "the trade and manufact-

47. Ibid. pp.79n. and 140-141

48. See A.D.Gayer, W.W.Rostow and A.J.Schwartz, op.cit., p.176, Fig.50, Prices, 1821-6.

49. T.Tooke, op.cit., vol.II, pp.140-141.

50. Ibid., pp.154-156.

51. A.D.Gayer, W.W.Rostow, and A.J.Schwartz, op.cit., p.181.

ures of the country had never before been in a more regular, sound, and satisfactory state." That picture conforms to available non-statistical evidence on the iron industry. In 1822 the Staffordshire iron trade was reported "in the fullest state of activity", while the manufacturers of iron-mongery and cutlery boasted that their wares "were beyond the danger of rivalry".⁵² Even in Birmingham, which had suffered most directly from a cessation of war-time orders after 1815, "the whole body of the working classes were well employed, and a great number of new houses had been built."⁵³ 1824 was a year of "great prosperity everywhere"⁵⁴ with the rising prices of the latter months extending profits and causing strikes.⁵⁵ As a result of the new investments, orders for rail iron, water-mains, lamp posts and mining machinery were coming to the foundries on a larger scale than ever before. The iron industry in the early months of 1825, exhibited all the characteristics of an industry operating at strained full capacity: consumers eager to buy; manufacturers raising prices in natural response to the inelastic demand as well as by monopoly agreement; rising wages and strikes.⁵⁶

52. W.Smart, op.cit., vol.II, p.123.

53. Ibid., p.145.

54. Ibid., p.183.

55. Ibid., pp.231-233.

56. A.D.Gayer, W.W.Rostow and A.J.Schwartz, op.cit., pp.194-5.

Beveridge gives a weighted index of physical output for all industries as follows:-

<u>1820</u>	<u>1821</u>	<u>1822</u>	<u>1823</u>	<u>1824</u>	<u>1825</u>
92.0	91.2	96.8	103.6	112.7	134.0
<u>1826</u>	<u>1827</u>	<u>1828</u>	<u>1829</u>	<u>1830</u>	
102.0	107.0	103.9	97.1	99.8	.. contd.

Expectations held in the latter stages of the boom caused an extension of "plant". For instance, in the coal industry, old pits were extended and new ones sunk, while there was also an improvement in the pumping machinery of several collieries, making possible the exploitation of deeper veins. This extension of plant was most significant in the textile industry and particularly with the increase in the number of power-looms. It is significant that the riots during the depression of 1826 were characterized by the destruction of many of the new power-looms.

As has been indicated, labour fared well in the final years of the boom, and with a shortage of hands, money wages rose rapidly. Efforts at organization were aided by the repeal, in 1824, of the Combination Acts. A part of the new freedom was withdrawn in the revised Act of 1825; but labour's organization at least was no longer illegal. In 1826, however, money wages fell sharply, retail prices considerably less: it was a year of widespread and severe distress.⁵⁷

Exports grew satisfactorily in the early 'twenties. With the exception of 1823, there was a steady increase in the volume of exports, from 1821 to 1824, followed by a minor decline in 1825, and a drastic fall in 1826. The rise in prices in 1824-5, however, makes 1825 a peak year in the annual

William Beveridge, "The Trade Cycle in Britain before 1850", Oxford Economic Papers, Number 3, 1940.

57. A.D. Gayer, W.W. Rostow and A.J. Schwartz; op. cit., p. 173.

figures for the real value of exports, whilst the official values of imports are also at a peak in that year. The most important increase in exports (1821-5) and the sharpest decline (1825-6) appear in the export figures for Central and South America.⁵⁸ The substantial decline in shipments to the United States, in 1826, clearly reflects the consequence of the panic of the previous year and the depression there. While the sales of British merchants to the Continent still constituted the largest single category of their business, they play a relatively minor role in the fluctuations of total exports.⁵⁹ The speculative boom in foreign trade, from the closing months of 1824 to about April 1825 has been described in its impact on prices. Many of the contracts were made when prices and interest rates were low, and the general prospects for trade highly optimistic.⁶⁰ The rise in prices, however, discouraged purchases abroad, while producers at home found that their import requirements were more than fully met. A money market experiencing severe stringency - partly in consequence of the increased credit demands for foreign trade financing - helped reverse the upward trend.

The character of this whole business cycle, however, can be distinguished from earlier cycles by the scale and scope of new private investment. There was an increase in railway constructions, new docks were built and what appears to be the greatest building boom until the forties took place.

58. See pp. 17-23.

59. A.D. Gayer, W.W. Rostow and A.J. Schwartz., *op. cit.*, p.182.

60. T. Tooke, *op. cit.*, vol. II, p.147.

Gas-light, insurance, building, trading, investment and provision companies, and above all companies concerned with South America and the loans to that continent impart to these years their unique character.

Fifteen new railways, covering 256 miles and costing £3.64 millions, were completed from 1823 to 1826.⁶¹ In 1824-5, two large docks companies and the West India and General Steam Navigation companies were formed, the latter two involving £4 millions.⁶² Even so, the boom in Mexican and South American mining shares was the most sensational of the developments in the capital market in these years. The attitude of the investing public was made optimistic by the government's formal recognition of these states in 1824, and the "restlessness" of the British investor suffering from declining yields made for an easy acceptance of both government and mining prospectuses. More than half of the forty-four mining companies which appeared in 1824-5, and survived until 1827, were operating in Latin America.⁶³ Finally, the public was induced from 1822 to 1825 to export enormous amounts of capital overseas in government bonds, predominantly to South America, and these bonds, in the amounts actually paid up, constituted the largest single category of new investment which can be estimated for the period.

The course of this extraordinary cycle in new investment can be traced in the security indexes as well as in the price of Consuls, Bank Stock and

61. G. R. Porter, Progress of the Nation (1849), pp. 329-330.

62. Henry English, A. Complete View Of The Joint Stock Companies Formed During The Years 1824 and 1825 (1827) p. 8.

63. Ibid. pp. 4-6.

India Stock. The security index, inclusive of mining shares, moves up gradually throughout 1822. From December to April 1823 it declines in response to the war fears mentioned earlier. This movement appears in all security prices. From the spring of 1823 the upward movement is resumed at an accelerated pace, until June 1824. From June to October the index tapers in its rise, but in October the wild speculation in mining shares broke out. From October until January 1825, the index inclusive of mines rises extravagantly to be checked in February-March from whence it declines ever more rapidly to September 1826.⁶⁴

The index exclusive of mines, after rising through 1822-3, begins gradually to decline in October 1824, after a very minor advance in the previous quarter. The decline was checked in the first half of 1825, probably due to a shift from mining shares, on their first decline, into other securities, before the credit structure supporting the whole market collapsed. From September 1825, the index falls without interruption; the major decline ending, however, by March 1826. The prices of Consuls, India Stock and Bank Stock, although there are marked dissimilarities in their movement, all show turning-points in 1824, anticipating or at least preceding the Stock Exchange crash.⁶⁵

During the financial crisis the Bank of England came to the rescue as the lender of last resort. During the period of industrial and commercial expansion, as has been indicated, the Bank did not enlarge its discounts

64. A.D.Gayer, W.W.Rostow and A.J.Schwartz., op. cit., pp.190-191.

65. Ibid. p.191.

greatly, but during the latter half of 1825 until 1826 it increased its private loans against a rapidly declining reserve.

The Attractions of Investment in South America

The structure of the boom has now been outlined. The lowness of interest rates in the early 1820's may be contrasted with the great deficiencies of the public investment mechanism. The sort of person who invested in the Funds knew very little about the opportunities for investment in manufacturing activities at home, and had knowledge of only a very limited range of nationally promoted and advertised schemes, such as those involving foreign governments. Hence there was a certain inevitability about the rush to invest in South America; firstly in its governments and secondly in the new mining companies.

CHAPTER III

British Investment in South American Governments

By the time their independence was won, and in some cases even before it was won, the new nations of Latin America were considerably indebted to British merchants, shipowners, soldiers and army and navy officers. Since Britain was the only country in the world with a large surplus of capital, it was natural that the governments of the new nations should float their first bond issues in the British market. Colombia was the first nation to avail herself of British capital and the affairs of the Colombian loans will be discussed first as they set a pattern for the loans to the other states. A general analysis will then be made of the total sums involved in this investment process as well as the individuals and firms concerned and the methods used to induce investment. A more detailed analysis will be made of the mechanics of raising the loans for Buenos Aires and Chile, and finally, the fraudulent "Poyais" loan will be discussed.

The First Debtor: Colombia

Colombia led the way in the settlement of her accounts after her own independence had been won. The Colombian vice-president, Zea, arrived in London in June 1820, with powers as minister plenipotentiary, although Castlereagh would have nothing to do with him officially.¹ Bolivar, acknowledged as head of the government in Colombia, had sent Señor Zea to England

1. Castlereagh's refusal is at F.O.97:14

with powers to act for the service of the republic, and, if possible, to procure a loan to the amount of five millions sterling.²

The new republic had honourable intentions. During the installation of the Congress at Angostura, the President spoke of the foreign creditors of the republic, "Those friends of mankind are the guardian geniuses of America and to them we owe a debt of eternal gratitude, as well as a religious fulfilment of the several obligations contracted with them. The national debt, legislators, is the deposit of the good faith, the honour, and the gratitude of Venezuela:³ respect it as the holy ark which encloses not only the rights of our benefactors, but the glory of our fidelity. Let us perish, rather than fail in any way the smallest point connected with the completion of those engagements, which have been the salvation of our country and of the lives of her children."⁴ Similarly, in the first public act by which the provinces forming the Republic of Colombia were united, the third article stated that "The debts which have been separately contracted by the Republics of Venezuela and New Grenada are, by this law, recognized, in solidum, as the national debt of Colombia. All the public property of the State remains mortgaged for the payment of it, and the most productive branches of the public revenue shall be applied thereto."⁵ With these worthy sentiments to

2. An Officer Late In The Colombian Service, The Present State of Colombia (1827) p. 234.

3. Then part of "La Gran Colombia".

4. Quoted in Alexander Walker, The Recognition, The Loan And The Colonization of Colombia (1822) p. 82. This work also the introduction to Colombia A Geographical, Statistical, And Political Account (1822 - 1823).

5. *Ibid.*, pp. 82-83.

back him, Senor Zea arrived in England.

Old claims and bonds were transferred to debentures paying ten per cent, but these were soon to become part of the two million pound loan that was floated in 1822. Such was the confidence in the new republic in England that Zea would have found no difficulty in procuring considerably more than the two millions that he obtained. This loan was contracted for by the house of Messrs. Herring, Graham and Poles; the Colombian government receiving eighty pounds for every hundred, and engaging to pay an interest of six per cent in half-yearly dividends, payable the 1st of May and November in each year, and to appropriate one per cent to the formation of a fund for the liquidation of the debt.⁶

It was generally considered in the City of London that the contract made by Zea was, under the circumstances in which Colombia was then placed, and in comparison with the terms of loans raised by European powers, extremely favourable to the republic.⁷ All concerned seemed well pleased and a celebration was held in the form of a public dinner to Senor Zea. They drank the health of almost everyone who had benefitted Anglo-Colombian relations, including Messrs. Herring, Graham and Powles.⁸

In the interval, however, which had elapsed between Zea's appointment and the negociation of the loan, the constitutional government

6. The Present State Of Colombia, pp. 234-235.

7. Ibid.

8. For a description of the dinner see Colombia etc., pp. 728-747.

of Colombia had been established. On receiving intelligence of the steps he had taken and the manner in which the money had been appropriated, it issued a decree declaring that the powers granted to Zea by the president did not extend to financial arrangements and refusing to acknowledge the loan he had contracted as a debt of the nation.⁹ These measures aroused the indignation of all who were connected with the loan, as the documents with which Zea was provided, signed by the president and countersigned by the secretary for foreign affairs, contained the clearest evidence of the validity of his appointment, and his continuance in England, as accredited agent of the new government, seemed to imply their tacit acknowledgement of the powers with which he had been originally invested.

The Government of Colombia was adamant about her new position. "If we give credit to what has repeatedly been written us from London, we must admit that the inconsiderate operations of Mr. Zea, both in political and financial matters, have essentially conducted to embarass and perplex. We have already noticed his circular note which, from its style, and the manner in which it was addressed, was certainly seen and received in many quarters with extreme displeasure. His financial transactions were, however, still more arbitrary, and destitute of every reason which could induce the executive to approve of them, even taking them on the ground

9. The Present State of Colombia, p. 235.

of expediency alone."¹⁰

The promoters of the loan sought to reassure the public and held a meeting of Colombian bond-holders on 11th January 1823, to explain that the loan was perfectly legal and to back their case produced the opinions of three eminent lawyers, Dr. Lushington, the Solicitor-General, and Mr. Serjeant, Lens who held that the contract entered into by Mr. Zea was binding.¹¹ However the affair became even more confused when it became known that Zea had issued debentures to himself to the extent of £66, 666. 13s. 4d.¹² French newspaper comments were reproduced in a London paper to the effect that he acted illegally throughout.¹³ Of course, the promoters of the loan rushed to his rescue and provided space for his version of the events to be known, as well as ensuring that their own conduct appear honourable.¹⁴ However, it seems quite likely that the powers of Zea were revoked and the contractors informed of this several months before the contract for the loan was signed.¹⁵

Unfortunately the circumstances of this affair were never thoroughly explained as Zea died within a few months of signing the loan.¹⁶ The

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10. Colombian State Papers, translated from official copies (1823), p.36.
Report of Don Pedro Gual, Secretary of State for Foreign Affairs of the Republic of Columbia for the year 1823.
 11. Statement Presented To The Meeting Of The Holders Of Colombian Bonds (1823) pp.28-38.
 12. The Contractor Unmasked; being letters to one of the contractors of the Colombian loan by a member of the honourable society of Lincoln's Inn (1823) p.16.
 13. See The Recognition..... etc. pp.100-103.
 14. See the numerous letters of Zea and the promoters, and rebuts to their critics in "The Recognition etc. pp.82-107.
 15. The Contractor Unmasked, p.18.
 16. The Present State of Colombia, p.226

Colombian government's complete rejection of the loan is confirmed by the unfortunate story of the two war-ships sent out by the contracts^{oys} on account of the loan. The "Charles" and the "Constantine" arrived separately at La Guayra but the Colombian authorities refused to receive either and they had to return to England.¹⁷

The successor to Zea, as agent to the republics in England, was Señor Revenga, a well-travelled man who was as qualified as anyone could be to promote the interests of his country. However, the arrival of Revenga brought little comfort to the contractors of the loan or the investors as he was not in a position to acknowledge the loan contracted by his predecessor. "The contractors have only to add, that on the recent arrival of Mr. Revenga in this city, they laid before him the contract for the loan, the power under which it was raised, and the account of the appropriation of the proceeds. Mr. Revenga acquainted them, that he should send the account to the Government, but that he had no authority to interfere in respect to the loan, the Government not having up to the 29th September last, received any official notice of any loan having been contracted for its account, and it following, as a matter of course, that the Government could not give directions to approve or disapprove that of which officially it knew nothing."¹⁸ It appears that Revenga lived in London under the constant threats of creditors to the Colombian republic, and he soon arranged for his recall.¹⁹

17. The Contractor Unmasked, pp. 29-30.

18. Statement Presented etc. pp. 22-23. Also Colombia etc., p. 755. See The Contractor Unmasked, p. 6 and Revenga's letter to the Daily Courier, June 24th 1823.

19. The Present State of Colombia, pp. 236-237.

Señor Hurtado was appointed to succeed him, and about the same time the Colombian government finding itself in need of money sent Señores Montoya and Arrublas, two wealthy Colombian merchants who were themselves considerable creditors of the country, to England as commissioners with the object of raising a further loan.²⁰ It was obvious that such a mission would be fruitless unless the former loan were acknowledged by the government, and Señor Hurtado was empowered to take this step. The Colombian commissioners arrived in London early in 1824 and immediately made proposals to prominent capitalists. Money was abundant in England and despite the earlier setbacks, public confidence was strong in the resources and stability of the new American governments. There was, therefore, considerable competition for this contract.

The commissioners selected the offer of Messrs. B.A. Goldschmidt whereby the government received eighty-five per cent of £4,750,000 to which they became indebted. The government of Colombia was to pay an interest of six per cent, payable half yearly, on the 15th of January and July and to appropriate an annual fund to provide for its redemption in thirty years.²¹ It had been usual, in similar loans, for the contractors to retain a sufficient sum to pay the dividends of the first two years; in the present instance, an amount equal to the dividends for that period was withheld, but it was stipulated by the contractors that the interest should commence from

20. Ibid., p. 237

21. Ibid., p. 238.

the 15th January 1824, although the loan itself was not contracted for until April subsequent to that date, and the first instalment upon it was not paid until June of that year, nor the last until the month of August 1825. A great part of the money thus withheld became a bonus for the contractors rather than a security to the holders of stock for the payment of their dividends.²²

By the eighth article of the contract the commissioners appointed the house of Messrs. B. A. Goldschmidt & Co. agents for the republic in all its mercantile transactions in England. By the ninth, they were appointed special agents and commissioners for the payment of the interest of the loan and management of the sinking fund, allowing them a commission of two per cent and all their expenses. According to the tenth article, the republic engaged to negotiate no other loan in Europe or elsewhere for two years without the approbation of Messrs. B. A. Goldschmidt and Co., and if any loan were contracted in England within or after the said two years, the house was to have the preference in taking it.²³

When the terms of this contract became known in Colombia, they caused such dissatisfaction that it even became a question whether or not the loan should be acknowledged. This displeasure was still further increased by a protest forwarded to Bogotá by certain London merchant bankers who complained of the manner in which the contract had been made. Messrs. F. & A. Bailey and I. L. Goldsmidt felt themselves unfairly treated by the Colombian loan as they had offered better terms to the agents than those of

22. Ibid.

23. Ibid., p. 239.

B.A.Goldschmidt. They had offered eighty-eight per cent and on conditions more favourable to the payment of the first interest. The petition and affidavit which, together with other documents, they addressed to the Vice-President of the Colombian Government²⁴ pointed to the fact that the negotiations had been conducted in the manner contrary to accepted practice. Instead of the tender being opened in the presence of all concerned and the highest accepted,²⁵ Goldschmidt had announced that he had contracted the loan before the hour when the last tenders were to be accepted,²⁶ and it soon emerged that his offer was not the highest.²⁷

A special commission of finance was appointed in Bogotá to inquire into these circumstances, and report to the Congress the result of their investigation. It decided reluctantly to uphold the agreement but introduced a modification of the eighth and tenth articles, by which Messrs. B.A. Goldschmidt and Co. were appointed agents for the loan only, and it bound itself to give to that house a preference in case any new loan should be contracted in England within two years only.²⁸

These difficulties having been overcome, things went on very smoothly as long as any of the money reserved for the payment of the dividends remained in hand. However, when the term of two years, according to the conditions of the contract, had expired in January 1826, the dividend then

24. Published in London as, A Statement Of Some Circumstances Connected With The Mode Of Contracting The Colombian Loan In April 1824 (1825)

25. *Ibid.*, pp. 10-11

26. *Ibid.*, p. 12

27. *Ibid.*, p. 13

28. *The Present State of Colombia*, p. 241.

due was paid with the last of that money, and the government was left to its own resources to make future provision for debt payments.²⁹

It unfortunately happened that considerable commercial distress existed in England at the time that the first dividend to be provided for by a remittance from Colombia became due. The house of B.A. Goldschmidt was suffering financial embarrassment as were many other houses and it was for a while supposed that this was holding up payment of the dividends, although from the few direct communications which were made to the public by Senor Hurtado this was hardly mentioned.³⁰ The first serious alarm however felt by the public on the subject of Colombian stock was certainly excited by the failure of Goldschmidt at the beginning of February. On the 28th of that month, Senor Hurtado published a letter in the newspapers with the object of quieting the apprehensions of the creditors of the republic, in which he stated "... that he had arranged with the house of Messrs. Herring, Richardson and Co. for the payment of the dividend on the loan of 1822, due the 1st of May, and that money for the payment of the dividend on the loan of 1824, due the 15th of July, having been ordered by the Colombian government to be deposited for shipment at Carthagená, he some time past despatched a vessel for the purpose of bringing it to England."³¹

The dividend in May was paid in due course; but on the 15th of July there was no word of the money mentioned in the above letter, or any communication from Senor Hurtado on the subject. The bondholders loudly

29. Ibid., pp. 241-424.

30. Ibid., p. 242.

31. Quoted in *The Present State of Colombia*, p. 243.

voiced their discontent as they at least expected some explanation of what had occurred. Two or three days later, however, the Colombian minister again addressed the public stating that, "... having received several applications from persons describing themselves as holders of Colombian bonds, soliciting information on the subject of the dividend, he thought proper to inform them that the Colombian government having made arrangements for setting aside a certain portion of its revenue for the payment of the dividends upon its loans, he had despatched a vessel to bring the sum necessary for that purpose; in consequence, however, of the government of Peru, which had become debtor to Colombia in a large amount, having authorized the raising of a loan in England, the Colombian government had sent an order on the Peruvian agents in London for the amount, but that, owing to their inability to raise such a loan it had not been honoured; that the Colombian government had not been informed of their circumstance, or of the failure of Messrs. Goldschmidt and Co. in time to remit the requisite funds, but that he hoped to receive despatches shortly which would enable him to make them a communication in every respect satisfactory."³²

The portion of the revenue here alluded to as being set aside for the payment of the interest of the debt was one-fourth of the produce of the customs, which, by an act of congress, passed in the session of 1824, had been appropriated to that purpose, and was ordered to be sent from the

32. Ibid., pp. 243-244.

different ports on the Atlantic coast to Carthagena; and from those on the Pacific to Panamá, where it was to await the orders of the government for its transmission to Europe. The money mentioned by the minister in his first communication as having been deposited for shipment at Carthagena, by order of the government, was probably this same appropriated portion of the revenue; but as no tidings were received of it, it appears to have been applied to other uses. ³³

As soon as the embarrassment in the state of Colombian affairs in England was known in Bogotá, an extraordinary meeting of the congress was convened for the purpose of providing for the emergency, and it is worth noting that in the decree issued on that occasion, no notice whatever is taken of the failure of the agents of the republic. The sole reason for the emergency was "... that intelligence had just been received that Peru was not able to procure a further loan in England, and as Colombia had relied on that resource to pay the interest upon her debt, it was necessary immediately to provide means of payment lest the republic should suffer in its credit."³⁴ It seems extraordinary at first glance that a nation should trust the preservation of its credit to so uncertain a contingency, but as with most of the South American governments at this time, the government of Colombia had given little thought as to the means whereby it would pay off its debts, and some contemporaries speculated as to whether these governments had ever had

33. Ibid., p.244.

34. Ibid., p.245

serious intentions to do so. The government of Colombia laid out extensive plans for raising the money to pay its debts.³⁵ However, what was possible in theory was impossible in practice and the nation remained in default.

The Organization Of The Loans

The ease with which Colombia was able to raise money in London with virtually no security in 1822 persuaded others to participate, primarily to supply their miniature armies with uniforms and ammunition and acquire a ship or two.

Byron wrote somewhat ironically:

"Every loan
Is not merely a speculative hit,
But sets a nation or upsets a Throne." 36

So began the mania for South American bond issues that was to prove disastrous for the British investor, as by the end of 1827 every issue had gone into default.³⁷

Ripley Four issues, with an aggregate face value of £3,650,000 were sold to British investors in 1822, and ten issues, with an aggregate face value of £17,479,000 in 1824 and 1825, making a grand total of £21,129,000. Mexico, the largest borrower, floated an aggregate of £7,000,000, including £600,000 for the Municipality of Guadalajara; but "La Gran Colombia", then embracing

35. See The Present State of Colombia, pp.245-251, for the Colombian plans.

36. Don Juan, XII, 5, 6.

37. Brief histories of these bonds are included in Annual Reports Of The Council of The Corporation Of Foreign Bondholders (London) for 1873 and subsequent years, and in The Stock Exchange Year-Book (London) for years from 1875. See fig. 1 for details of each issue.

what later became the three nations of Colombia, Venezuela and Ecuador, was a close second, with £6,750,000. Brazil borrowed £3,200,000; Peru, £1,816,000, and Chile £1,000,000. The province of Buenos Aires, which carried out most of the external affairs of the loose Argentine Confederation, borrowed £1,000,000, the ridiculous and largely mythical Kingdom of Poyais (on the east coast of Central America) floated a loan of £200,000, and the United Provinces of Central America (which were never really united, and soon broke up into the republics of Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua) borrowed £163,000.

The negotiation of the loans followed well-defined lines. An agent of the borrowing government appeared in London, usually a high official or private persons operating on a commission. The agent approached one or more issuing houses and arranged a contract with one of them setting out the terms upon which the loan was to be issued.³⁸ However, on occasions, it appears that promoters (or issuing houses) actually approached the governments of South American states pointing out how simple, what good policy and above all how cheap it was for them to borrow money in London.³⁹

Thenceforth the issuing house was in charge of all arrangements. Usually it sought the influence and assistance of other parties with whom to share the risks and the profits. Prospectuses were prepared, often only in manuscript form, and sent round to brokers and wealthy clients. Newspapers were supplied with reading matter extolling political conditions in the borrowing

38. L. Jenks, The Migration Of British Capital To 1875 (1927), p.47

39. P.H. Emden, *op. cit.*, p.40.

states. Pamphleteers were engaged to prepare elaborate studies of resources, topography, and customs of the relevant states. "Colombia" cited above is an excellent illustration. The connection with the contractors was distinctly avowed in the introduction, while the book was intended to promote an elaborate scheme of colonization and development as well as the loan.⁴⁰

Nor were the promoters averse to share-rigging of the type so expertly practised by their brothers in the field of company promotion.⁴¹ After enthusiasm had been aroused to a high pitch, a selected group of insiders received large blocks of bonds and it was promptly announced that the issues had been completely sold out; but it was at the same time hinted and suggested that a few bonds could still be bought from original purchasers who might not recognize a gilt-edged security when they saw it. This caused further excitement and a feverish scramble by eager applicants. The contracting firms and their associates then unloaded all they had at a profit and the bonds forthwith declined in value.⁴² If investors had bought the bonds at the price of issue announced, their total actual investment would have been £16,892,220. But as the market was rigged against them, they invested considerably more, possibly £19 million or £20 million altogether.

There were not many firms engaged in this issuing business, although more participated in what was later called the "underwriting". The historic connection of Baring Brothers and N.M. Rothschild with Argentina and Brazil.

40. On the concoction of news, see *Morning Herald*, 29th December 1825. On underwriting, see J.S. Ricardo in *The Times*, 28th October 1826.

41. See pp. 88, 97-98.

42. J.F. Rippy, *British Investments In Latin America 1822-1949* (Minneapolis, 1959). pp. 19-20.

respectively dates from this period, and it is essential at once to point out the distinction between their respectable dealings and the dubious promotions carried on elsewhere. Barings, as well as promoting the loan of 1824 to Buenos Aires,⁴³ came to the rescue of the Mexican government, and it was only an advance of £131,154 that prevented Mexico from defaulting in 1827 on her existing interest payments. Although the greater part of the advance was repaid by 1830 and no money was lost by the operation, Alexander Baring later remarked that since the default on interest payments reflected on the character of his house, he would have paid "some thousands to blot out the mistake."⁴⁴

Certainly Barings did not succumb to the prevailing hysteria in London over Latin American undertakings. In February 1825, the head of the house spoke in the House of Commons against the joint-stock mania as interfering with "legitimate" government loan making. He adhered to that policy and involved his firm in a relatively small volume of Latin American business even on government loans. Even so, later partners at the time of the "Baring Crisis" of 1890 certainly had reason to wish that relations with Argentina had never been inaugurated.

This relative aloofness, Barings shared with Rothschilds who concerned themselves solely with Brazil. When Nathan Rothschild was offered a new Brazilian loan in 1829, he was not particularly keen to continue his association

43. See pp. 67-71

44. R.W. Hidy, The House Of Baring In American Trade and Finance (Cambridge, Mass., 1949) pp. 66-67.

with that nation. "This loan (£400,000) was offered to Mr. Rothschild at 50 per cent, who refused it; but when he suspected that other capitalists (Messrs. Baring) were offering for it, he took it, in conjunction with Messrs. Thomas and Co. at 54!"⁴⁵

A. L. ^{Handimand} ~~Haudinaud~~, B.A. Goldschmidt, Barclay, Herring and Richardson, Frys and Co., J. and S. Ricardo, Thomas Wilson, Hullett Brothers and Reid, Irving and Co. contracted for most of the loans to minor states. These houses were not banks and they did not issue notes or keep current accounts, although some of them accepted deposits.⁴⁶ Ricardos excepted, they were not stock-brokers. They were mercantile firms engaged in a large way in foreign trade with resources and connections which made possible an active business in acceptances and exchange. It was their importance in the remittance market, the mobile character of their assets, the extent of their connections more than their intrinsic wealth that made the business of foreign loans available for them. They seem to have had no sales organization and their success depended upon their friends and the manipulation of crowd psychology on the Stock Exchange.

The terms of the loans varied widely, but in general, governments preferred to borrow at a low interest no matter how large the discount at which the loan was issued. The highest price of issue was $89\frac{1}{2}$ for the Mexican loan of 1825, while the lowest was 54 for the Brazilian loan of 1829 noted above.⁴⁷

45. J.J. Stutz, A Review . . . of the Empire of Brazil (1837) p.14

46. L.Jenks, op.cit., p.48

47. The Brazilian loan of 1829 is unusual as it was an isolated loan issued at a time when public faith in South American governments was very low. The lowest price during the 'boom' period was 58 for the Mexican issue of 1824. These prices are as listed in Hyde Clarke, "On The Debts Of Sovereign and Quasi-Sovereign States, Owing By Foreign Countries", Journal of the

A large discount did not displease the investor who was thereby promised a large bonus when his principal was repaid. There was a further bonus extended for immediate payment of subscriptions in full, the loans being payable in instalments over periods varying from six months to a year. A third bonus was frequently arranged by ante-dating the time from which interest was to run upon the loan. However, even with these conditions the profits were not exorbitant. Jenks⁴⁸ slightly underestimates the real interest which varied between 5.9 per cent and 8.6 per cent at the issue price.⁴⁹

The prices of the loans on the Stock Exchange changed violently from 1822 to 1827. The Colombian bonds of 1822, issued at 84, rose to 96.5 and dropped to 38.5. The Chilean bonds of the same year, issued at 70, rocketed to 93 and fell to 30. The "Poyais" loan of 1822, the bonanza investment offered by "King" Gregor McGregor⁵⁰ rose only a point above the issue price of 80, but soon descended to the appropriate level of 0. The Peruvian issue of 1824, issued at 88.5, rose to 96.5 and plunged to 52.5, and the Province of Buenos Aires issue of the same year, originally offered at 85, touched 97 and nosed down to 69.⁵¹

The real profits of the loan business went to the contractors. Controlling all the stock they had an excellent chance to play the market in it for a

Statistical Society, June 1878, vol. XLI, pp. 313-314. J. F. Rippy, op. cit., p. 20, gives the issue price for the Mexican loan of 1825 as $89\frac{3}{4}$.

48. L. Jenks, op. cit., p. 49.

49. Computed from Hyde Clarke, op. cit.

50. See pp. 74-76.

51. See C. K. Hobson, The Export of Capital (1914), p. 101.

rise, even though they could depend on a handsome profit without such manoeuvres. There was an immediate commission of from two to five per cent upon the nominal amount of the loan. There were the possible profits of undisposed interest and principal balances left in their hands sometimes for months. There was an agency fee for many years to come for handling payments and the operations of the sinking fund.

The new Latin-American nations derived no benefit from the high prices paid by imprudent British investors. The loan contracts contained no provisions that enabled them to a share of the proceeds in excess of the original price at which the bonds were sold to the bankers. They received only the sums realized from flotations at that price, after the costs of distribution had been subtracted, and these costs were not moderate.

After all the commissions, fees, discounts, and printing costs had been deducted and service funds for the first eighteen months withheld, the Latin-Americans found themselves with cash in hand equivalent to about 60 per cent of the contracted debt. For some £12 million they had obligated themselves to the extent of more than £21 million. The Mexican national government seems to have been shorn more thoroughly than any of the rest; for two issues of bonds with a par value of £6,400,000 it is said to have received a net of £2,358,578 in cash and supplies.⁵²

It was essential to the success of the loans that they run in sterling. They were thus rendered independent of currency manipulations on the part

52. C.A. True, "British Loans To The Mexican Government, 1822-1832" *Southwestern Social Science Quarterly* XVII (March 1927) pp.353-362.

of the borrowing governments. The retention of the business of agents in remittance of dividends was important to the contractors, not only for the brokerage fees, but also for keeping them in contact with a clientele of investors and providing them with increased exchange facilities arising from the monopoly of government remittances. Nor was this all. In accepting the Colombian loan of 1824, Goldschmidts secured a ^{an} ~~two-year~~ option on all loans to be contracted and were appointed agents for all mercantile transactions in England on behalf of the Colombian government.⁵³ They received a commission for raising the money, a commission for spending it, and a commission for paying it back.

Two Case Studies - Buenos Aires And Chile

The loans to the new governments were the largest individual transfers of capital of this period. For example, a debt of £1,000,000 held by English investors and the clients of an English banking firm represented the biggest single foreign interest in the Argentine republic, and in several ways, this loan of 1824 was typical of many of this time.

It was the first time that the House of Baring was publicly associated with securities from the republic and it was largely thanks to its great reputation that the money was raised.⁵⁴ It cannot be said that the capitalists

53. See p. 55.

54. R.W.Hidy, op.cit., p.65.

inflicted themselves on Argentina, for the dynamic leader of that nation, Rivadavia, actively pressed for foreign investment of all kinds, including the loan of 1824. Like the other investments which Rivadavia invited, the establishment of a sterling debt had a rational plausibility about it relating to the necessities of the community. The intentions of Rivadavia as to what purposes he hoped the money would be used for appear rather vague, "the construction of a port, in supplying the city with water, in the building of towns and ports on the southern frontier and in settling the uncivilised lands." 55

It seems to have been his idea that the income from the sale of bonds should be used to foster economic and social developments, capable of rendering the republic more productive and hence, able to carry the debt and to liquidate it through the means of a sinking fund.⁵⁶ The annual cost of the debt was approximately £65,000, or in the region of 13 per cent of the revenue of the Province of Buenos Aires, which virtually undertook all external matters for the republic as a whole. An increase of claims on revenue of such dimensions can be described as sharp for an economy as primitive as the recipient nation's undoubtedly was, but it was not unbearable provided the assumptions of Rivadavia and the promoters and agents of the operation were correct.⁵⁷

Ferns sees the assumptions as two-fold: firstly, that the expenditure upon the war department would decline after the recognition of independ-

55. E.L. Delgado, op. cit., p. 18.

56. H.S. Ferns, Britain And Argentina In The Nineteenth Century (Oxford, 1960) pp. 141-142.

ence and the conclusion of the revolutionary contest with Spain; and secondly that the expansion, or at least the maintenance, of existing levels of international trading from which the principal state revenues were derived would take place. The Consul-General to Buenos Aires, Woodbine Parish, in his reports to the foreign office produced evidence that these assumptions were sound. Assuming that Baring Brothers had the best interests of their client at heart, they must have been convinced also, and they succeeded in persuading the public that the situation in Argentina justified the advance of cash in return for bonds. ⁵⁸

The six per cent loan was taken at 70 by Dom Felix Cast ro and John Parish Robertson, a relative of Woodbine Parish, who appear to have acted as agents on commission for Baring Brothers by whom the bonds were sold to English investors at 85. After various charges had been deducted, the Buenos Aires government received less than £600,000. ⁵⁹ It appears remarkable that great numbers of presumably rational men living in comfortable houses in Bloomsbury ⁶⁰ were suddenly induced to invest in the bonds of a new-born government, as yet unrecognized by the British government, of a remote community about which they could have known next to nothing at first hand. Neither Canning in Parliament nor Woodbine Parish in his reports to the Foreign Office said specifically that investors could safely deal with the Government of the United Provinces of the Río de la Plata, but

58. Ibid.

59. R.W.Hidy, op.cit., p.65.

60. The men who subsequently complained to the Foreign Office about the failure of their investments in Buenos Aires seem mainly to have lived in the vicinity of Bedford Square. H.S.Ferns op.cit., p.143.n.

the conditions which Canning in his instructions to Parish laid down for recognition were also the conditions which satisfied an investor in public funds. In examining whether Canning's conditions were satisfied, Woodbine Parish produced evidence concerning the state of the revenues, the character of evidence, and the disposition and legislative activity of the Government which would have as fully justified an investment of capital in the bonds of the Government as they did recognition by the British Government.⁶¹ In fact the interest payments ceased with that of July 1st 1827, by which through a sinking fund the outstanding bonds had been reduced to £997,000.⁶²

Any examination of the failure of the loan of 1824 takes us to the heart of Argentine political and economic problems. Simply, the government of Buenos Aires could not find the money because of the decline in international trade passing through Buenos Aires.⁶³ However, with the social, economic and political structure that Argentina possessed at this time, it was nigh impossible to expect that she would pay off her debts. Corruption in high places was almost a national art while customs control was at best somewhat lax. Even if the money raised by the loan had not been put to a large degree to fighting over Uruguay, and had in fact been put to its expressed purposes, the immediate increase in the wealth of the

61. *Ibid.*, p.143

62. R.W.Hidy, *op. cit.*, p.65

63. H.S.Ferns, *op. cit.*, p.143.

country and consequently in the amounts in the government's coffers would not have met the debt-service charges. The loan might have resulted in long-term benefits for the nation, but to expect a prompt increase in economic capacity was ludicrous.⁶⁴

The investment process was not re-established until after the overthrow of General Rosas in 1852, when Senor Norberto Riestra was sent to London to pay the arrears of 24 years and transfer the loan to £1, 500, 000. in three per cents.⁶⁵

There appeared in London in 1822 a printed paper headed "Chile Loan" in the name of "Don Antonio Jose De Yrisarri, Minister Envoy Extraordinary and Minister Plenipotentiary from the Government of Chile and now residing in London, (who) has, by virtue of the special power vested in him, contracted with Messrs. Hullett, Brothers and Co., in conjunction with eminent houses in London and Paris, for a loan of One Million Sterling for the Service of the Republic of Chile".⁶⁶ The uses to which the money was to be put are characteristically vague. The aim was "to reform the financial system, ...

64. See also H.S. Ferns' hypothesis that the permanent debtor status of Argentina favoured the ruling classes, op.cit., pp.144-145.

65. M.G. Mulhall, The English in South America (Buenos Aires, 1878) p.535.

66. John Miers, op.cit., p.210. The only detailed account of the Chilean loan of 1822 is that given by John Miers, and apologies are offered for the lack of evidence from other sources.

... to call forth the productive capabilities of a diversified territory, an extensive coast, and a hardy population. The modern improvements in agriculture and mining will be introduced and the number and funds of the banks in Rescate will be increased in the mining districts; and these measures will benefit the public revenue not less than the national prosperity⁶⁷

When this paper arrived in Chile, many were astonished by it, realising that it was utterly impossible that the loan could be applied to any of the purposes which were mentioned. They were even more astonished to read that the present annual revenue of the state is equal to nearly fourteen times the amount of the yearly interest of the loan, that the securities are a mortgage on all the revenues of the state, estimated upon the produce of former years to amount to about FOUR MILLION dollars, or £800,000 sterling per annum, and the following are specially pledged for the payment of the interest and redemption of the loan, *viz*:-

The nett revenue arising from the mint estimated at 300,000 dollars or
£60,000 per annum.

And the land tax or diezmos, at 250,000 dollars or
£50,000 per annum.

Being upwards of half a million of dollars, or about £110,000, nearly double the amount of the yearly interest and contribution of the sinking fund.⁶⁸

In fact, the Chilean mint could not even pay its current expenses and consequently produced no revenue whatever, as was made clear in a report by Don Jose Santiago Portales, the head of the mint, on the possibility of raising money by loan, which was made on 15th April 1822. The report

67. *Ibid.*, pp. 210-211.

68. *Ibid.*, p. 211.

condemned the proposals to raise money from abroad but Yrisarri in London was obviously acting independently from his government for he contracted the loan there on 18th April 1822, before the answer of the government in Chile to his proposals could be received.

It was clear to the Chileans that Senor Yrisarri had acted in haste so as to procure for himself the greatest advantages from his new-found friendship with Messrs. Hullett Brothers, and it was argued that perhaps the loan should not be recognized. However, while the matter was under discussion, a vessel arrived at Valparaiso from England bringing a proportion of the loan in Spanish gold money amounting to £60,000 sterling. "The temptation was too great for a venal and corrupt ministry to withstand, the money was accepted, and the bargain for the loan was ratified."⁶⁹

The best informed people in Chile were totally ignorant of how the money was disposed, although it was obvious that little or none of the money from England reached the public treasury. Yrisarri stated that the revenue of Chile was "nearly fourteen times the amount of the yearly interest of the loan" and that this revenue amounted annually to about fourteen million dollars. Miers shows⁷⁰ from a statement of Benevente, a Chilean minister, that in 1824 the revenue amounted to about fourteen million dollars or about £235,006 and as the interest of the loan was £60,000 it did not represent a fourteenth of the revenue of Chile, but more than a quarter, and when the interest, charges and the sinking fund were aggregated, more than a third.

Thus Chile was burdened with an enormous debt which she could not

⁶⁹. Ibid., p.214.

⁷⁰. Ibid.

hope to pay back, and Miers feared the worst for the British investors noting that not one dollar from any regular source of revenue had been appropriated for any such purpose.⁷¹ The picture is one of complete confusion, but this was for a time kept from the public in Britain.

In 1824, the Chilean Government persuaded a group of merchants to undertake to pay the interest to the agents in London, for which they were granted an exclusive privilege to import and sell tobacco, snuff, playing cards, foreign wines, spirits and tea. However, by 1826 the loan was in default.⁷²

The Poyais Affair

The most bizarre episode of the loan mania was that concerning the "Kingdom of Poyais". Poyais was the new name for a district on the north coast of Honduras on the Mosquito shore, where Gregor MacGregor, an

71. Ibid., p.213.

72. See F.O. 16/2. Christopher Richard Nugent to George Canning. No.20, R.A.Humphreys, op.cit., p.99. See pp. 100-101 for the terms of the contract between the government and the merchants.

The leader of the Chilean nation, O'Higgins, proposed an emigration scheme and "a colonization contract was concluded in London in 1825 between the Chilean representative, Mariano Egana, and Richard Gurney and Antonio Quiroga, whereby a considerable settlement of Irish peasants was to be made on lands to the south of Biobio. The project, however, came to nothing". This was fortunate, as it appears that the land mentioned was inhabited by hostile natives who killed anyone who set foot on the land. "The barrier of the brave Irish against this savage hoard, and the sort of commitment of Great Britain to give protection to the settlers, would undoubtedly be a very desirable object for the Chile government." F.O.61/8, Charles Milner Ricketts to George Canning. No.26, Ibid., p.168 n.

adventurer in the Spanish-American wars, who had distinguished himself under Simon Bolívar, founded a settlement in 1821.⁷³ It was not long before he was back in England and a prospectus that began as follows was circulating in the City of London:-

"Loan of Two Hundred Pounds Sterling For The Service
Of The State And Government of Poyais.

Know all men by -these Presents, That WE GREGOR THE FIRST, Sovereign Prince of the Independent State of Poyais and its Dependencies, Caziquje of the Poyer Nation etc., etc., etc., have, for the purpose of consolidating the said State, defraying the Expenses of the same, and promoting the general development of natural Advantages of the Country, negotiated and raised a Loan of Two Hundred Thousand Pounds Sterling, for the Service of the said State, and which has been placed at the Disposal of the said State."

Literature was spread about extolling the beauties of Poyais and the limitless possibilities for investment in every kind of business venture. Although there is much disagreement as to the precise amount of money that was eventually lost in the Poyais schemes, in late 1823 bonds to the face value of £200,000 referred to above, and issued at 80 were being bought and sold on the Stock Exchange.⁷⁴ Land was sold, and immigration

73. P.H. Emden, op. cit., facing p. 40. For a short and sympathetic account of MacGregor's life, see M.G. Mulhall, op. cit., pp. 274-278.

74. Disraeli who sought to show that the Poyais scheme should not be considered in the same breath as the respectable joint-stock companies in which he was interested, see pp. 88-97, dismissed the affair thus in An Enquiry Into The Plans, Progress And Policy Of The American Mining

was freely invited and organized to Poyais, the earthly paradise. As his name suggests, Gregor MacGregor was a Scot, and the ships which sailed from Leith, conveyed emigrants mainly from Scotland who had sold what little they had to participate in the enterprise. "They found Poyais, the earthly paradise, to be a miserable, desolate malarial swamp. It was Dickens' Eden on a large scale." 75

Colonel Low, who had been one of MacGregor's aides, later wrote of the terrible conditions that were encountered on arrival, and relates that of the one hundred and five people who disembarked from the Brig Skeen, the third and final emigrant ship, only six of them remained alive after a month, such was the disease and poverty.⁷⁶ Colonel Low, incidentally, blames the failure of the colony on the dishonesty of the merchants of Belize, the nearest town, whom he alleges stole all the materials and provisions destined for the new colony, although it is impossible for us now to know the full truth.

MacGregor disappeared mysteriously from the English scene and of course, no interest was ever paid on the Poyais bonds. The fate of the emigrants was widely reported in the English press⁷⁸ and did nothing to enhance the idea of emigration among the working classes.

74 contd. Companies (1825) p.72 "We solemnly believe that not one hundred pounds of this loan was ever disposed of - It was divided among a few stock-jobbers at a nominal price, and had not been in the market four and twenty hours before it was blown.."

75. P.H.Emden, op. cit., p.40.

76. G.A.Low, The Belise Merchants Unmasked; or a review of their late proceedings against Poyais (1824) p.51

77. M.G.Mulhall, op. cit. p.277; reports that MacGregor lived for several years in Paris, and died in Venezuela in 1845.

78. See The Times, Jan6th 1824, Lord Mayor hears of distress of survivors

Remarkably, attempts were made by other promoters to raise more money for supposed investment in Poyais in 1825 and 1826, but the public was not to be swindled a second time.⁷⁹ The Poyais bonds did, however, appear on the Stock Exchange later as gambling counters during the foreign loan mania of 1836.⁸⁰

Conclusion

The bubble in government stock burst later than that of the mining speculation. It was occasioned by the failure of the Colombian loan in January 1826, discussed above. Prices fell rapidly all round as investors came to the sudden realization that the only interest they had received had come out of the principle of successive loans, and they were likely to obtain more only ~~to~~ ^{by} advancing it. The South American republics suddenly discovered that they could expect no more assistance in the immediate future. One by one, all the South American nations, except Brazil, repudiated their loans.

Discounting the almost certain fraudulence of the Poyais affair, it is difficult to believe that any of the South American governments seriously considered the repayment of their debts, since schemes for payment were only

from the Skene. Jan. 8th 1824, Story of a girl orphaned through the Poyais expedition. Jan. 17th 1824, Subscription fund for Poyais victims. See also Hansard, N.S. X 747, for discussion on the subject of the "Poyais Emigration office."

79. See Take Care of Your Pockets, Another Poyais Humbug (1827), Proposed Colony In The District Of Black River On The Northern Coast Of Central America, Commonly Called Poyais (1838) and Prospectus Of A Loan Of £300,000 Sterling (1825), all under "Poyais" in the British Museum.
80. P.H. Emden, op. cit., p. 40. As a satirical afterthought, see "The Banks of Belize" - a poem in The Gentleman's Magazine, March 1825, pp. 207-9

proposed in detail when the defaults occurred. One must presume that not only was repayment virtually impossible, but that it was never seriously entertained.

Both during the raising of the loans and when they were in default, the British government's interest appears to have been merely passive.

As has been indicated, "It was very easy to call a country a republic, but it was difficult to create citizens and none the less so to constitute statesmen and administrators".⁸¹ Moreover, the ample revenue which they had been able at any time to secure in London tended to make the first revolutionary governments indifferent to the opinion of their people at the very time when it was of prime importance to reflect it. The violence, the corruption, the instability, the financial recklessness which characterized most of the South American republics during a large part of the century are in a small way attributable to the early laxity of the London money market.⁸²

81. Hyde Clarke, *op. cit.*, p. 302.

82. H.H. Parish, Diplomatic History Of The Monarchy Of Greece (1838)
pp. 366-367.

CHAPTER 1V

BRITISH INVESTMENT IN SOUTH AMERICAN
MINING COMPANIES

As has already been indicated, the public were caught up in a whirlwind of speculation in the first half of the decade which commenced in 1820. The frenzy gathered force during these five years, and while the promotion of government loans was more significant in that much more money was actually raised, the speculation fever which gripped all sections of society was mainly concerned with the promotion of new companies. A few striking figures will convey some idea of the rapid rate at which company - promotion went on in the years 1824 and 1825. At the beginning of 1824 there were only 156 companies, distinct from Funds and Loans, known on the Stock Exchange, and these had a capital of £48 millions, of which £34 millions was paid up. But during those two years no fewer than 624 companies were formed or projected, with a nominal capital of £372 millions.¹

1. Henry English, A Complete View Of The Joint Stock Companies Formed During The Years 1824 And 1825(1827)
Also, Charles Duguid, The History Of The Stock Exchange.
pp. 123 - 124.

Naturally a large number of these companies were still-born. No fewer than 379 of them, with a capital of £212½ millions never reached fruition, and another 118 of them, with a capital of £56½ millions, of which £2½ millions was paid up, had to be abandoned within a few months of formation. Still, 127 companies with a nominal capital of £102½ millions, and a paid up capital of £15 millions were left, and after the collapse of 1825 and 1826 had wrought its effect, the number of companies in existence was 283, with a nominal capital of £150½ millions was paid up. ²

The Mania For Mining Shares.

Of the 127 new companies added to the number of those known on the Stock Exchange, forty-four were mining companies, whereas practically no mining companies had been in existence previously. Slightly over half of these companies were formed for working mines in South America and it was these that gave the speculative mania of 1824 and 1825 its unique character. Twenty-three companies with a nominal capital of £20,002,000 had actually raised £3,636,000 by the end of 1826, by which time three of them had been abandoned. ³

2. Ibid.

3. Computations from Henry English, A Complete View.....etc.

The fluctuations in the share prices of the South American mining companies have hardly been rivalled before or since. Before enquiring into the methods of company promotion and the people involved, it is as well to keep in mind the profits that could be made not in South America but on the London stock market alone. The madness which prevailed at this time cannot be shown more conclusively than by the following statement, which specifies the amount of the instalments paid on each share, in five of the principal mining companies, and the market prices of these shares on the 10th of December, 1824 and the 11th of January, 1825 respectively. ⁴

	Dec. 10th, 1824	Jan. 11th, 1825
Anglo-Mexican	£100 £10 paid £33 premium	£158 £115 £125
Brazilian	£100 £10 paid 10s discount	£66 £70 £44pr.
Colombian	£100 £10 paid £19 pr.	£82 £62 £59
Real del Monte	£400 £70 " £550 pr.	£1350
United Mexican	£40 £10 " £35 pr.	£155 £115 £125

As may be seen, the leadership in the South American gold boom was held by the shares of the Real del Monte Company, a not altogether worthless undertaking, for of the fifteen million pounds which were expended on the mine by the time it was abandoned in 1849, ten and a half millions had been returned; only thirty per cent of the capital actually invested had therefore been lost.

⁴: T. Tooke, op. cit., Vol II, (1838) p.153.

The loss sustained by the shareholders who had paid high premiums was out of all proportion greater. "It is on record that a single share of the Real del Monte mine, on which £70 had been paid, yielded 2000 pr. cent, having risen speedily to a premium of £1400 per share."⁵ When the crash came, the shares fell to a considerable discount; that is to say, the seller paid the purchaser to take the shares from him, so that he might get out of his liability to pay in full for any debts incurred by the company.⁶

The basis for the mania of everything South American lay in the ignorance of the public. "Now was the time for those who make their market of the unwary to come forth and be busy. Needy speculators and scheming attorneys, and gamblers of every class, used their opportunity, first for exciting the gambling spirit everywhere within their reach, and then for introducing themselves into a society where at other times they could have obtained no admittance. They knew that their opportunity was short; and they wed it diligently."⁷ As Thomas Baring said,⁸ the gambling mania had seized upon all classes, and

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5. Harriet Martineau, A History of the Thirty Year's Peace. A.D. 1816-1846 (Bohn's Standard Library edn., 4 vols, 1877) pp. 8-9.
6. P.H. Emden, op. cit., p. 42. H.M. Hyndman, Commercial Crises of the Nineteenth Century. (1892) pp. 28-29.
7. Harriet Martineau, op. cit., volIII, p. 2.
8. Hansard, N.S. XII, 1063- 1064.

was spreading itself in all parts of the country." If it was to be lamented that men of the first rank and family in the country haunted gaming-houses at the west-end of the town, it was still more to be lamented, that merchants at the east-end of it should imitate their example, and make a gaming-house of the Royal Exchange." He saw no difference between the gambling of the noblemen in the hells of St. James' Street, and the gambling of the merchant on the Royal Exchange; excepting that the latter kept earlier hours and more respectable company than the former..

At a time when everyone with any capital was discontented with the low interest rates they had been receiving, prospects now arose for a quick fortune. "by skilfully buying and selling among the projects afloat." ⁹ "A young lady, whose brother had encouraged her to take a share of £100 in some joint-stock project, might pay her first instalment of £5 with some trembling, and wonder when the next call would come. But if her brother brought her £140 in a few days, with the news that he had sold out for her while the premium was thus high, would she sit down content with having for once gained £35 by her £5? Would she not be as eager to invest again as the managers could be that she could? Thus it was with many thousands of ladies and gentlemen as inexperienced as they" ¹⁰

9. Harriet Martineau, op. cit., Vol. II, p.7.

10. Ibid.

The follies of 1824 and 1825 surpassed every previous financial folly. "All the best characteristics of the middle-class seemed to be swamped in one overmastering lust for gaming ... Old and young, men and women, rich and poor, noble and simple, one and all, were drawn into the throng." ¹¹ South America became the new and genuine El Dorado. Gold was to be extracted from the gorges of the Cordilleras and fears were expressed that the vast quantities that were to be extracted would make it almost valueless. ¹² The finds would be so enormous that it would be possible to redeem the National Debt, and in one prospectus attention was drawn to the fact that the enterprise in question was "no speculative undertaking - no problematic or visionary scheme" Other announcements said that pearls were to be dived for off the coast of Colombia, and that in Peru silver was so plentiful that all utensils of everyday use were made of it.

Finally, to gain a full appreciation of the atmosphere of the times, we may rely on Mr. John Francis, a director of the Bank of England who has given a description of the scenes which occurred at this boom time not only in the Stock Exchange but more especially in its vicinity. He declares that the entrance to the Stock Exchange became so blocked up that nothing but a fine of five pounds on those who stopped the way had any effect in dispersing the nuisance. He describes the scene

¹¹ H.M. Hyndman, op. Cit., pp.27-28.

¹² See The Gentlemans Magazine, Jan.-June, 1825, p.440

thus: "With huge pocket-book containing worthless scrip; with crafty countenance and cunning eye; with showy jewellery and thread-bare coat; with well-greased and unpolished boots; with knavery in every curl of the lip and villany in every thought of the heart, the stag, as he was afterwards termed, was a prominent portrait in the foreground. Grouped together in one corner might be seen a knot of boys eagerly buying and selling at a profit, which bore no comparison to the loss of honesty they each day experienced. Day after day were elderly men with shabby faces and huge umbrellas witnessed in the same spot, doing business with those whose characters might be judged from their company. At another point, the youth, just rising into manhood, conscious of a few guineas in his purse, with a resolute determination to increase them at any price, gathered a group around, while he delivered his invention to the listening throng, who regarded him as a superior being. In every corner, and in every vacant space, men might be seen eagerly discussing the premium of a new company, the rate of a new loan, the rumoured profit of some lucky speculation, the rumoured failure of some great financier or wrangling with savage eagerness over the fate of a shilling."¹³

Henry English remarked¹⁴ that companies formed prior to 1824 were formed with the object of raising money which no

¹³. John Francis, Chronicles and Characters of the Stock Exchange (1849) pp.262-263.

¹⁴. Henry English, A Complete View....etc.p.32.

individual could raise for the execution of some concrete project. He sees a majority of those formed during 1824 and 1825 adapted only to individual enterprise, "as by the formation of a Company many offices were created, and expenses entered into, which would prevent the possibility of any profit arising to the shareholder while the capital actually required was of so insignificant a nature, as to render the formation of a Company a measure, only to be attributed to some sinister motive of the projector."¹⁵ This may be an overstatement where most of the South American mining companies are concerned but it was certainly true that while profits to be gained in the distant lands were unknown to the promoter of a company, he could be confident of the future of his own money in London.

The Promotion of the Mining Companies

Although several variations will be observed, the origin of many of the schemes was as follows. The projector or projectors having either obtained a privilege from a South American government or surmising that they might obtain one, associated themselves with between twelve and twenty-four directors, of course selecting the most respectable and influential whom they could persuade to undertake the office. It was advantageous to have a Member of Parliament, or two, on the board. The Brazilian Company actually had eight M. P.s

¹⁵: Ibid.

on its board of twelve, and altogether, there were thirty-one Members of Parliament who were directors of South American mining companies.¹⁶

The next task was the publishing of a prospectus.

"Anon appears, in beautiful proportion, pyramidically shaped an advertisement, setting forth in glowing terms, yet with a certain air of graceful reserve, the unrivalled advantages of the scheme; aloft sublime upon the apex shines some name illustrious either at the eastern or western end of this happy and money-getting metropolis, the president;¹⁷ below his awful dignity, but scarcely inferior rank, may be discerned the vice-president, who commonly are twain dividing their greatness; and to them succeeds, arranged in double file the array of the directors, twelve or twenty-four in number."¹⁸

The prospectuses showed certain similarities. "(they) are conceived so nearly in the same spirit, and have so strong a family likeness, that any one might serve as a specimen of the whole, the only difference being, I think, that those which relate to pursuits to be undertaken in foreign parts, treat principally of the advantages to be derived by the adventurers.

16. Henry English, A General Guide To The Companies Formed For Working Foreign Mines.(1825)

17. It was advantageous to have as President a high-ranking person from the country in which the company was to operate. For example, see the case of Sr. Egana and the Chilean mining companies, pp.109-110.

"It seems extraordinary that many of the persons whose names appear in these prospectuses, should have permitted their insertion in such delusive projects" John Miers, op. Cit p

18. "An Old Merchant" Remarks On Joint-Stock Companies(1825) p

19. Ibid. pp.49-50

The public was then informed that the lists of subscriptions were full, "but the disappointed applicant has the consolation of hearing that he has many companions in affliction, and that fifteen millions have been turned away"²⁰ Meanwhile each of the directors had been allotted a certain number of shares in the venture; two hundred was considered "liberal and business like"²¹

Solicitors, bankers and everyone also connected with the foundation of the new company would also receive a lesser number of shares..²² Thus, engendered, thus patronised, thus recommended, the shares of the new company would stand at an immediate premium, and by various dealings, the directors and others, holding all the shares, could sell them at a handsome profit.²³

Many of the promoters of mining companies engaged writers to inform the public of the magnificence of their schemes in newspapers, magazines and books. This was vital while companies were being formed and could also be useful for raising the price of a particular share once it was on the market. An examination of the association which evolved between J.D. Powles, an active company promoter, and a young man named Benjamin Disraeli will give some insight into the work of the propagandists.

20. Ibid. p.3.

21. Ibid. p.47.

22. Ibid. p.49.

23. See pp. 97-98.

Disraeli started speculating on the Stock Exchange at the ripe age of twenty together with a fellow solicitor's clerk named Evans. When the two young men decided to play for higher stakes they joined forces with the son of a rich stock broker with the name of Messers.²⁴ In November, 1824, they began operations, and as they conceived that the prices of American mining shares were already above their real value, they sold for a fall. Unfortunately, quotations continued to soar, and by the end of the year they had lost £400. Undaunted the speculators switched their tactics and trusted in a continuing bull market. They could not have chosen a worse possible moment, for no sooner had they bought for a rise than the collapse in prices followed. The adverse balance against Disraeli and his partners who were of course, operating on the margin throughout, rose to £7,000 by June, 1825.²⁵

A gleam of hope appeared, though, when Disraeli was approached by John Diston Powles with a view to writing propaganda to further their mutual interest in mining shares. Powles was an instigator of several South American mining companies (his promotions included the Anglo-Mexican Mining Association) and he had made a lot of money. However, in 1825, the Government appeared to be considering whether or not it was their duty to intervene in what many considered a dangerous bubble. Powles saw that it was not their duty as far as he was

24. Robert Blake. Disraeli (1965) p.24.

25. Ibid. p. 25.

concerned, and he set out to reassure the public of the brilliance of the brilliance of the South American schemes and the dangers of governmental intervention.²⁶ He wrote a pamphlet but his style was that of most businessmen and noone read it..²⁷

Powles accordingly enlisted the pen of the young, able and impecunious Disraeli, following the example of Robert Harley²⁸ who, in 1710, nine years before the publication of Robinson Crusoe, had pamphlets ("Public Credit" and "Loans") for the promotion of his South Sea schemes written by Daniel Defoe. The expert knowledge of Powles derived from personal experience was complemented by the brilliant imaginative powers of Disraeli and several forthright essays resulted. Under the patronage of Powles, a pamphlet was published, entitled "An Inquiry into the Plans, Progress, and Policy of the American Mining Companies" (1825) - the anonymous author's maiden appearance in print.

This "well - got - up brochure" ²⁹ is worthy of attention as it contains many of the favourite arguments used by promoters wishing to encourage speculation. It went through several editions and was even accorded the honour of a notice in the Gentleman's Magazine..³⁰ The cleverness of the author is shown

26. P.H. Emden, op. cit., p. 48.

27. Robert Blake, op. cit. p. 25.

28. Robert Harley, 1st Earl of Oxford..

29. P.H. Emden, op. cit., p.49.

30. Gentleman's Magazine, 1825, January - June, p.440.

by the fact that the reviewer does not seem to have noticed that he was dealing with a book with a purpose.

There is no understatement of the problem in hand.

"Among the undertakings of the present age, paramount in importance for the magnitude of the interests which are involved in their management, may be ranked the American Mining Companies."³¹

The method of "enquiry" adopted follows a common train of thought among the promoters and runs briefly as follows:- The mines of pre-revolutionary South America were profitable, and yet they were worked with almost a total lack of mechanical assistance and by men who knew nothing of geological principles. In England there exists the finest and most modern mining machinery in the world and a body of highly skilled miners. There is also an excellent understanding of the science of geology. Therefore, if the English experts with English equipment are allowed to work the American mines, the profits to be gained will be far in excess of anything that was previously considered possible..

It was the propagandist's job to show how inadequate the former working of the mines had been and how sound were the prospects for the mining companies that had lately been formed in London. Disraeli wrote convincingly of the "utter deficiency in the principles of subterraneous geometry"³²

31. B. Disraeli, op. cit., p.3.

32. Ibid., p.14.

under the old system, the lack of equipment and the problems with water which led him to conclude that costs had been very high. Also, "the profits which might have been acquired were diminished nearly one moiety, by the worker of the mine not being also the amalgamator of the ores."³³ The prospects of the newly formed mining companies were then discussed individually though all were seen through the same rose-coloured spectacles and from time to time we find the catch-words current today for similar uses. Not surprisingly, the first company considered was Powles' "Anglo-Mexican Association" about which few doubts were entertained as to its eventual success. Early reports from Mexico encouraged the belief in the introduction capital, skill, experience and machinery, the expenses of working these mines might be greatly reduced, and their produce much augmented."

Many associations had apparently received valuable concessions for working mines from the respective governments while others without this advantage were undaunted. The author was pleased to quote the following from the prospectus of the Rio De La Plata Mining Association although to some of his readers it may have given a hint of problems that were likely to arise.

"That most of these mines, not being in legal possession of any proprietor, might be entered upon with the undivided

33. Ibid., p. 60.

enjoyment of the profits; or, if any claims should arise, it was presumed that they would be satisfied at a very easy rate."³⁴

Those companies which had been formed first had already published satisfactory reports, the public was informed, and "in many instances unexpected advantages have been obtained, and additional privileges enjoyed. The greatest guarantee the public possessed as to the sincerity of the newer concerns was the character of the individuals by whom the affairs of the companies are directed."³⁵ Indeed the author claims that any suspicions that had arisen over the affairs of the mining companies were due to the rash behaviour of the investors who had got their fingers burnt. There is a good measure of truth when he states that whereas a few years previous there had been "something invidious in the character of a stock-jobber,"³⁶ the position was changed when the mining shares came on the market and to invest money in them "was called patronising infant liberty and liberal principles, and there was something gorgeous and aristocratical in the idea of succeeding to the possessions of the Valencianas and the Reglas.....The West End rushed to the anticipated spoil."³⁷

34. Ibid., p. 60.

35. Ibid., p.77.

36. Ibid., p.98.

37. Ibid., p.99.

Thus the recent furore was due not to fraud but to human nature.

"The truth is, that for a couple of days all the country were buying shares in the American mines. There was no reason for the excessive demand, and a fearful reaction might have taken place, but Avarice preserved us from the misery which Insanity might have produced. Waiting for further profits, the world missed those which were already unreasonable, and the losses which were incurred by a very few simpletons, who bought at the highest, are, we sincerely believe, all the 'ruinous consequences' which have resulted from the 'late great depreciation in prices' so much talked of and so much wondered at."³⁸

Disraeli concludes thus, a "simpleton" with his tongue in his cheek.

"We now close these observations: imperfect as they may be, they have been penned in the spirit of sincerity, and with no other view than that of enabling the public to form an opinion on a very important subject. As to the probable produce of the American mines under their present management, it is impossible to form any estimate; but we have shown their average annual produce under their former management, the means by which it is intended to obtain it; and on the highest authorities we state, that the mineral treasures of America are, as yet, most imperfectly developed."³⁹

38. Ibid., p.107.

39. Ibid., p.130

With a few closing remarks on the dangers of parliamentary intervention, Disraeli had stated his case well to an ignorant public, although it soon became obvious to him that he was fighting a losing battle..

However, another lengthy pamphlet soon came out with the title of "Lawyers and Legislators: or notes on the American Mining Companies"(1825) in which the author returned in depth to the dangers of parliamentary interference, going so far as to blame the Lord Chancellor, Lord Eldon, as the person mainly responsible for the disastrous fall in share price by virtue of a speech in which he shed doubt on the new companies and spoke of imminent legislation.⁴⁰ As this pamphlet is almost wholly concerned with parliamentary affairs it is referred to in some detail elsewhere.⁴¹ The closing remarks, though, are worthy of space here, if only to indicate with what trepidation any publications of this time concerning mining companies must be approached.

"These sentiments come not from one who sits in Royal Councils, or mingles in the assemblies of legislative wisdom, but they come from one who has had some opportunity of investigation, some patience for inquiry, whose opinions are unbiased by self-interest, and uncontrolled by party influence, who, whatever may be the result, will feel some satisfaction, perchance some pride, that at a time when wavering and

40. Ibid.. p.34.

41. ~~Ibid~~ pp. See p. 138.

inconsistent councils were occasioning the very ~~rdin~~ which they affected to deprecate, when Ignorance was the ready slave of Interest, and Truth was deserted by those who should have been her stoutest champions, there was at least one attempt to support sounder principles, and inculcate a wiser policy."⁴²

The third and final effort of the team of Powles and Disraeli to bring about a reversal of public opinion was the lengthy pamphlet, "The Present State of Mexico"(1825), which was aimed specifically at reviving the fortunes of the "Anglo-Mexican" Naturally, the public was informed that the mines of Mexico were ripe for exploitation and much play was made of the liberal nature of the new government whose Secretary of State, Alaman, is quoted at length. Alaman had evidently said that, "The mines are the real foundation of the wealth of this nation, and all that has been said by speculative economists, in opposition to this principle, has been refuted by experience."⁴³

Disraeli was impressed, "Such are the men who are directing the resources, and r~~g~~ulating the measures of the republic of Mexico. If they be not pure and practical patriots, we know not what names should be inscribed on the illustrious role of national gratitude"⁴⁴ In fact, Alaman,

42. Ibid., p.98-99.

43. ~~¶~~ p.41.

44. ~~2~~ p.55.

was being paid on the side by the mining companies in order to look after their interests.

The purpose of these publications - to stay the drop in prices - was not achieved, nor were the young author's hopes realized of being able at any rate in part to settle his old differences. They remained as a bitter legacy and in order to clear off existing liabilities he was forced to borrow elsewhere. Indeed, it was only thirty years later, when he was leader of the House of Commons and Chancellor of the Exchequer, that Disraeli finally paid off the debts contracted in the mining mania of 1825.

We now turn briefly to the "share-rigging" which was outlined above. Let us suppose that the capital of a new company was to be one million pounds. The shares could be divided among fifty gentlemen who each held two-hundred shares for which they paid £5 each. The shares would then be put on the market and declared to be at a premium of £16 each.⁴⁵ At this rate, and with a capital outlay of £1000, a projector could sell only 66 of his shares and raise £1,056, thus retaining 134 with which to make money, without the risk of a farthing. If he got only £16 for each of these shares, he would pocket £2,144, but if, as in the case of the Pasco Peruvian Company, the price had risen to £50, the projector could realise all his 134 shares and receive £6,700.

45. This description is based upon Mr. Hobhouse's views of the Pasco Peruvian Mining Company, Harvard, N.S., XII 1048-1056.

Supposing the shares should rise in value, as some did, to £500 or £700 per share, it would be possible to sell out for between £80,000 and £90,000. The fewer the directors, or promoters, of course, the greater the profit, while the risk stayed the same; nil.⁴⁶

A good example of the methods employed above was the case of the Arigna Mining Company whose shares reached a premium of £25.⁴⁷ One of the first cases of cornering in the Stock Exchange was commented upon in the Times of 25th March, 1825. "We understand," it said, "that a stratagem of a very unusual nature has been resorted to, to raise artificially the price of the shares. It is well known that a practice exists at the Stock Exchange of selling at a distant period without the parties having any of the stock or shares at the time..... The persons engaged in the new company in question are said to have taken advantage of this gambling mania, to buy in for time more shares than they know they have been issued, and which consequently it will never be in the power of the seller to deliver. The effect has been to raise the shares to four or five times the value at which they were first issued." These rigs and corners were numerous at this time, but especially amongst the new mining shares.⁴⁸

46. Thomas Wilson alleged that directors of the Pasco Peruvian Company were bound to retain 100 shares each, but there is no record that this was carried out, and it was certainly not a general rule. Hansard N.S., XII. 1060-1062.

47. Henry English, A Complete View... etc.. p.32.

48. Charles Duguid, op. cit., p.127.

The basis for the mining companies was the former prosperity of the mines under the Spaniards. Before the revolutionary wars, the value of the amounts extracted was around £8,000,000 according to one estimate,⁴⁹ with Mexico providing nearly £5,000,000. The mines had, however, been worked through forced labour, oppression and extortion.⁵⁰ Humboldt who travelled extensively in South America and was an expert in mining was often quoted by those who wished to impress upon the public the wealth that was lying dormant.

Baron Humboldt had written that "from 1770 to 1809, (the year before the Revolution), the produce of the mines appears to have been nearly double the amount raised during any other corresponding period, since the original conquest of Mexico, three centuries ago."⁵¹ This was pleasing to the promoters of companies formed to work in Mexico and more so when Humboldt carried on that "in the working of the mines there was an equal want of judgement or indeed of common sense,"⁵² and that in his opinion two-thirds of the expenses of the "tenitores"(porters) might have been saved.⁵³ While the old system was profitable, therefore, dishonesty, poor skill and indifference to change had acted so as to reduce their profitability.

49. The Bullion Committee of 1810, quoted in Joseph Lowe, The Present State of England (1822), p.267.

50. F.B. Head, Rough Notes Taken During Some Rapid Journeys Across The Pampas And Among The Andes (1826) pp.156-159.

51. Quoted in Sir William Adams, The Actual State Of The Mexican Mines, And The Reasonable Expectations of The Anglo-Mexican Mine Association (1825) p.23

52. Ibid.p.31. See also Captain Garby's views of the Mexican Mines

53. Ibid

(n.pp.41-42)

Reports sprang up in the years 1824 and 1825 of the minerals throughout South America that were ready for exploitation. "Gold, of all the metals, is that which is most abundant in Chili; and it may be said that there is not a mountain or hill but contains it in a greater or less degree".⁵⁴

In fact, the application of English machinery to the mines of South America had already been tried and shown not to be the panacea that many supposed in 1825 it to be. A Draining Company had used English steam-engines and English miners in the Pasco region of Peru in 1814. The Company was a total failure and all except one of the miners died.⁵⁵

Over twenty companies, though relying on similar techniques were in operation in some form or another by 1825. Certain of them had sent out commissioners and miners, others were arguing over their respective "rights" to the mines of South America, while a few were already folding up.

54. The Abbe Don. J. Ignatius Molina, Report On The Soil And Mineral Productions of Chile. (1825), p.30. The writer of the preface stresses the fact that this work "was written many years before it was ever contemplated to embark British capital in any of the present undertakings, and consequently may be considered an impartial account, entirely free from that influence which might just now lead to misrepresentation." "It is interesting to speculate as to who took the trouble to have it published.

55. Mr. Hobhouse, Hansard, N.S., XII, 1048-1056. Also Thomas Baring, *ibid.*, 1063-1064.

Henry English reported in 1825⁵⁶ on the progress of each company and could not hold out great hopes for all of them; "Of this Company (Guanaxuato) little can be said; had the contents of the Prospectus been true, of which we entertain our doubts, the success of the Company was certain....⁵⁷ The Company (General South American), at the period of its formation, not being in possession of Mines, we may presume deemed it unnecessary to enter into any detail, as related to the advantages arising from the situation of Mines in any particular district, or their peculiar claims to public attention".⁵⁸

Reasons For The Failure Of The Mining Companies.

The Rio De La Plata Mining Association was, according to English, in a different category, "from the liberal conduct of the Government, evinced in favour of this Association, no doubt can be entertained of its success".⁵⁹ This Association was soon to fail, however, as were its competitors, and the reasons for their failure are due to factors common to them all. The story of the Rio De La Plata Mining Association has been fairly well documented and will serve to demonstrate the misconceptions which surrounded the lives of the mining companies and which led to inevitable disaster. This account will be compared with that of John Miers

56. Henry English, A General Guide etc.

57. Ibid, p.88.

58. Ibid, p.86.

59. Ibid, p.100.

who was one of the few with first-hand knowledge of the impracticalities of the Chilean Mining Associations.

The Rio Plata Mining Association was formed at the London Tavern, on the 4th of December, 1824, for the purpose of working the mines in the region of the Rio Plata in the Province of Buenos Aires.⁶⁰ The principal minister, Don Bernardino Rivadavia accepted the office of President of the Board of Management⁶¹ with the assurance that the mines of his country were, under certain circumstances, to be "at the discretionary choice of the Company".⁶² It appears that the directors agreed that Rivadavia should eventually be paid £30,000 for the goodwill of the speculation.⁶³

Rivadavia gave descriptions of the mines which were printed with the prospectus of the association. "We can affirm, without hyperbole, that the two first curracies, Rincnnda and Santa-Catalina, contain the greatest riches in the universe. I am going to prove it by a single assertion which is attested by thousands of witnesses. In its fields the gold springs up with the rain, as in others weeds: the great mass of this soil is composed of earth-stone-water-and larger and smaller grains of gold; these last appear in sight when the rain washes away the dust which covers their surface.

60. F.B. Head, Reports Relating To The Failure Of The Rio Plata Mining Association (1827). p.1.

61. Ibid, p.146.

62. Ibid, p.1.

63. Ibid, p.144.

After a very heavy rain, a woman stepping forth from her hut, a few yards from her door, found a piece of gold weighing twenty ounces; another, when gathering wood, on pulling up some grass, discovered amongst the roots a grain of from three to four ounces. These instances happen so frequently in the rainy season, that it would require much time to detail them.

The sweepings of the houses and sheds for mules are washed, and generally more or less gold is found in them." ⁶⁴

The mines of Uspallata in particular were said to be in a region rich with pasture, wood, water and indeed everything that the miners might require. ⁶⁵No company could have asked for brighter prospects and Hullett and Company organised the peddling of the shares with a nominal capital of £1,000,000. ⁶⁶ Unfortunately, the company was to experience competition, for while Rivadavia had given it the concession which included the mines of Famatina which were generally judged to have the greatest potential, the Governor of La Rioja Province had granted a concession for the mines to a group of Argentine politicians and landowners who sold it to a British company entitled the Famatina Mining Company. ⁶⁷

64. Ibid, p.143-144.

65. Ibid, p.170.

66. H.S. Ferns, op.cit.p.135.

67. Ibid, Also F.B. Head, Reports Relating etc. p.146.

Undaunted, the Rio Plata Company appointed Sir Francis Bond Head⁶⁸ as commissioner for the party to sail to Buenos Aires, and watched the shares rise in value on the Stock Exchange. Head later recalled the confusion which surrounded the sending out of a party to South America. "The subject of working silver mines was one to which very few people in England had ever directed their attention; and nothing can prove the profound ignorance which prevailed among us, more than the assortment of commissioners and miners that were now embarked for America".⁶⁹ Apparently, the directors of the mining companies were rather at a loss to know what sort of person should command the miners and conduct the whole speculation. One of the companies considered that, in order to guard their property, no person could be better than an officer of the Guards; other directors decided that as gun-powder would be required in the mines, it would be well to procure officers from the Artillery. Several saw that officers of his Majesty's navy would be useful where hauling up ores and water from the depths of the mines was concerned, while one company whose mines were filled with water and widely separated from each other, concluded that to encounter difficulties both on land and water was indisputably the province of an officer of the Marines.⁷⁰

68. It is to Head that we owe the full story of the Rio Plata Company.

69. F.B. Head, Descriptive Essays (1837), p.25.

70. Ibid. p.p. 25-26.

However, although the party embarking for South America knew very little of the conditions they would meet, the shareholders knew less, and the whole system being that of the blind leading the blind, the commissioners started out for the New World with less confidence than they left behind.⁷¹

Feen's Head assembled a party of Cornish miners and capital equipment, and with these he sailed to Buenos Aires.⁷² He soon discovered that there was a serious contradiction between the facts on the spot and the facts in the company's prospectus. In January 1825, a law had been adopted by the Government in Buenos Aires that it belonged to each province to regulate itself. Head found Rivadavia weak in the presence of difficulties. "I easily perceived," he told the directors, "that private interests were strongly opposing our progress; that Mr. Rivadavia's political opponents were striving to overturn all his plans; that he had evidently no inclination to assist us."⁷³ Head was not content to talk in Buenos Aires

71. "The confusion and hurry in which miners and miners' wives, machinery, and commissioners were huddled on board, can hardly be forgotten. It may also be remembered that these Companies were of such hasty growth, that they were scarcely considered to exist at all, until it could be reported that the miners and machinery had been (the phrase was ominous) despatched. As soon as this was known, the value of the shares rose rapidly Ibid. p.35.

72. A company formed for working in Mexico suffered an early setback. "The miners and machinery were landed, but of one company of forty-four individuals, almost the first act which twenty-six of them performed was - to die." Ibid, p.37.

73. F.B. Head, Reports Relating etc., p.6.

and travelled widely over 6,000 miles meeting provincial governors and making surveys, plans and reports of the mines which he visited.⁷⁴ Not one of the governors would give the "discretionary choice of mines" granted by Rivadavia originally,⁷⁵ and although certain mines were offered, Head did not consider the working of them feasible. "San Juan was in a state of revolution. The mines of Mendoza were altogether different from the reports which had been published and were totally incapable of supporting the expense of the establishment which had been proposed for them."⁷⁶

However, the directors reported to the shareholders that all was proceeding well, and called upon them for a further 2½% in a circular letter dated 14th January, 1826, nearly four months after they had heard distressing news from Head.

"Captain F.B. Head . . . has been received with favour and encouragement by the Government of Buenos Aires, and by the Governors of two of the principal Mining Provinces, Mendoza and San Juan, with every demonstration of anxiety to assist and promote the introduction and establishment of the Association in those Provinces.

74. Ibid, p.2.

75. Ibid, p.148.

76. Ibid, p.175. Some companies purchased mines 700 or 800 miles away from each other. F.B. Head, Descriptive Essays, p.37. "one single Company engaged the whole or parts of thirty-five large mines, besides smaller ones, nine haciendas, and three hundred mills, which last they took on leases for nine or twelve years; and this same Company, after expending about eight hundred thousand pounds, have now just determined to abandon all their mines together, excepting four." Ibid., p.40.

All the mines and lodes in both Provinces, excepting only a small part, held as private property, have been tendered to the acceptance of the Association." 77

Head was further confronted by a large detachment of German miners who had arrived in Buenos Aires for the service of the company. He soon dismissed the German miners, ordered the Cornish party to embark for England, and reached London himself on the 13th April, 1826.⁷⁸ He realised, of course, that his own return would displease the shareholders and more so, the directors, who had requested him to stay in South America, and would hit the price of Rio Plata Mining Association shares badly, "for had it been necessary only to enrich the Directors and their Shareholders, I could have raised the value of their shares almost ad libitum." 79.

Although the company had a nominal capital of £1,000,000, the amount actually lost in the Argentine venture amounted to only £52,000. For this the directors had no thanks to offer Head who sat down to write "Reports Relating to the Failure of The Rio Plata Mining Association" to explain his actions.⁸⁰

77. F.B. Head. Reports Relating ... etc. p.184.

78. Ibid., p.2.

79. Ibid., p.225.

80. See also Observations on Captain F.B. Head's "Reports Relative To The Failure Of The Rio De La Plata Mining Association", by Lt. Grosvenor Bunster R.N.; agent in the service of the Association (1827), where Head is blamed for everything.

The Rio Plata Association carried on for a while and succeeded in losing additional sums in Chile. Its competitor, the Famatina Company, also failed; in 1827 its shares on which £50 had been paid were selling for £2.

John Miers set out in 1819 to instal copper mills in Chile, believing that he could rapidly make his fortune. He was unsuccessful and found "on return to England the numerous misconceptions which were entertained, and the incorrect accounts which had been published relative to these countries."⁸¹

He had travelled out with the misapprehension that the demand for sheet copper along the Pacific coast was very great, and that coal might be procured for nothing in Chile and that labour costs were less than a quarter of those in England. He records that "these tales were magnified by the South American deputies then in London; and from the two Chile ambassadors I received strong assurances that the government would afford every facility, protection and assistance, to an enterprise of such vast importance to that infant country."⁸²

After his own experiences had proved so disillusioning, Miers realized that among those having even the smallest knowledge of Chile it was well-known that the nature of the country and the state of its mines were such that the injection of English capital for large scale mining projects could not be successful. He asserts that company formation for mining in

81. John Miers, op. cit., p.IV.

82. Ibid., p.2.

Chile was deceitful from the outset. Those in England "the best informed of the real state of Chile, and of the utter impossibility of employing any considerable sum of money in mining with the least chance of its being productive of any profit whatever, put forth proposals for raising immense sums from the credulity of persons less informed than themselves, for the purpose, as it was pretended, of working mines of gold, silver and copper, which were to produce immense profits." ⁸³

Accordingly, three companies were formed for this purpose, the "Chilean Mining Association", the "Chilean and Peruvian Mining Association" and the "Anglo Chilean Mining Association," the first two having His Excellency Don Mariano de Egana, Minister Plenipotentiary from the Republic of Chile, as President, and the latter being established with his Excellency's sanction and approbation.

The prospectus of the Chilean Mining Association stated that "the Republic of Chile contains nine mining districts, or reals, producing gold, silver, copper, lead, tin and iron. They have the advantage of being situated on that branch of the Cordillera of the Andes nearest the sea coast. The climate is healthy - labour is cheap - wood and water are generally abundant - and coal is to be found on the coast of Concepcion." The Anglo Chilean Mining Association in its prospectus informed that "the territories of Chile, and more particularly those parts which are situated between the parallel of thirty-five

83. Ibid., p.417.

degrees of southern latitude and the northern boundary, are known to abound in rich mines of gold, silver, copper, tin and other minerals." The Chilean and Peruvian Mining Association in its prospectus goes to even greater lengths; it assures that "the copper ores of Chile exist in extraordinary abundance, and in general are easily accessible, being at a little depth from the surface, and at a short distance from the sea coast ... Coals, a preferable material to charcoal which is now employed for smelting copper, are found in in-exhaustible quantities on the coast of Chile, and, it is considered, may be conveyed to the mines at a trifling expense."

These, Miers asserts, are misrepresentations, In particular when the Chilean Mining Association, of which Mr. Egana was President, states that "few countries are so well watered as Chile, affording means of conveyance by water to the ports of the Pacific; and that north of 35 deg. S. lat. are the great mining districts," it is a fact, "of which Mr. Egana could not by any possibility be ignorant, that north of 35 deg. S. lat. there is not a single river navigable in any way; that there is scarcely a stick of timber of any kind and no coals."⁸⁴ Further, it was Miers' experience that not one mining district for gold and silver existed in the whole of Chile, that the streams were unnavigable and "neither coals, nor fuel of any sort, can be procured in the country for any but a very small establishment."⁸⁵

84. Ibid, p.423.

85. Ibid. p.420.

It is not always clear whether the South American mining companies were sincere in desiring to work the mines or whether they were formed merely for the profits to be gained on the Stock Exchange, but in the case of the Chilean companies, the above would clearly seem to indicate the latter.

Head's writings, based on an unfortunate and short-lived career in South America similar to Miers, with their analysis of the social and political situation as well as the descriptions of the actual resources of the provinces which it had been proposed to exploit, constitutes the best explanation of why capital investment by Europeans in industrial enterprises in Argentina at this time was impossible.

In "Rough Notes Taken During Some Rapid Journeys Across The Pampas And Among The Andes", Head sees the main difficulties as physical, moral and political, "and these difficulties in many parts of the provinces, would be so great, that it might satisfactorily be proved that the silver extracted from such mines would scarcely be worth its weight in iron by the time it reached England; while the iron which was sent from England would cost nearly its weight in silver by the time it reached the mine." 86

The main physical problem was the sheer distance, which separated the mines from the supplies of men, materials and provisions and the consequent difficulty of transporting the ores over desolate and unprotected plains to the ports where they would be shipped - "the distance being, upon the average,

more than a thousand miles of land-carriage."⁸⁷ A great amount of time would be lost travelling over bad roads, and crossing torrents and rivers with an ever-present danger of attack from bandits to reach mines situated in lofty and barren mountains.

The dryness of the climate was a further problem as there was often little to drink, let alone to use on machinery. Therefore, machinery, such as steam-engines, were a physical impossibility, and the mines were better adapted to work on a limited scale by a few people than the extensive operations of an English association.⁸⁸

The "moral" problems were numerous. The lack of education left the population disinclined for change, and while the richer classes in the provinces were unaccustomed to business, the poorer classes were unwilling to work. There could be little reliance on a contract and no understanding of punctuality or the value of time. Within any locality a monopoly existed in day-to-day needs which pushed prices up, while local laws were powerless to stop the wild and plundering habits of the "gauchos". The wants of English and European workmen were expensive to satisfy and the workmen themselves novices in the techniques needed to work ores new to them. All too often they were overcome by the heat and became indolent from possessing large salaries

87. p.150.

88. Ibid..

in a country where wine and spirits were cheap. One of the Cornish miners wrote home to his brother in Cornwall, "You have no idea, Bill, how thirsty this here hot, dry climate do make us."⁸⁹

As the mines were great distances from each other, it was necessary to place confidence in individuals handling gold and silver, many of whom would not have appeared trustworthy. Also, dangers arose from the character of the local women.

The political difficulties were obvious. Governments were unstable and unpredictable. Jealousies existed between provinces, and between the provinces and the national governments, with the result that one might over-rule the decisions of the other. In spite of decrees or contracts, governments would not allow large profits to go out of their provinces, or even pass through them without contributions being made. The decrees of one junta could be repealed by the next with no compensation for an unlucky association that found it had lost its rights to be there. Companies might be encouraged to lend money to the South American governments - "one hundred thousand dollars were lent to one Government"⁹⁰

With all this in mind, it is not surprising that the mining companies were a failure. It was later evident that the "old" system of mining was not only the result of intelligence, trial and experience, but was adapted to the

89. F.B. Head, Descriptive Essays, p.29.

90. Ibid., p.37.

character, habits and state of civilization of the countries where it had long been operated. However, mining techniques in Britian, especially the use of steam engines, had been greatly improved in the first quarter of the nineteenth century, and the plans to apply these techniques abroad were not, perhaps, as foolish as hindsight may suggest. It was more a matter of a failure to find out the real potential of the South American mines and a failure to understand the very difficult conditions under which the mining would have to be carried out.

CHAPTER V

PARLIAMENTARY REACTIONS TO THE
INVESTMENT BOOM AND SOUTH AMERICAN AFFAIRS

This chapter represents an attempt to analyse the response in Parliament to three aspects of the events that have so far been outlined. Firstly, the movement among certain Members of Parliament and Peers to put pressure on the Government to recognize the independence of the South American States, which was backed by a hard core of financial and merchant opinion; secondly, the movement for the repeal of the Bubble Act which was finally shown by the investment boom to be an anachronism, and thirdly, the reform of the Navigation Acts.

The Pressure To Recognize The South American Republics

Ever since the South Americans had begun their fights for independence, they had found an ally in the merchants of Britain who saw immense profits from an increasing trade with the liberated continent. By 1822 the great topic which exercised the minds of those with connections in South America was the attitude likely to be taken up by the British Government in regard to the question of recognition of the new republics. Naturally, on the stand taken in this matter would depend the fortunes or otherwise of their undertakings in the old Spanish Empire..

This subject was by no means new, but it was pressed forward with additional force in this year by the mercantile interests owing to an official communication, dated Paris, 8th April, 1822, made by Don F. Zea, the Columbian mentioned above¹, to the cabinets of Europe, and founded, it appears, on a decree of the Colombian republic that the new state would not communicate or permit any commercial intercourse with nations which did not recognize its independence². It is highly unlikely that this would ever have been carried out, but the statement was taken seriously by many in Britain who were further worried that the principle might spread to other South American nations. It was feared, consequently, that unless Britain took steps to declare recognition, much of the trade with South America would be lost

A memorial was submitted by the merchants, shipowners, traders, and manufacturers of London, in April, 1822 which pressed strongly for recognition, while in May, a similar memorial was issued by the merchants of Liverpool. The Liverpool merchants, while stressing the increasing importance of the South American trade, were particularly alarmed by the declaration of Don F. Zea. In consequence of the risk that was now presumed to exist in trading to

1. See pp.48-52.

2. J.S. Jones, Ph.D. op. cit., p.278

Colombia, the under-writers at Lloyd's would not execute policies on British vessels going there except at very extravagant premiums, without a warranty being inserted in them of "Free from capture or seizure, or the consequences thereof."³ The situation was a cause of alarm to the Liverpool merchants in view of the fact that they had several ships preparing for, and some on the way to, South America, and especially as the U.S.A. was about to acknowledge the independence of the new governments.

An almost identical memorial, with a few alterations in the text to suit the particular circumstances of the town, was also presented by the Nottingham merchants trading to the Brazils and South America. They, too, claimed to have suffered an interruption and embarrassment to their commerce from the effect of the decree of the Colombian government; they had been in the habit of exporting large quantities of stockings and lace to South America, and they had at the time manufactured goods of considerable value in the Colombian States as well as on the way there, whilst they had also a great quantity of articles on hand manufactured particularly for that market and which were not calculated for home consumption. If the other states followed the example of

3. Ibid., p.280.

Colombia, they feared His Majesty's subjects might be totally excluded from any participation in this branch of trade.⁴

Mr. Joseph Marryat in a letter to the Marquis of Londonderry, 28th January, 1822, raised the same question of recognition on commercial grounds. Taking exception to the re-appointment of Sir Ralph Woodward to the governorship of Trinidad, in that the latter had refused the admission of Independents into the island when the Royalist army was marching on La Guayra, in consequence of which they were forced back and massacred, and that the nomination would induce a feeling of hostility towards Britain, he took occasion to remark that already the establishment of commercial intercourse with the new governments was becoming an object of serious interest to every nation. "Great Britain, whose only political relief from the heavy labours is the prosecution of her commercial pursuits and the finding of new markets for the sale of her manufactures, and who must look to the New World to indemnify her for the restrictions imposed upon her industry by the jealousy and hatred of the Old, ought not to be the last in the race of commercial enterprise nor in readiness to acknowledge the triumph of freedom."⁵

4. Ibid.

5. Ibid., p.282

Although commercial opinion was later to be voiced with greater vigour in Parliament, Canning was Member of Parliament for Liverpool from 1812 to 1822 and was by no means blind to the commercial advantages which might accrue from close relationships with the South American nations. As was seen above,⁶ his decision in 1823 to appoint commissioners for Colombia and Mexico and consuls for Buenos Aires, Montevideo, Chile and Peru was in part a ploy to ascertain the trading possibilities for the future.

The business of sending out consuls and receiving reports from the other side of the world was time consuming and worrying for commercial interests in Britain, especially when the South American states had been recognized by the United States with the Monroe Doctrine of December, 1823, and that country was threatening to enlarge its mercantile interests at Britain's expense.. The year 1824 was then an anxious one for many in Britain concerned with exporting goods or capital to South America, and it is here that attention is now focused to enquire into the pressure groups that used Parliament to press for recognition and the arguments that they put forward, some of which have already been seen.

The King's Speech on February 3rd, 1824, at the opening of the new Parliamentary session,⁷ while on the whole extremely

6. pp. See plC.

7. Hansard, N.S. X, 1-5.

optimistic in view of the growing prosperity of the country, gave little hope of early recognition of the South American states. Consuls had been appointed, and, "As to any further measures, his majesty has reserved to himself an unfettered discretion, to be exercised as the circumstances of those countries, and the interests of his own people, may appear to his majesty to require."⁸ In fact, the King was firmly against recognition as it seemed to him to encourage revolution everywhere. The cabinet did not agree with him, with the exception of the Duke of Wellington. Parliament as a whole seems to have been willing to accept that Canning was playing a waiting game until the right moment, politically and economically, arrived. Canning was always willing to speak at length on the problem of recognition but was careful to point out that it was not his intention to embarrass Spain in her efforts to recover her lost colonies.⁹

The Marquis of Lansdowne was quick to comment on the King's Speech mentioned above and from the sheer diligence with which he pursued the cause in the House of Lords, he appears to have been the leader there of the faction advocating immediate recognition. He "observed with regret, that the affairs of South America, teeming as those affairs did with importance to the commercial interest of this country,

8. Ibid., 3.

9. Hansard, N.S.X, 70-84. Address on the King's Speech.

were touched upon so very slightly in the Speech from the throne."¹⁰ This great question was to be viewed "not merely with reference to its advantages to South America, but to the British empire; and particularly as there might exist a disposition to exclude, as much as possible, our manufactures from the European markets. Let their lordships look to what had happened in the United States. There a population of three millions had, in the course of forty years, been increased to ten millions. In the united provinces of Spanish America, there was at present a population of sixteen millions, exclusive of about four millions in the Brazils; and assuming the same ratio of improvement in the course of forty years to come, we might have an intercourse with a population of from fifty to sixty millions, and that too, a population of a consuming character; for from recent calculations it was estimated, that each person consumed to the value of £2 10s of British manufactures annually."¹¹

The leader of the group in the House of Commons that was urging recognition at the earliest opportunity was Sir James Mackintosh who presented two petitions - one from the merchants of the city of London¹² and one from the merchants of Manchester¹³ - "praying that the House would

10. Ibid., 20.

11. Ibid., 20-21.

12. Hansard, N.S. XI. 1344-1406.

13. Ibid., 1475.

adopt such measures as to them may seem meet, to induce his majesty's government to Recognize the Independence of the states of those countries who have in fact established independent governments."¹⁴ (A petition was also sent to the King from the merchants of Liverpool).¹⁵

The Manchester merchants of the earlier nineteenth century had paid great attention to the possibility of opening up new markets for cotton goods in South and Central America; in the records of the Manchester Chamber of Commerce, Brazil, Mexico, Colombia and Buenos Aires figured much more largely than Canada, the West Indies, or even the United States.¹⁶ The petition drawn up by the Manchester Chamber of Commerce pointed out the "varied nature, steady growth, great extent and expanding prospects of the South American trade.... .."¹⁷

Concern was thus nationwide and naturally concentrated wherever the mercantile classes were directly concerned with South American trade and finance. Mackintosh, in presenting the London petition, thought it right to give the House such information as he possessed "relating to the number and character of the petitioners, that it may be seen how far they are what they profess to be; what are their means of

14. Ibid., 1344.

15. Ibid., 1381.

16. Arthur Redford, Manchester Merchants And Foreign Trade, 1794-1858 (Manchester, 1934) p. 97.

17. Proceedings of The Manchester Chamber of Commerce, 17th June, 1824. Quoted *ibid.*, p.100.

knowledge; what are likely to be the motives of their application; what faith is due to their testimony; and what weight ought to be allowed to their judgement. Their number is one hundred and seventeen. Each of them is a member of a considerable commercial house interested in the trade to America. The petition therefore conveys the sentiments of three or four hundred merchants. The signatures were collected in two days without a public meeting or even an advertisement; it was confined to the American merchants, but the petitioners have no reason to believe that any merchant in London would have declined to put his name to it. I am but imperfectly qualified to estimate the importance and station of the petitioners. Judging from common information, I should consider many of them as in the first rank of the mercantile community. I see among them the firm of Baring and company, which, without disparagement to any others, may be placed at the head of the commercial establishments of the world. I see also the firms of Herring, Powles and company; of Richardson and company; Goldsmith and company; Montefiori and company; of Mr. Benjamin Shaw, who as chairman of Lloyd's coffee house represents the most numerous and diversified interests of traffic; together with many others not equally known to me, but whom, if I did know, I have no doubt that I might with truth describe as persons of the highest mercantile respectability. I perceive among them the name of Ricardo, which I shall ever

honour, and cannot now pronounce without emotion.. In a word, the petitioners are the city of London. They contain individuals of all political parties; they are deeply interested in the subject, perfectly conversant with all its commercial bearings; and they could not fill the high place where they stand, if they were not as much distinguished by intelligence and probity, as by those inferior advantages of wealth, which with them are not fortunate accidents, but proofs of personal worth and professional merit."¹⁸

There was little doubt in the Marquis of Lansdowne's mind that the new states were politically and economically stable,¹⁹ Colombia being the perfect model, in that it was not endangered by "democracy". He was pleased to note that only one elector was allowed for every 4,000 inhabitants.²⁰ If the governments of South America were unstable, why should it be that their stock in London was selling at a higher price than Spanish stock?" I find on looking at the value of the stock, or debts, of the various governments I have alluded to in South America, that they fluctuate between the prices of 67 and 82; and upon my looking a little further for the value of the stock of the ancient government of Spain

18. Hansard, N.S., XI, 1344-1345.

19. Hansard, N.S., X, 974-981.

20. Ibid., 979.

from the solidity of which the South American governments have been detached, and have by that detachment sunk, it is said, into a state which presents neither confidence nor stability - I find the stock of the ancient government was, on Saturday last, at 18 and 20."²¹

As has been indicated previously,²² trade with South America had been on the increase during the early 1820's as was pointed out in Parliament on a number of occasions.²³ If every opportunity were taken to promote our interests in South America, there was no reason, it was argued, why they should not carry on developing at a continuous rate. To show the value of free intercourse with South America, Sir James Mackintosh related a story of Captain Basil Hall's from his travels in South America. Apparently, this gentleman had encountered a certain semi-barbarous native and began a discussion of political and economic problems. On being asked his opinion of free trade - "My opinion", said he, (the native) "is this - formerly I paid nine dollars for the piece of cloth of which this shirt is made, I now pay two - that is my opinion of the free trade."²⁴ South American interests could be at one with British interests, and the miner in Chile selling his copper and the peasant in Mexico

21. Ibid., 980-981.

22. pp. 11-23.

23. Hansard, N.S., X, 986-988, X, 1381-1383.

24. Hansard, N.S., XI, 1384-1385.

buying his shirt could both rely on British security.²⁵

Lord Ellenborough was almost moved to poetry by the prospects in the new states. To him, South America's "mountains and her plains, her noble rivers and her fertile valleys, excited the strongest emotions of admiration for the beautiful works of nature, and the unbounded beneficence of the Creator.. ... Even the power of ~~steam~~ ^{steam} seems to be discovered at the most favourable moment for giving facilities to the navigation of their rivers, and the working of their precious mines. South America seemed destined, by a chain of circumstances concerning with her almost boundless resources, to carry to the greatest possible extent the civilization and happiness of mankind."²⁶ Therefore, "petty advantages of trade"²⁷ should be forgotten since what his Lordship desired was the hearts of people, and recognition of independence should be conferred "not with the cold, calculating feeling of ministers, but with the warm-hearted and sympathetic feelings which became the legislature of a great and generous nation."²⁸

However, others were more concerned with the practical difficulties arising from trading with nations that were not officially recognized. The powers of the consuls and commissioners that had been sent out were confined to commercial

25, Ibid., 1385-1386.

26. Hansard, N.S.X, 1006.

27. Ibid.

28. Ibid.

affairs, and not all the mishaps that confronted a merchant were within the province of these men. The English trader at Buenos Aires, it was argued,²⁹ ought not to feel less secure than American merchants. "The American trader is not left to gather information, so essential to his comfort, from conjecture or reasoning: he daily sees and feels it: he is assured of it by the view of those badges of national protection which mankind have in all ages regarded with veneration."³⁰ Mackintosh states that the inferiority of the English trader was considerably aggravated by the knowledge that British policy could not be looked upon in a friendly light in the state that he was for a time subject, but this is almost certainly overstating his case since many of the states were already receiving capital from the London money market. In fact, there is no evidence that British traders were in difficulties because of the government's cautious policy. Even so, Mackintosh considered this to be an important point. "You (the government) have no right to deprive British subjects of such important advantages, and to expose them at least to disfavour in the country where they trade, or travel or reside. You ought not without the weightiest reasons to continue a policy, sure, even in the first instance, to excite

29. Hansard, N.S., XI, 1368-1369.

30. Ibid., 1368.

some suspicion and alienation, which in time may grow into distrust and displeasure, and at length rankle into anger and hostility."³¹

Similarly, the loans to the South American states would be more secure if this country had officials who could make direct representations to the recipient governments. Thus, the protection of such dealings was a perfectly good additional reason for hastening to do that which was previously determined to be "politic and just."³²

The campaign for recognition was short-lived since its object was achieved in 1825, and its influence on the government should not be over-stressed. Nevertheless, it was pursued relentlessly as any reader of Hansard for the year 1824 can testify, and appears to have been quite well coordinated between the Upper and Lower Houses. The London petition contains some strange bedfellows - for example, Thomas Baring was strongly opposed to some of his fellow petitioners who were raising money furiously for any South American nation and forming dubious companies for exploiting the South American mines. The fact was that men of commerce and finance could see diverse ways of furthering their interests in South America and were temporarily willing to act together to press for the recognition of the new states which they saw as the final security for a prosperous future. Their hopes,

31. Ibid., 1369.

32. Ibid , 1383.

of course, were soon to be dashed.

The Pressure To Repeal The Bubble Act.

In the first quarter of the nineteenth century the law relating to joint-stock companies was ill-defined and contradictory. The speculation of 1824 and 1825 brought out clearly the inability of existing laws to deal with contemporary problems and forced the executive to formulate more reasonable legislation.

The Bubble Act of 1720 still had a restraining effect on company promotion one hundred years after its rush through parliament onto the statute book. In 1720 at the height of the prevailing orgy of company promotion and speculation, "a panic stricken Parliament" as Maitland has put it, "issued a law which even when we now read it, seems to scream at us from the Statute book."³³ A century later it was pertinently said of this statute that like all laws passed upon the exigency of an occasion it had more of temporary malice and revenge than of permanent wisdom and policy.³⁴ The Bubble Act had been aimed at persons "who contrived dangerous and mischievous undertakings or projects under false pretense of the public good;" who had "presumed to open books for public subscriptions

33. F.W. Maitland, Trust And Corporation III Papers(Cambridge, 1911) p. 390.

34. The Morning Chronicle, February 9th, 1825.

and draw in unwary persons to subscribe" and "to act as if they were corporate bodies;" who had pretended to make their shares transferable," with out legal authority; who had "acted or pretended to act under some charter formerly granted by the Crown" for other purposes, and had "acted under obsolete Charters" All such "undertakings and attempts" were to be "effectually suppressed and restrained" as tending to "the common grievance, prejudice and inconvenience" and to be punishable as public nuisances. Futhermore, the guilty were to sustain the ancient penalties of a "praemunire;" injured parties were to be entitled to sue for treble damages; and brokers dealing in the shares of such "companies" became liable to a fine of £500.³⁵

The Act of 1720 and the ensuing collapse of the great speculation arrested the development of joint-stock enterprise for many decades. In consequence, incorporation remained particular, not general, and indeed, the legislation of 1720 was to exercise a deterrent psychological effect upon the pressures of the 1820's. On occasions, Parliament would consent to grant charters, however, and the English canal system was built up largely by incorporated companies.³⁶

On the other hand, without benefit of Parliament or Crown and in the face of denial of incorporation, company

35. B.C. Hunt, The Development Of The Business Corporation In England 1800-1867 (Cambridge, Mass., 1936) p.7.

36. Ibid. p.10

organization in the form of numerous partnerships grew, especially in insurance, as well as here and there in manufacturing. Many societies whose applications for incorporation were refused by Parliament carried on regardless, with transferable stock, but without any individual right in any associate to bind the other associates, or to deal with the assets of the association.

During the early nineteenth century, there were vigorous efforts to widen the sphere of joint-stock organization. The success of corporate enterprise in banking,³⁷ in insurance, and especially in the development of canals, had inspired the opinion that "companies might be extended to every branch of trade and manufacture."³⁸ Evidence of a contemporarily expanding securities market is found in the fact that between 1803, when the official price list, "Course of Exchange" was first published under the authority of the Stock Exchange, and 1811 the number of securities quoted more than doubled.³⁹ The years 1807 and 1808, in Tooke's words "a period of almost universal excitement, leading as usual to hazardous adventure,"⁴⁰ witnessed an outburst of promotions, "some with exclusive privileges, but in general without any such advantage."⁴¹

37. Especially the Bank of England. Other joint-stock banks in England were illegal, but in Scotland joint-stock banking companies with many hundred partners were flourishing by this time.

38. The Tradesman, I(1808), p.24f.

39. Duguid, *op. cit.*, p.96.

40. T. Tooke, *op. cit.*, Vol.I, p.277.

41. In other words, without incorporation. The Tradesman, I (1808), p.24.

Aroused by the proportions of the new movement and the character of some of the companies, the Attorney General started proceedings⁴² against two of those recently formed as schemes which violated "the express provisions and plain policy" of the Act of 1720. Alarm spread among investors and company Promoters. New ventures folded up. Pamphleteers examined the question of legality and sought to combat the attempts to disparage joint-stock companies.⁴³ However, in the Court of King's Bench,⁴⁴ the main question as to whether the raising of large sums of money and the creation of transferable shares in the joint stock were in themselves unlawful and prohibited was not decided. Further litigation, although clearly indicative of the hostility and suspicion of the Courts towards the new species of organization, left in doubt what exactly was legal and what was not.

The introduction of limited liability was severely opposed in and out of Parliament and this was probably the one factor that held back company promotion more than any other. Indeed, as John Austin wrote in 1825, "compared with this rule of the existing law, the mysterious terrors of the unintelligible Bubble Act were a feeble obstacle to the establishment of joint-stock companies."⁴⁵

42. November, 1807.

43. See, Henry Day, *op. cit.*

44. *Rex. V. Dodd* (1808), 9 East 516.

45. John Austin, *Joint Stock Companies, Parliamentary History And Review* (1825) p. 711.

Even some who advocated that all joint-stock companies should be put on a secure legal footing were still against the wholesale granting of limited liability.⁴⁶

The quasi-corporate company of the early 1820's was, then, something of an unknown quantity. It was almost impossible for it to evade being sued itself, as each individual would have to be sued and the composition might well be changing all the time. The dangers to shareholders of unlimited liability are obvious, since a man could be stripped of everything he possessed to pay off the debts of the company. If some shareholders preferred a spell in prison, the debts were left to be paid off by others.

When the speculation mania of the 1820's got under way, Parliament was not by any means blind to current developments. Company enterprise and speculation encountered sharp challenge and stern resistance. Early in May, 1824, Huskisson voiced strong objection to legislative incorporation unless charters were first regularly obtained from the Crown, for only then was revocation of privileges possible in event of abuse. He was especially opposed at this time to the limitation of liability, "to taking every wild and idle speculation out of the general operation of the laws of the country."⁴⁷ Angry inquiry as to how far shareholders were to

46. See, *An Old Merchant*, op. cit., p.92.

47. *Hansard*, N.S. XI, 608.

be liable, he quieted with a promise that future bills extending privileges, at least to any insurance company, must contain specific clauses setting forth individual responsibility. There was no objection to granting power to sue and be sued collectively, however. Coincident with the appeal of individual pawnbrokers against the projected Equitable Loan Company, Hobhouse declared that if its bill were carried, "there was no reason why joint-stock companies of butchers and bakers should not be established."⁴⁹ Deeper fears agitated others - Lords Redesdale and Westmoreland were apprehensive lest the creation of so many companies prove dangerous to the Constitution!⁵⁰

Parliament was besieged with applications which sought for joint-stock enterprises. In March⁵¹ there were thirty, by April⁵² two hundred and fifty of such private bills before the House of Commons.

The Lord Chancellor (Eldon) spoke against those who "speculated on obtaining a charter" and to become "an intolerable nuisance and a source of systematic fraud."⁵³ He proposed to bring in a bill to require the names of partners to be enrolled in the courts; to give power to sue any two of them and to take execution, and to make members

48. Ibid., 842.

49. Ibid., p.1339.

50. Ibid., p.791, re the bill of the General Gas Company

51. Annual Register, 1824, p.2.

52. Gentleman's Magazine, Vol. 94, pp. 364f

53. Hansard, XI, p.1456.

liable until notice of their withdrawal from a company were filed.⁵⁴ Lauderdale, in an effort to provide against "the mischief now going on," to take care that companies should not be incorporated without first giving assurance of having adequate capital, secured additions to the standing orders of the House of Lords which required that, except in the case of turnpike, canal and like companies, no bill should go to a second reading until three quarters of the capital of the proposed enterprise had been deposited with a public trustee.⁵⁵

Despite these protests, the manufacture of promotions went on giddily without benefit of Parliament. However, as has been seen,⁵⁶ members of Parliament were not slow in availing themselves of the advantages of directorships. Perhaps the first "directory of directors" ever published was that which appeared in The Times of February 7th, 1825. There were one hundred and twenty-nine names, each of which had been advertised as director of more than three companies.. The list⁵⁷ included twenty-eight members of Parliament.

The King's Speech at the opening of Parliament in February, 1825, was charged with optimism: "There never was a period in the history of this country when all the great

54. Ibid. pp. 856, 1076, 1100

55. Ibid., p. 1339.

56. ~~Ibid~~ pp. 86-87.

57. Hansard, N.S. ,XII, 1065

interests of the nation were at the same time in so thriving a condition."⁵⁸ Nevertheless, some weeks later, the Prime Minister felt called upon to issue a warning. A "fury for companies" had taken possession of the people. Those who were involved could not look to the Government for any bill of relief in event of distress consequent upon the speculation spread over the country.⁵⁹ ~~Lauder~~dale, as well, urged his colleagues to take steps to "stem the torrent". Indeed, for several months Hansard is full with debate on joint-stock enterprise. One member caustically advised "gentlemen to keep their money against a rainy day rather than invest in companies to bring salt water from Bognor, air from Heaven, and blasts from Hell."⁶⁰ Objection was even made to the grant of the right to sue collectively, for promoters might then hold out to the public something like Parliamentary sanction.⁶¹ Huskisson reiterated his position of the preceding session. Apart from withholding limited liability, the legislature could not interfere. The House could not undertake to distinguish good from bubble projects; the public must decide. As for the law, one existed which bound companies for any violation.⁶²

58. Ibid., p.1.

59. Ibid., p.1194.

60. Ibid., p.612.

61. Ibid., p.718.

62. Ibid., p.1075.

The Act of 1720 was still to be reckoned with. Decisions and dicta from the bench as well as the declarations of the Lord Chancellor from his seat in the Legislature now placed a damper on speculative enthusiasm and created decided uneasiness among promoters and investors. Parliament had no more than opened when the Equitable Loan Bank was declared illegal as a company without authority.⁶³ Shares had been issued in anticipation of obtaining an act of Parliament for the Government of the Society. All contracts for the sale of shares under such circumstances were declared void. Another circumstance attending the issue of the shares (on which only one pound had been paid) was their sale at a premium of over five pounds. This widely prevalent practice called forth severe condemnation from the Chief Justice: its "necessary effect was to introduce gaming and rash speculation to a ruinous extent."

The Lord Chancellor had also repeatedly denounced such practice. Now, "tasking his ingenuity and legal subtlety to frame a panacea for the grand disease of England,"⁶⁴ he reiterated his intention of introducing a bill to prevent the sale or transfer of the shares of any joint-stock company until it had received the sanction of a charter or an act of Parliament.⁶⁵ Furthermore, from the bench he intimated

63. Josephs V. Pebrer (1825) 3B & C. 639.

64. "An obstinate inclination on the part of the people to be cajoled out of their money" Morning Chronicle, Feb. 9th, 1825

65. Hansard, XII, 31; 127.

that companies of all descriptions were illegal unless so sanctioned. In consequence, dealers panicked and quotations melted.⁶⁶

In fact, the threatened bill did not appear, for the Chancellor was called upon to sit in his judicial capacity and therefore refrained from declaring, in his legislative capacity, what the law ought to be. In Parliament, he finally concluded that "parties had enough to fear from the law as it stood."

In the Real del Monte case,⁶⁷ which appears to have served as a test case for the South American mining companies, the Lord Chancellor threw out the suggestion that assuming to act as a corporation, even if not within the Bubble Act, was illegal at common law. Disraeli was pleased to quote from this case in "Lawyers and Legislators", "the cases which were cited to prove the restricted power of transfer contained in the deed of the Real del Monte Company, exempted it from the penalties of the Bubble Act⁶⁸.....let us congratulate the Lord Chancellor and the country that the legality of the deed of the Real del Monte Company was left untouched"⁶⁹ However, His Lordship was not entirely satisfied. Stock jobbing was an indictable offence. Persons

66. The Times, February, 1825

67. Kind V. Taylor (1825) 3L.J. Ch. 68. Quoted in B. C. Hunt, op. cit., p.39.

68. p.11.

69. p.14.

who sold shares might be ordered to refund the money. Indeed, were not companies taking away from individuals "the power of exercising themselves in trade?" Was the time not approaching when people "would neither be allowed to eat, to drink, or wear clean linen," except upon terms which companies imposed? How could the power of directors to call for "millions and millions of money" be "consistent with the public credit?"

In the eyes of the editors of the Chronicle Lord Eldon's dicta did not justify revision of their view that the Chancellor's opinion's "as a Politician, were seldom worth much." For obviously, ~~they~~ were superior to individual enterprise. Profitability, it was argued, would determine their proper limit. Had the Chancellor himself not indicated the corrective of all unprofitable speculation - the liability of directors and shareholders to their last shilling and acre, knowledge of which would deter all rational men from speculation? It was, further, an abuse of terms to apply "monoply" to a company of a hundred men investing their thousand pounds apiece.⁷⁰

The alleged restrictions imposed by the Bubble Act brought forth the ~~forth~~ ^{following} from one Leguleius:

"Let it not be imagined that speculation would be checked or fraud prevented by the total interdiction of all companies not established by charter or Act of Parliament.

70. Morning Chronicle, March 30th, 1825.

the speculations have been as large, and the frauds as numerous in the incorporated as well as the unincorporated associations. I know incorporated companies which have needlessly raised capital and created shares, for the mere purpose of selling the latter at a premium. I know directors of them who have jobbed till their names savour in the market like a third day's fish at Billingsgate.

I would conjure the Legislature not to trench upon that sacred and golden principle of political economy - not to interfere with the mode in which individuals employ, or even squander their money, not to lay restrictions upon that freedom for the paltry object of protecting those who will not use their energies or their sense to protect themselves. We are happily now beginning to shake off those well meant restraints which the wisdom of our ancestors thought beneficial to encumber us. We have ceased to fetter the public press..... We have ceased attempting to keep the country rich by preventing it from sending its spare coin abroad to buy useful commodities.....we have given over expecting to grow rich by foreign commerce, while we refuse to take the only return a country can give for the article we sell, - we are gradually destroying chartered companies and monopolies and throwing open every possible channel to the energies and enterprise of our countrymen Do not let us act upon contrary principles in the case of domestic Joint Stock Companies!"⁷¹

71. Morning Chronicle, April 1st, 1825

Finally the government took action. In March, 1825 a leading company promoter, Peter Moore, had moved for the repeal of the Bubble Act,⁷² as "the law in respect to these companies was very obscure and ill-understood,"⁷³ but he had withdrawn his motion after one of the most useful debates on the whole speculation mania.. In June, on the motion of the Attorney General that "string of non-sequiturs"⁷⁴ the Bubble Act was flatly repealed,⁷⁵ as unintelligible and impossibly severe,⁷⁶ and, furthermore, as having restrained the formation of companies "established on just and equitable principles and for landable objects."⁷⁷ Doubt as to the immediate relevance of the eighteenth-century legislation was swept away. The Attorney General considered the common law sufficient to deal with fraudulent promotions, that additional legislation on this matter was unnecessary - "at once difficult, unwise and impolitic."⁷⁸

Two other provisions of this statute of repeal are worth brief consideration. Under common law, limited liability was an inseparable incident of incorporation. Henceforth the Crown was empowered to prescribe to any extent the degree of

72. Hansard, N.S. XII, 1279.

73. Ibid. See also, Copy of the Bubble Act..... Draft Bill... by Peter Moore for the amendments and for the prevention of frauds in Joint Stock Companies (1825)

74. John George, op. cit., p.53.

75. 6. Geo.IV, c.91.

76. For the Attorney General's argument see Hansard N.S.XIII, 1019

77. See the recital of the bill to repeal, P.P.I(1825) No. 149.

78. Hansard, N.S. XIV, 416

shareholders' responsibility. Even so, the grant of charters continued to be very jealously guarded. For another provision, to the effect that notwithstanding the repeal of the Act of 1720 "the several undertakings should be adjudged and dealt with according to common law," Eldon was responsible. As has been seen, he had expressed his confident belief that to act as a corporation, not being a corporation, was an offence at common law. Much litigation had to ensue before this dictum, reinforced by the Chancellor's great authority, lost its influence and became dead doctrine.⁷⁹

In fact, the pressure of economic development apart, it is difficult to see how Parliament could have done otherwise than repeal the Act of 1720, or, on the other hand, to understand how the lawyers could logically maintain that the unincorporated association was illegal at common law. Actually, quasi-corporations had been recognized in adjudged cases; de facto joint-stock banking companies continued to flourish in Scotland. In no case was it ever actually decided that an unincorporated joint-stock company was illegal at common law.⁸⁰

As has been indicated, during the boom, company promoters had stormed Parliament with applications for corporate privileges, in some instances for full incorporation, in

79. B.C. Hunt, *op. cit.*, pp.41-42.

80. W.B. Lindley, A Treatise On The Law Of Companies 6th ed. (1902)

others for mere power of suit in the name of an officer. It is apparent that what we should now term "public utilities" were much more successful in their pursuit of privileges than companies for all other purposes. Indeed, Austin declared that those who had the determining voice in this "occasional interference of the legislature" were "ignorant, indifferent or impartial."⁸¹

The Morning Chronicle had argued that the Legislature ought to pass, not a separate law for this or that company, but a general law securing associations against inconvenience and securing the public against fraudulent attempts to escape from liability.⁸² In like vein, various members, including Baring, Gurney, and Grenfell, had repeatedly urged the necessity of some general measure of control to take the place of innumerable bills of exception to the law of the land, to provide a system of registration, or alternatively, even to legalize the continental "société anonyme."

As was inevitable, after the crash a motion was brought before the House of Commons to order a general inquiry into the companies formed during the mania. Shattered expectations, rumours of dubious methods used to obtain private acts, and suspicion of various kinds of financial slight-of-hand and

81. John Austin, op.cit., p.720.

82. March 10th, 1825.

and speculation in the activities of promoters and directors demanded satisfaction.⁸³ Canning and Huskisson took the proposal as a sweeping censure on all joint-stock companies. The latter rose to the defence: "If there was any one circumstance, to which more than any other, this country owed its wealth and commercial advantages, it was the existence of joint-stock companies." "There was not greater error than to cry down companies as public evils." Attwood declared that there was "no more harm in buying and selling a share, than in purchasing or selling a shawl; "the failure in mining particularly proved nothing; joint-stock enterprise contained great possibilities in many directions." The motion was amended so as to set on foot an investigation of the Affairs of only one company, the Arigna Iron and Coal Mining Company.⁸⁴

In fact, Huskisson went beyond mere parliamentary defence of the joint-stock company. Guided in part by successful Scottish experience, he affirmed his faith in corporate enterprise in his measure for the organization of English banking.⁸⁵ By the Act of 1826 the establishment of joint-

83. Hume had attempted early in the boom, but without success, to secure a standing order to exclude all Members who had an interest in private bills from sitting on such committees (Morning Chronicle, May, 27th, 1824) See, a letter to the Times, December, 14th 1825: "Members who compose Private Committees are too often interested..... shares are set aside for Parliamentary friends whose vote and influence promise success."

84. P.P. III(1826-27), 37.

85. 7 Geo. IV, c. 46.

stock banks without limitation on the number of partners was henceforth authorized beyond a sixty-five mile radius of London. They were empowered to sue and be sued in the name of a principal officer. Limited liability, however, was withheld. Huskisson, surprisingly, would have consented to the grant of this privilege but for the pronounced objection of the Bank of England.⁸⁶

In sum, the joint-stock company had come by 1826 to play an important part in the organization of England's economic life. Alongside the incorporated companies, a large number of quasi-corporations⁸⁷ had forged something like legal status and had achieved financial success in the face of determined legislative and judicial opposition. Although nearly all of the South American mining companies were total financial failures, they played a leading part in bringing to the notice of the nation the inadequacies that had existed with regard to company legislation.

86. Hansard, N.S.XIV, 143. Also Baring, *ibid.*, p.209.

87. Lord Eldon used the term in *Davis v. Fisk* (1823) to distinguish companies which had obtained powers of suit, etc. from Parliament. Quoted by B.C. Hunt, *op. cit.*, p.54 n. Such associations had "the power, emblems, and to a given extent the privileges of a body without having been incorporated." Quoted in a letter from George Farren to *The Times*, October 11th, 1838.

The Reform Of The Navigation Acts.

To meet the economic situation arising after 1815, Britain, whose interest was predominantly commercial and who consequently had to pay particular regard to the needs of the merchant classes, was compelled to overhaul the entire fabric of the Commercial Code upon which she had relied since the time of Charles II as an instrument for building up her power and prosperity. In relation to these changes, the Latin American trade played no small part, particularly with regard to the Navigation Acts.

Under the old regulations, it was enacted that commodities from Asia, Africa and America could only be brought to Britain in British ships and direct from the places of origin of the articles. In 1822, the memorial of the London merchants, shipowners and traders, mentioned above,⁸⁸ remarked that since the establishment of independent governments in the countries of South America an extensive trade had been carried on with them directly or through the medium of other places. This commerce, they held, with due encouragement and protection might become of greater importance if not interrupted. They wanted therefore a relaxation of the Navigation Acts to admit vessels of these newly-formed states into the ports of the United Kingdom in the same manner as were the ships of the U.S.A. and Brazil. If this were not done, foreign countries especially the U.S.A. whose commercial regulations were adapted to those formed by the new governments, would

88. p. 116.

secure advantages over the British.

By the Act of 1822, the products of Asia and Africa had still to be carried in British vessels, although they could be imported from any part of those continents instead only of the place of origin as before, but in regard to the foreign countries of America, British ships or the ships of the country of origin of the commodities could be employed. This was definitely a bid for the trade of the new independent states of South America⁸⁹

89. J.S. Jones, Ph.D., op. cit., pp.425-427.

CHAPTER VI

SOME CONSEQUENCES OF THE FINANCIAL CRISIS OF
1825 - 1826
TO BRITAIN AND TO SOUTH AMERICA

The boom which came to an end in 1825 had important economic consequences for Britain. Inevitably, also, it affected those of the Latin American nations which had come to rely on British investment. This episode set the lines on which the long-term economic relations between Britain and South America developed later in the nineteenth century.

It is no over-statement to say that the financial crisis of 1825-1826 showed the merchants and politicians of Britain that her financial and business structures were not yet equal to the opening perspectives of industrial expansion. Thus, radical changes in banking and company legislation were imperative, and it is probable that the extent of the commercial depression and financial collapse prompted the decision to take swift action

The Crash

The depression hit society at all levels. "Every man seemed ready to seize his debtor by the throat and say 'Pay me that thou owest'. The hilarity and openness of heart and hand which had made England such a sunny place a year ago were gone; and instead there was now the suspicion with which every man regarded his debtor and his creditor; the daily

dread of the post; the eager glance at the gazette; the walking out to await the mail; The manufacturer looked round the stocks on his overloaded shelves, and for every thousand pounds' worth of goods now reckoned five hundred. The widow lady and her daughters, who had paid ready money all their lives, now found themselves without income for half a year together, and could not enjoy a meal, because the butcher's and baker's bill was running on. The dying man, who could not wait for better days, altered his will with a sigh, lessening his children's portions by one-half or two thirds. Young lovers, who were to have had a jocund wedding this autumn, looked in one another's faces, and saw that it must not be thought of at present."¹

Suffering was acute among the workers in the manufacturing districts of the large towns. It was clearly evident among the hand-loom weavers of Lancashire where loom breaking was rife. Like every other mania, the craze for speculation of 1824 and 1825 had the most serious consequences for the whole community. It was hard enough that no gold should be raised from the mines in South America, but this, after all, only directly concerned the shareholders who had sunk their money in them. That bullion should flow to South America and be lost completely was a disaster for the nation in general. The £11 $\frac{3}{4}$ millions in coin and bullion which remained

1. Harriet Martineau, op. cit., p. 11.

in the Bank of England in October 1824 had by February 1825 been reduced to £8 $\frac{3}{4}$ millions, and by August to £3 $\frac{3}{4}$ millions.² Throughout the first half of 1825, the Bank allowed its own note issue to expand and it was not until November that it seriously began to restrict commercial accommodation. Such was the delicacy of the position by that time, however, that as soon as it did so the whole mass of inflated credit collapsed.³

On 23rd November complaints came from the City that the Bank was returning a considerable portion of the bills sent for discount by even the largest houses. By the end of the week there were runs upon the country banks in several districts and within the next three weeks, sixty-one country banks and six important London houses ceased payment.

The terrible despair and helplessness of everyone in the first week of panic, in face of the complete refusal of both the Bank and the Government to render assistance, were remembered for many years.⁴ The bankruptcies were increasing as obligations contracted earlier in 1825 fell due at a time when prices were declining, and many merchants found their position illiquid.

The crisis in London reached its peak in the week 12th to 17th December. By the latter date the Government and the Bank of England had decided on an abrupt reversal of policy. It decided to issue small notes, to advance money freely upon the Exchequer bills the public already held, to lend if

2. P.H.Emden, op. cit., pp. 54-55.

3. A.E. Feaveryear, op. cit., p. 220.

4. Ibid., p. 221.

necessary even upon goods, and indeed to take in every kind of security people could offer.⁵ By the end of 1825 the crisis was over although the run of bankruptcies continued through the first months of 1826, until 104 banks in London and the country with a total liability of nineteen million pounds, had come to grief.⁶

In the storm which brought so many low, two firms came to grief which were not strictly bankers. Their names came to be well known during the days of the boom and have been mentioned before as issuers of foreign loans. In 1826, A.B.Goldschmidt and Co. failed, and in 1828, Barclay, Herring, Richardson and Co. suffered a like fate. Colombia, which may have been a bad debtor but was a remunerative client for a financial house, was decidedly unlucky in its London agents, for the collapse of these two firms came at a time when the State had a credit balance with both.

Once reports of failures ceased, confidence gradually returned, and the money market made a surprisingly quick recovery. The series of good harvests which followed on 1826 had their share in healing the nation's severe wounds.

The Reform of the Banking Structure

There was no Parliamentary inquiry after this crisis and despite the

5. Ibid., p.222.

6. P.H.Emden, op.cit., p.59. K.F.Dixon, op.cit., p.183.

fact that the country banks blamed the Bank of England and the Bank of England blamed the country banks, few people had much doubt as to where most of the blame lay. The fault lay in the system. It was the hundreds of small independent note issues, all capable of easy expansion and all liable to rapid discredit, which were to blame. Cobbett summed up as follows, "The Bank is blamed for putting out paper and causing high prices; and blamed at the same time for not putting out paper to accomodate merchants and keep them from breaking. It cannot be to blame for both, and indeed it is blamable for neither. It is the fellows that put out the paper and then break that do the mischief." ⁷

Scotland's experience of banking had been very different from that of England. There had been no monopoly of joint-stock banking north of the Border since the exclusive privilege granted to the Bank of Scotland in 1695 had lapsed 21 years later. Two other chartered banks ⁸ had been established and three more large joint-stock banks ⁹ had grown up during the eighteenth century. Nearly all the banks had more than six partners and nearly all of them had several branches. They had been remarkably free from runs and failures. In the crisis of 1825-1826 there were two or three bank failures, but no-one among the older or the fully developed joint-stock

7. William Cobbett, *op. cit.*, p. 25.

8. The Royal Bank of Scotland and the British Linen Bank.

9. The National Bank of Scotland, the Commercial Bank of Scotland, and the Aberdeen Town and County Bank.

banks, and not one in Edinburgh or Glasgow.¹⁰ Scotland showed the way that new banking legislation should take for England and Wales.

The monopoly of the Bank of England was out of date. The majority opinion was that other joint-stock banks should be permitted, which would compete with the small partnerships and give greater security. At the same time, the Bank might be encouraged to compete itself by opening branches in the provinces.¹¹ Similarly, when Parliament met, opinion was nearly unanimous in condemning the small notes and Lord Liverpool was quite willing to get rid of all notes under £5, the Bank of England's as well as the others. The great increase of the issues had been mainly due to small notes, and it seemed clear that no one could be trusted to manage them properly.

Two acts were passed to give effect to Liverpool's proposals. The first, dated 22nd March 1826, in effect prevented the issue in England and Wales of any more notes of less than £5 payable to bearer on demand, and provided that all out-standing ones should be redeemed by 5th April 1829.¹² The second, dated 26th May, permitted joint-stock companies to carry on the business of banking and to issue notes at any place more than 65 miles from London, provided that they did not open an office within that radius. The Bank was empowered to appoint agents in any part of England, on condition

10. J. Clapham, *op. cit.*, vol. II, p. 102.

11. The public had been prepared to some extent for the establishment of joint-stock banks through the work of a pressure group led by Thomas Joplin, see A. E. Feaveryear, *op. cit.*, p. 233.

12. 7G., IV, c. 6

that notes issued by those agents should be payable locally as well as in London.¹³

These were not, however, the only immediate changes produced by the crisis. For the bill brokers a most important consequence was a move by the London bankers to limit their reliance on rediscount facilities at the Bank in times of crisis. Barclays mentioned the way the London bankers were thinking in a letter to the Norwich Bank early in 1826, ". . . . the late events cannot fail to induce the reflexion that the Bank of England may not find it satisfactory in case of an adverse state of the Exchanges, to grant so liberal an assistance by Discount as on the late occasion, and it may very much restrain the accomodation to be afforded to the public. It should seem therefore that it will be prudent for the great banks of the country to make such arrangements as that their welfare may not very importantly be dependent as such."¹⁴

The position of the London bankers had in fact been rudely shaken, the more so as the banking crisis had been precipitated by the suspension of one of their number. In the past they had gradually pursued a policy of using their resources to the full, freely discounting at the Bank of England whenever needs for cash were pressing. But the events of December 1825

13. 7G.IV, c.46. A.E. Feaveryear, op.cit., p.224. P.H. Emden, op.cit., p.62. W.T.C. King, History of the London Discount Market (1936) p.37.

14. From the records of Barclay, Tritton and Bevan 24/1/1826, K.F. Dixon op.cit., pp.186-187.

had brought home to them the fact that in time of acute crisis the Bank of England had to bear the discount demands of practically the whole country, and that in such circumstances even its superior resources might not suffice for their own urgent needs. As King points out,¹⁵ from this realization there arose the central reserve system which for many years was a unique feature of the London Money Market, for after the crisis the London bankers dropped their practice of re-discounting which was never resumed. The banks instead began to establish adequate cash reserves of their own, holding them partly in Bank of England notes and partly in a balance at the Bank itself.

Meanwhile, the Bank of England had awakened to a greater sense of its responsibilities. The directors had been forcibly reminded of the great reliance placed upon them by the mercantile and banking community, and had also discovered that the safe conduct of their affairs under a Gold Standard required a degree of prudence which they had never been called upon during the Restriction period. From their standpoint, the crisis must clearly be regarded as a milestone in the history of central banking, for the Bank began to follow a much more cautious policy in the management of its reserves, and gradually assumed functions which are now considered as the normal duties of a central bank.

Down to 1825 the Bank was still primarily a profit-motivated company competing with other bankers. Its affairs were still private, and information

15. W.T.C.King, *op.cit.*, pp.37-38.

concerning them was jealously concealed by the Directors. No accounts or returns were published unless Parliament called for them. "When appearing before Parliamentary committees the Directors showed a strong tendency to answer very curtly the question put, to volunteer no information and to take refuge in ignorance when asked anything regarding the relationship between the management of the Bank and the general control of credit." 16

It is from 1825, truly one of the key dates in banking and particularly bill-market history, that the growth of scientific management by the Bank of England really begins. The Bank Charter Act of 1833 which greatly strengthened the hand of the Bank in exercising control of credit as well as allowing joint-stock banks in the metropolis, was passed still in the shadow of the crisis of 1825-1826 and was a logical progression from the actions taken immediately following the crisis. 17

Recapitulating, it may be said that the 1825-1826 crisis produced the following main lines of change in banking structure - the beginnings of joint-stock banking; greater control over note issue; the establishment of Bank of England branches; the cessation of re-discounting by the London private banks; and the assumption of certain central banking functions by the Bank of England.

16. A.E. Feaveryear, op.cit., p.229

17. P.H. Emden, op.cit., p.62

Changes In Company Organization And The Investment
Mechanism

The boom of 1824-1825, rather than the crash which followed it, was responsible for measures taken to improve company legislation, and in particular, the repeal of the Bubble Act. As this has been discussed above,¹⁸ there is no need to reiterate the pressures which forced its repeal. It was important that large companies raising capital amounting to millions of pounds should be put on a firm legal footing, in order to safeguard both those managing the companies' affairs and those investing in them, and it was the vast increase in company promotion in the mid eighteen-twenties which revealed the impossibility of the existing state of affairs.

A less important although significant out-come was the start at this time of financial journalism. The Stock Exchange began to attract attention as never before and during the mania of 1825 the Press naturally described and commented on the latest sensational events, and this led to the establishment of the daily money article. Of course, quite early in the century, the Press had begun to quote the prices of securities, but the list was generally furnished by some stockbroker who was allowed in return for his trouble to append his name. Gradually there crept in fugitive paragraphs relating to Stock Exchange business, but these were served up irregularly with other news and not in the form of a daily City article. This began to appear about

18. See pp. 129-145.

1825, whereas a decade previously such a paper as the Courier did not even mention the prices of stocks.¹⁹

The boom in foreign loans in the twenties caused the Foreign Loans Market to rise in importance and require a more favourable site. From the time of the first foreign loan, more than a hundred years, before, it had been situated in the Royal Exchange, and had not followed the Stock Exchange proper to Capel Court. But on the first day of 1823 they made a move and a Foreign Stock Exchange was established in a building adjoining and connected with the Stock Exchange proper. This exchange was, however, a distinct organization with its own committee, with a chairman and deputy-chairman and its own price list. It was not until some years afterwards that the Foreign Stock Exchange was absorbed into the Stock Exchange which it adjoined.²⁰

The Connection Between The Loans And South American Trade

While the effects of boom and crash on the British economy are fairly easy to see, the consequences for South America which had given the episode its unique character are more difficult to ascertain. Certainly, it appears that most of the money raised for the South American governments was not used for any significant economic purpose, but was rather lost while in the

19. C. Duguid, op. cit. p. 131.

20. Ibid., p. 121.

hands of government officials or used to wage war on unfriendly neighbours.

However, at least some of the £17 millions lent between 1822 and 1825 was used in payment for the increased imports of cotton, which, together with woollens and linens formed the bulk of British exports to South America. By Peru, Colombia and Mexico at least, they were used as funds in England, against which bills were drawn and circulated in the course of commerce, at a time when these countries were beginning to feel a scarcity of bullion and specie, due to the neglect of mining during the revolutionary wars.²¹ Is it possible therefore to see a close connection between trade to South America and the export of capital?

The sums lent to the revolutionary governments amounting in all to over £17 millions were distributed as follows:-

1822	Colombia	£1.64 m.	1824	Brazil	£ .8 m.
1822	Chile	£ .7 m.	1824	Mexico	£1.85 m
1822-4	Peru	£1.0 m.	1825	Brazil	£1.7 m.
1824	Buenos Aires	£ .85 m.	1825	Mexico	£2.87 m.
1824	Colombia	£4.2 m.	1825	Peru	£ .48 m.
			1825	Guatemala	£1.04 m.

The declared value of British produce and manufactures exported to Central and South America during this period also showed an increase, but not sufficient to cover the loans. (See figure 2).

As in the case of Europe at this time, the trade with individual countries does not lead to any definite conclusions. In some cases the loans were accompanied by increased exports, but in others they were not.

21. J.S.Jones, Ph.D., op.cit., pp.410-411.

From this table it is seen that where the loan is ostensibly covered by goods, the increase in British exports does not by any means absorb the whole of the sums lent. Little change occurred in the trade with Colombia, although she was the heaviest borrower.

Jenks thinks²² that the loans were remitted in the form of merchandise and that possibly two-thirds of the amount actually remitted made a direct demand upon various industries concerned in military and naval stores, while the balance was consigned in cotton goods and hardware. A close analysis of the South American trade for the period of the loans by J.S.Jones,²³ however, does not bear out this statement.

The total exports of British manufactures (declared value) to Central and South America in the four years ending 1821 was slightly in excess of £12 millions, while that for the four years ending 1825 was only £19 millions, giving an increment of only about £7 millions over what might be regarded as normal trade.²⁴ Of the second amount, cotton alone accounted for £11 millions, while the remainder consisted largely of a great number of miscellaneous commodities in small quantities, as an illustration of which, totals for the year 1825 may be cited. (See figure 3).

Mexico borrowed close on £5 millions but there is no evidence of this amount in the trade with that country nor of the shipment there of large

22. L.Jenks, op.cit., p.59.

23. J.S.Jones, M.Sc., op.cit., pp.265-269.

24. Figures from G.R.Porter, op.cit., p.359.

supplier^s of military and naval stores. The declared value of the total exports of British manufactures to Mexico between 1822 and 1825 was only £1.79 millions of which cotton goods constituted £1.16 millions, the remainder consisting chiefly of linens and woollens. Trade to all parts of the world was extended at this time by Britain, and particularly to South America where, as is clear, the cotton manufacturers pushed their sales enormously. It becomes consequently a moot point as to how much the increase in trade with South America was due on the one hand to the export of capital and on the other to the enterprise of British merchants during the period of boom. It is doubtful whether a definite answer will ever be made with conviction.

The Long-Term Effects Of The Crisis On Anglo-South American Relations

The commercial and financial crash in Britain in 1825 had a considerable effect in the immediate short term on all her foreign markets which, in some cases, felt the results of it after Britain herself had recovered from the shock. British goods, unsaleable at home, were thrown in masses on the foreign markets, depressing prices to a great extent.²⁵ However, British trade with South America, as with other areas, soon recovered, and continued to increase while, interesting enough, British investment there was virtually at a standstill.

After 1827, investors regarded government loans with distrust, and

25. H.M. Hyndman, op. cit., p. 37.

South American government loans with disgust. The South American governments found it impossible to raise money in London or anywhere for nearly two decades, during which time British capital flowed particularly to the United States to finance railways and canals. Both South America and the United States were sheltered by the Monroe Doctrine which was enforced by the British fleet, but the excellent credit, expanding economy and prosperity of the United States promised greater and more certain dividends to British investors.²⁶

Similarly, the various unfortunate experiences of South American emigrants from Britain, particularly associated with the "Poyais" affair,²⁷ and the views of those such as F.B. Head who wrote "A Few Practical Arguments Against The Theory Of Emigration, 1828" held back the emigration movement for a number of years, and perhaps kept from South America skilled personnel who might have raised the level of economic life there.

It is worth repeating that British trade with South America expanded after the disasters of the mid-1820's. In particular, in the 1830's the South American trade flourished even without the impetus of British investment there. The Americas as a whole provided an expanding market for British manufactured goods at a time when her share of the European

26. R.W.Hidy, op. cit., p. 67.

27. See pp. 75-76.

markets was not expanding.

The trade with South America which increased almost continuously throughout the century laid the basis of confidence necessary for a re-introduction of the investment processes which had failed in the 1820's. British investment in South America in the latter half of the nineteenth century, in both governments and companies, reached vast proportions. Indeed from the British point of view it truly became an area of "Informal Empire". The connection established in the 1820's between Britain and South America were to have a lasting significance. In particular, Rothschilds kept their association with Brazil and floated several successful loans for that country later in the century, while Baring Brothers who first became involved in South American affairs in 1824 with the floatation of the loan for Buenos Aires, retained their connection and later became financial agents for the confederation of Argentina for whom they raised capital in Britain. Baring Brothers were, of course, temporarily to regret their association with that country in 1890 when the firm almost collapsed under the weight of worthless Argentine stock. In the main, however, the latter investment may be contrasted with that of the 1820's. The economic conditions in South America were more comprehensibly understood and the trading links more firmly established. In sum, the investment process therefore was successful.

STATISTICAL TABLES.

- Figure 1. Loans To Foreign States,
1822 - 1825.
- Figure 2. United Kingdom Exports To Mexico
and South America, 1822 - 1827.
- Figure 3. United Kingdom Exports To Central
and South America, 1825.

Figure 1. Loans to Foreign States (South America) 1822-1825

Based on Hyde Clark, "On the Debts of Sovereign Countries" Journal of the Statistical Society, XLI, 1878, pp.313-314

Year	Country	Capital Created	Rate %	Annual Obligation	Rate % of Contract	Raised by England		Extreme Rates.	
						£	£	Max	Min
1822	Colombia	£2,000,000	6	£120,000	84	£1,640,000	96½	38½	
1822	Chile	1,000,000	6	60,000	70	700,000	93	30	
1822	Poyais	200,000	6	12,000	80	160,000	81	0	
1822	Peru	450,000	6)		(88	396,000)		23½	
1824	Peru	750,000	6)	72,000	(82	615,000)	89		
1824	Buenos Ayres	1,000,000	6	60,000	85	850,000	97	69	
1824	Colombia	4,750,000	6	285,000	88½	4,203,750	96½	52½	
1824	Brazil	1,200,000	5	60,000	75	800,000	91	51	
1824	Mexico	3,200,000	5	160,000	58	1,856,000	88	50	
1825	Brazil	2,000,000	5	100,000	85	1,700,000	91	51	
1825	Mexico	3,200,000	6	192,000	89½	2,872,000	94½	60	
1825	Peru	616,000	6	36,960	78	480,480	83	38	
1825	Guatemala	1,428,750	6	85,714	73	1,042,897	74	50	
1825	Guadalaxara	600,000	6	36,000	60	360,000	62	50	

Figure 2. United Kingdom Exports to Mexico and South America, 1822 - 1827 (£m Declared Value)

	<u>1822</u>	<u>1823</u>	<u>1824</u>	<u>1825</u>	<u>1826</u>	<u>1827</u>
Mexico	.09	.27	.39	1.04	.47	.69
Guatemala	-	-	-	-	-	-
Colombia	.07	.2	.3	.45	.2	.21
Rio	.98	.66	1.14	.85	.37	.15
Chile	.39	.38	.71	.53	.24	.4
Peru	.11	.29	.43	.6	.2	.23
Brazil	1.52	2.42	2.59	2.94	1.71	2.31
	-----	-----	-----	-----	-----	-----
Total	<u>3.16</u>	<u>4.22</u>	<u>5.56</u>	<u>6.41</u>	<u>3.19</u>	<u>3.99</u>

(P.P., 1826-7, XVIII, as quoted in J.S. Jones, Historical Study of Anglo-South American Trade with Special Reference to the Period 1807-1825, London University, P.P., 1934, p. 266)

(P.P., 1826-7, XVIII, as quoted in J.S. Jones, English Foreign Trade In The First Half Of The Nineteenth Century. Together With Some Observations On The War Period Of 1793-1814. London University, M.Sc., 1928, p. 266.)

Figure 3. United Kingdom Exports To Central and South America, 1825 (£m. Declared Value)

Cotton Goods	3.21	Earthenware	.06
" hosiery	.13	Glass	.07
Linen goods	.47	Brass and Copper goods	.06
Woollen goods	.77	Iron and Steel	.06
Silk "	.07	Hardware and cutlery	.11
Haberdashery and apparel	.07	Butter and Cheese	.06
Hats	.06	Misellaneous	1.14
Leather	.05		
Sadlery	.02		
			<hr/>
			Total 6.41
			<hr/>

(P.P., 1826. XVIII, as quoted by J.S. Jones, *ibid.*, p. 267).

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