



Preventing financial ruin: How the West India trade fostered creativity in crisis lending by the Bank of England

Carolyn Sissoko¹ | Mina Ishizu²

¹Faculty of Business and Law, University of the West of England

²Department of Economic History, The London School of Economics and Political Science

Correspondence

Carolyn Sissoko

Email: carolyn.sissoko@uwe.ac.uk

Mina Ishizu

Email: m.ishizu@lse.ac.uk

Abstract

This paper contributes to the understanding of the complex relationship between British economic performance during the Napoleonic wars and the ‘West Indies’, as the Caribbean slave colonies were called. Not only did profits from slave-based commerce provide financing for the growth of the financial sector, as has been claimed, but the risk of financial instability created by the financial sector’s investment in and exposure to the Caribbean slave economies made it necessary for the government – and the Bank of England – to support this trade. The Bank of England archival records demonstrate that the Bank developed lending facilities specifically for the purpose of supporting West India merchants through the financial crises of the 1790s and the first decades of the nineteenth century. Not only did the Bank engage in unconventional lending, explicitly providing loans of more than a year, but the Bank also made innovative crisis loans, both accepting goods as collateral and providing large loans that were protected by extensive third-party guarantees. Furthermore, the 1799 loan is a documented instance of the Bank accepting consols as collateral for crisis lending. These innovations made it possible for the Bank to act alongside the government in supporting the West India merchants through the Napoleonic wars and may have

This is an open access article under the terms of the [Creative Commons Attribution](https://creativecommons.org/licenses/by/4.0/) License, which permits use, distribution and reproduction in any medium, provided the original work is properly cited.

© 2025 The Author(s). *The Economic History Review* published by John Wiley & Sons Ltd on behalf of Economic History Society.



been influenced by the growing number of directors of the Bank who were themselves West India merchants.

KEYWORDS

banking crises, Bank of England, creative lending techniques, slave trade, West India merchants

Trade with Africa and with the colonies that relied on African slave labour profoundly transformed the British economy over the course of the long eighteenth century, as historical research since the last century has demonstrated. The economic opportunities and fluctuations that this branch of trade created had a significant impact on Britain's commercial and financial sectors. The role of the Bank of England in this process has not, however, received a great deal of attention. Here, we find that at the turn of the nineteenth century the Bank provided important support to the 'West India' merchants – the merchant firms that financed trade with the Caribbean slave colonies¹ – and that this support protected both the British economy from a cascade of failures and also the West India merchants themselves from looming bankruptcy. The support provided by the Bank to these merchants was exceptional, as it went far beyond conventional discount window lending, and included longer-term loans, lending against unusual forms of collateral, and loans in which a consortium of private-sector entities guarantee payment on a Bank loan.

The Bank of England has long been recognized as a core institution anchoring the transformation of Britain in the eighteenth and nineteenth centuries.² On the other hand, the Bank's place within the literature that studies the gains from trade with the slave colonies and how these gains benefited early industrialization in Britain deserves more attention than it has so far received.

From the late seventeenth century through the eighteenth century, the slave trade was the linchpin of Britain's Atlantic trade, and the question of whether the Atlantic economy, and especially the slave trade, played a significant exogenous role in Britain's early industrialization is a recurring theme.³ The 'Williams thesis' in particular claims that the Atlantic triangular trade, which combined the African slave trade and the Caribbean slave plantation trade, gave a 'triple stimulus' to the British industrial revolution by boosting (i) production and marketing of export goods to West Africa for the purchase of the enslaved, (ii) new industrial innovations using colonial materials, and (iii) exports of goods for the markets in the colonial plantation economy. Profits from these activities provided the channels of capital accumulation that financed Britain's industrial revolution.⁴

Williams tracked how fortunes made in the slave trade were used to develop banks and the financial sector in Bristol, Glasgow, Liverpool, and London, and the latest research by the Legacies

¹ Note that even in the 1790s the term 'West India' was likely used as a euphemism for trade in the enslaved and the products they grew.

² [Dickson](#), *The Financial revolution*; [North and Weingast](#), 'Constitutions and commitment'.

³ Both Adam Smith and Karl Marx discussed this issue.

⁴ [Williams](#), *Capitalism and slavery*, p. 52. For recent assessment of Williams's theses on the Atlantic slave trade and its connection with Britain's industrialization, see [Morgan](#), *Slavery, Atlantic trade*; [Inikori](#), *Africans and the industrial revolution*, pp. 1–18; [Zahedieh](#), *The capital and the colonies*; [Hall et al.](#), *Legacies of British slave-ownership*; and [Berg and Hudson](#), *Slavery, capitalism*. Wright applies the thesis to the US economy ([Wright](#), 'Slavery and Anglo-American capitalism'). For an econometric analysis of this relationship, see [Heblich et al.](#), 'Slavery and the British industrial revolution'.



of British Slavery ('LBS') group has discovered numerous similar examples, not only in the eighteenth century but also into the early nineteenth century.⁵ Thus, that 'slavery developed the British banking and financial sector' is now firmly established.

Similarly, the role that these British banks and financial institutions played in the spill-over effects of the 'triple stimulus' on British economic performance has also been established. London's West India commission agent houses were the linchpin of the credit system that facilitated the slave trade from the mid-eighteenth century on,⁶ as studies of the Pinneys, the Maxwell and Lascelles, the Baillies, and the Mills have confirmed.⁷ These commission houses were also regular providers of long-term credit through mortgage loans to planters.⁸ At the regional level, there is a nexus between the emergence of Lancashire country banks that specialized in bill discounting, the region's reliance on bills of exchange as local currency, and the role of Liverpool's slave trading community in underpinning this region's payments system by drawing the West India bills that were discounted by the country banks.⁹

The recent scholarship of Inikori and Hudson has revitalized the historiography of slavery, finance, and British economy.¹⁰ Their main claim is that, to assess the link between the growth of the financial sector and slavery, equal stress must be placed on both lines of causation, namely profits from slavery financing financial institutions and financial innovation promoting the growth of the slave-related economy. In this new historiographical context, the empirical analysis of the degree to which the finance of the West India trade played a role in the development and evolution of banking business and practice in Britain is still only developing.¹¹ This has prevented the formation of a general judgement on how trade with Africa and the Caribbean slave plantations played a role in the development of London banking or more broadly in British banking. This paper aims to fill the gap by offering evidence on a particular and important financial institution in British banking, the Bank of England, and its role in using unconventional, and even innovative, financial loans to support the West India merchants.

⁵ Legacies of British Slave-ownership project (<https://www.ucl.ac.uk/lbs/>). Draper has shown how former slave owners abandoned their engagement with the sugar economy and shifted their investment elsewhere after the emancipation using the compensation money to move into a variety of other enterprises from railway construction to maritime insurance and banking. Draper, *The price of emancipation*; Hall et al., *Legacies of British slave-ownership*.

⁶ Sheridan, 'Commercial and financial organization'; Price, 'Credit in the slave trade'; Morgan, 'Remittance procedures'. Morgan has highlighted how the networks and coordination between merchants, factors, and commission agents houses in different ports were crucial for the working of the guarantee system (Morgan, 'Merchant networks'; Haggerty, *Merely for money*).

⁷ Checkland, 'Two Scottish West India liquidations'; Sheridan, *Sugar and slavery*; Pares, *A West-India fortune*; idem, 'A London West India merchant house'; Thoms, 'The Mills family'. Glasgow had the Houstons (Checkland, *ibid*).

⁸ Smith, 'Merchants and planters revisited'; Price, 'Credit in the slave trade', pp. 324–31. Note, first, that mortgage finance by West India houses was no doubt made possible by London's developed capital market and, second, that Pares claims that plantation development was financed through reinvestment of capital within the colony (Pares, 'A London West India merchant house').

⁹ Ashton, 'The bill of exchange'; Pressnell, 'Public monies'; Anderson, 'The Lancashire bill system'. Temin and Voth argue that banks did not play an important role in this period, but limit their evidence to 'goldsmith' banks (Temin and Voth, *Prometheus shackled*). However, as Gent establishes, the innovative new model of banking that is relevant in this period is precisely the business of discounting bills that we discuss here (Gent, 'Abundance').

¹⁰ Inikori, 'Credit needs of the African trade'; idem, *Africans and the industrial revolution*; Hudson, 'Slavery, the slave trade and economic growth'.

¹¹ Ishizu, 'Boom and crisis'.



Evidence of the Bank's support of the West India merchants is found in the Court of Director's meeting minutes of the Bank of England from 1797 to 1822,¹² where we see that starting in 1799 the Bank developed a series of lending procedures to support the West India merchants. The minutes document the business transacted by the directors at their weekly meetings, as well as any special meetings that were called, and became more detailed during the 1790s. Thus, we started our study with the Suspension in 1797.¹³ The minutes are contemporaneously indexed, and the principal index entry relied on for this paper is labelled 'Loans'. Relying on the indices to the minutes means that loans may be omitted from our data because of an error on the part of the clerk who created the index.¹⁴ However, because such errors are apparently rare, the minutes allow us to have a fairly comprehensive view up until February 1811 of the private-sector lending of the Bank that did not take place through the discount window. In February 1811 a formal policy for lending outside the discount window was adopted.¹⁵ Our methodology does a good job of capturing the loans from 1797 through 1810, but would be less successful in capturing earlier loans because of the paucity of detail in the meeting minutes before this date. This rich source has been studied by previous scholars such as Clapham and Fetter in their studies of the Bank of England, but the scale of the loans made to the West India merchants by the Bank largely escaped their notice.¹⁶ Indeed, it is only possible now to identify the Bank's borrowers as West India merchants because of the existence of the Legacies of British Slavery searchable database and other powerful search engines. The same database allows us to establish the growing role of West India merchants in the directorate of the Bank.

The loans that we find from the Bank to the West India merchants fit into a broader pattern of responsiveness by the British state to petitions for direct financial aid from resident and absentee planters and merchants in times of trouble.¹⁷ And this pattern of responsiveness is closely related to a temporary shift in British policymakers' approach to the slave colonies and the slave trade. William Pitt viewed the slave rebellion in St Domingo, a sugar-producing French colony in the Caribbean, as an opportunity to reverse Britain's weak position in international sugar markets. Thus, despite his earlier sympathy for the abolitionists' cause, he supported continuation of the slave trade in anticipation of winning control over St Domingo.¹⁸ Thus, the Bank directors' support for the West India merchants may reflect similar changing evaluations of the prospects for both the outcome of the war in the Caribbean and the trade with the slave colonies. Starting in 1799 we find

¹² After 1822 the Bank adopts a broad range of programs for lending to the private sector that lie beyond the scope of this paper.

¹³ One 200-page volume prior to the 1790s typically contained 3 years or more. By the end of the decade much more detail was being recorded, and each volume covers only 15–8 months. From 1797 the minutes include copies of letters presented at the meetings, reports from committees created to study and resolve issues, and sometimes competing resolution proposals that provide evidence of debates that took place at the meetings.

¹⁴ Two such omissions are noted in the footnotes to Table 3 and the Appendix to Table A1.

¹⁵ Future work will expand this investigation to include the minutes of the Committee of Treasury, which particularly after 1811 likely include further details on the Bank's lending to the private sector.

¹⁶ Note, however, that at least one scholar was aware of these loans (Checkland, 'Two Scottish West India liquidations', p. 132).

¹⁷ Draper has identified individuals with strong Caribbean slave colony ties amongst the beneficiaries of the Exchequer loans advanced by the state in response to Fedon's slave rebellion in 1795/6 (Draper, 'The British state and slavery'). The state also gave direct financial support for the slave system and slave owners ranging from loans in response to natural disasters in the Caribbeans (hurricane and volcanic eruption) to the slave-owner compensation of the 1830s (Mulcahy, *Hurricanes*; Smith, 'Storm hazard'; Draper, *The price of emancipation*).

¹⁸ Ryden, 'Three faces of West India decline'.



the Bank of England playing an active part in this state support of the West India merchants. This element of the Bank–state nexus arises within the context of the Suspension of Cash Payments, which was, as we document, an era of remarkable coordination between the Bank and the state, starting with the authorization of the Suspension itself in 1797.¹⁹

This paper also contributes to the literature on the evolution of the Bank of England's private-sector lending.²⁰ During the second half of the eighteenth century, the Bank's discount window operated as a standing facility that responded to private-sector needs particularly in crisis.²¹ This facility supported the liquidity of the country banks' bill portfolios by discounting bills that had only 2 months left to run. Kosmetatos finds that in 1772 the Bank also gave targeted loans to support London bankers and, in the case of an Edinburgh banker, accepted mortgages as security to support the discount of the firm's bills.²² Note, however, that the latter was an extraordinary, rare event, and that these same mortgages feature in the Bank's recent exhibition on the Bank's role in the slave trade, as the Bank ended up owning 599 enslaved persons when the firm in question failed.²³ Although the Bank did lend to the private sector in the eighteenth century, much of the literature views the full development of the Bank's private-sector lending policies as taking place in the latter half of the nineteenth century when it publicly embraced the role of lender of last resort.²⁴

This paper contributes to the literature on the Bank's private-sector lending by documenting Bank loans that are clearly distinguished from the Bank's ordinary private-sector business and that were made to address the instability generated by the financing of the Caribbean slave economies at the turn of the nineteenth century. These loans to the West India merchants are a form of unconventional emergency lending that is longer-term than the conventional discount window lending and that also relies on different instruments including those with fewer endorsements (or guarantors). We document the use of consols as collateral in this crisis lending. Some of these loans are innovative. We see for the first time that the Bank accepts goods as collateral for loans. We also see, in the first decade of the nineteenth century, early examples of Bank of England loans that are guaranteed by a consortium of third parties. Finally, in the 1810–11 crisis, we see the Bank adopting an innovative generally applicable policy of crisis lending supported by third-party guarantees.

Section I of the paper sets the scene, discussing the structure of the slave-based commerce, the demand for credit to support it, and the finance of West India bills. Section II explains how the Bank of England's role in the crisis of 1799 differed from its role in 1793. Section III explores the unconventional and innovative loans that were extended to West India merchants after the 1799 crisis. Section IV details how this experience shaped formal lending procedures that were adopted in February 1811. Section V concludes.

¹⁹ See also Antipa and Chamley, 'Regimes of monetary and fiscal policy'; O'Brien and Palma, 'Danger to the old lady'.

²⁰ The literature on the historical development of central bank lending policies is surveyed by Bindseil, *Central banking before 1800*, and Ugolini, *The evolution of central banking*.

²¹ Baring, *Observations*; Thornton, *An enquiry*; Lovell, 'Role of the Bank of England'; James, 'Panics, payments'.

²² Kosmetatos, 'Last resort lending before Henry Thornton?'

²³ Jolly, 'Bank of England owned 599 slaves'.

²⁴ Fetter, *Development of British monetary orthodoxy*; Goodhart, *The evolution*; Arnon, *Monetary theory and policy*; Flandreau and Ugolini, 'Where it all began'; Bignon et al., 'Bagehot for beginners'. Works that put an earlier date on the Bank's lender of last resort activities include Lovell, 'Role of the Bank of England'; James, 'Panics, payments'; and Ugolini, *The evolution of central banking*.



I | FINANCING THE WEST INDIA TRADE: BILLS OF EXCHANGE AND WEST INDIA HOUSES IN LONDON

Before the mid-eighteenth century, British slave merchants would head to West Africa, where they purchased enslaved people from local traders for a wide range of goods including European beads and cotton clothes.²⁵ They would then transport and sell the enslaved to Caribbean planters, through local intermediaries, before heading home with the cargo of colonial produce such as sugar and specie, as well as bills of exchange that they received in payment for enslaved persons. This was the original form of the triangular trade, which was largely characterized by barter transactions. By the mid-century, the rising consumer demand for sugar, along with the expansion of sugar production following Britain's acquisition of Dominica, Grenada and St Vincent as a result of the Seven Years' War (1756–63), meant that the West India sugar trade had come to play a greater role in the triangular trade.

The increased trading operations between Britain, West Africa, and the Caribbean colonies were accompanied by significant changes in the payment systems between slave merchants, factors, planters, and British merchants. A key development was the rising dominance of commercial and financial houses in London.²⁶ Previously, a slave merchant or his ship's captain would have to wait for months in colonial ports to secure return cargos.²⁷ Under the new form of slave trade, he would disembark enslaved persons into the hands of a Caribbean slave factor and immediately receive most of the payment in bills of exchange, making it possible to sail home without further delay.²⁸

To settle the debts between the parties, a small number of reputable merchant houses came to specialize in this branch of trade. These 'West India merchants' operated in London as well as in other provincial port cities. Many had spent much of their early career in the West Indies and maintained a strong business network there. They financed planters when they required credit for investment such as the purchase of new enslaved persons, their largest annual expense, or for non-productive purposes such as household consumption and inheritance.²⁹

The West India merchants became an important component of London's financial market by accepting final responsibility for bills of exchange arising from the slave colonies.³⁰ Their strength as a linchpin of the slave trade was in their ability to combine the sugar commission business with the bill acceptance business. As commission agents, they were engaged by planters to manage shipping and the sale of the sugar in the British market and charged 2.5 per cent commission

²⁵ Lovejoy and Richardson have shown the use of credit in the slave trade in the West Coast of Africa and how local mechanisms were used to enforce the payments (Lovejoy and Richardson, 'Trust, pawnshop'). Recently a growing attention has been paid to how African consumers' appetite for certain goods dictated in this leg of trade (Kobayashi, *Indian cotton*; Rodney, *History of the Upper Guinea Coast*).

²⁶ Sheridan, 'Commercial and financial organization'.

²⁷ Morgan, 'Remittance procedures', pp. 721–3.

²⁸ There has been a debate over the organization of the triangular trade in the latter half of the eighteenth century. Minchinton has re-examined Sheridan's claim that the slave vessels returned home with bills of exchange in ballast by showing the vessels returned with some return cargo of sugar and other colonial goods (Minchinton, 'Triangular trade').

²⁹ This finance included short-term credit and mortgages. See examination of the house of Maxwell and Lascelles by Pares, 'A London West India merchant house' and the recent re-examination by Smith, 'Merchants and planters revisited', as well as Pares, *A West-India fortune*, and Price, 'Credit in the slave trade', pp. 324–31.

³⁰ Sheridan, 'Commercial and financial organization', pp. 260–2; Checkland, 'Two Scottish West India liquidations' and 'Finance for the West Indies'; Morgan, 'Remittance procedures', p. 731.



for sugar sales.³¹ As financiers, they financed two types of bills of exchange that were typically required to settle the sale of an enslaved person in the West Indies trade, those drawn by slave factors and those drawn by planters.³² The slave factors' bills were remitted to the slave merchant as payment for the enslaved persons. Many factors arranged with reputable West India merchants in Britain to draw on the latter as a guarantor. In fact, mid-eighteenth century slave merchants would not sell enslaved persons to a factor unless he had such a guarantor. Indeed, the bills of factors who were in partnership with the largest merchant firms in London, such as the house of Hibberts, were particularly sought after by slave merchants for their superior security.³³ The slave factor normally drew bills in sets or tranches with different dates of maturity, such as 3, 6, 9, and 12 months, or 4, 8, 12, and 16 months, and would give the accepted bills to the slave merchant who would present them to a bank, fellow merchant, or the West India merchant for discount in Britain. The West India merchant would then pay the stated amount of money on maturity in exchange for a commission.³⁴

The planters' bills were drawn on the planter's commission agent house to pay the factor for the enslaved persons, and also, ultimately, to offset the first type of bill.³⁵ The commission house managed the sale of the sugar in the English market on behalf of the planter, and the receipts of the sale were credited to the planter's account against which the planter was able to draw.³⁶ The factor who was paid with a planter's bill would send the bills to his West India merchant to reimburse the bills which he had drawn.

As the factors' bills were remitted to Britain months before the planters' bills arrived, the planters' bills were used to clear the debt of the factors' bills using the receipts from the sale of the sugar³⁷ (Figure 1). This bill finance system, known as the guarantee system or 'bills in the bottom' system, is considered to be one of the reasons why Britain's slave merchants thrived over their continental rivals.³⁸ As the linchpin of Britain's sugar and slave trade, West India merchant houses met the planters' need for longer-term credit, the slave merchants' demand for reliable and prompt payment, and the factors' desire for credit facilities.³⁹ In summary, the finance of the sugar and slave trades relied upon the smooth realization of colonial commodity sales. This exposed the trade to the risk of falling sugar prices and to the dangers of an over extension of credit in the 1790s and the early 1800s.

These 'West India bills' played an important role in expanding the types of assets available as investments for financiers and investors in the eighteenth century. During the early half of the century, funds raised on the London financial market found their outlet mostly in long-term loans:

³¹ Sheridan, 'Commercial and financial organization', p. 262.

³² The description of slave trade bill finance in the latter half of the eighteenth century largely draws on Pares, 'A London West India merchant house'; Sheridan, 'Commercial and financial organization'; *idem*, *Sugar and slavery*; Morgan, 'Remittance procedures'; and Price, 'Credit in the slave trade'.

³³ Sheridan, 'Commercial and financial organization', pp. 261–2.

³⁴ Morgan, 'Remittance procedures', pp. 730–1; Price, 'Credit in the slave trade', pp. 315–6.

³⁵ Price, 'Credit in the slave trade', p. 315.

³⁶ Sheridan, *Sugar and slavery*, pp. 284–5, 290–4.

³⁷ Price, 'Credit in the slave trade', p. 315.

³⁸ Price, 'Credit in the slave trade', pp. 331–5; Morgan, 'Remittance procedures', p. 748. This system did not apply to other branches of slave trade. For example, it was not used in the Chesapeake trade (Morgan, *ibid.*, p. 734).

³⁹ Morgan, 'Remittance procedures', pp. 731–2. In return, the commission house received both a commission on the sugar consignments (2.5% of sales) and a fee of 0.5% on bills it accepted or it received for collection (Sheridan, 'Commercial and financial organization', p. 262).

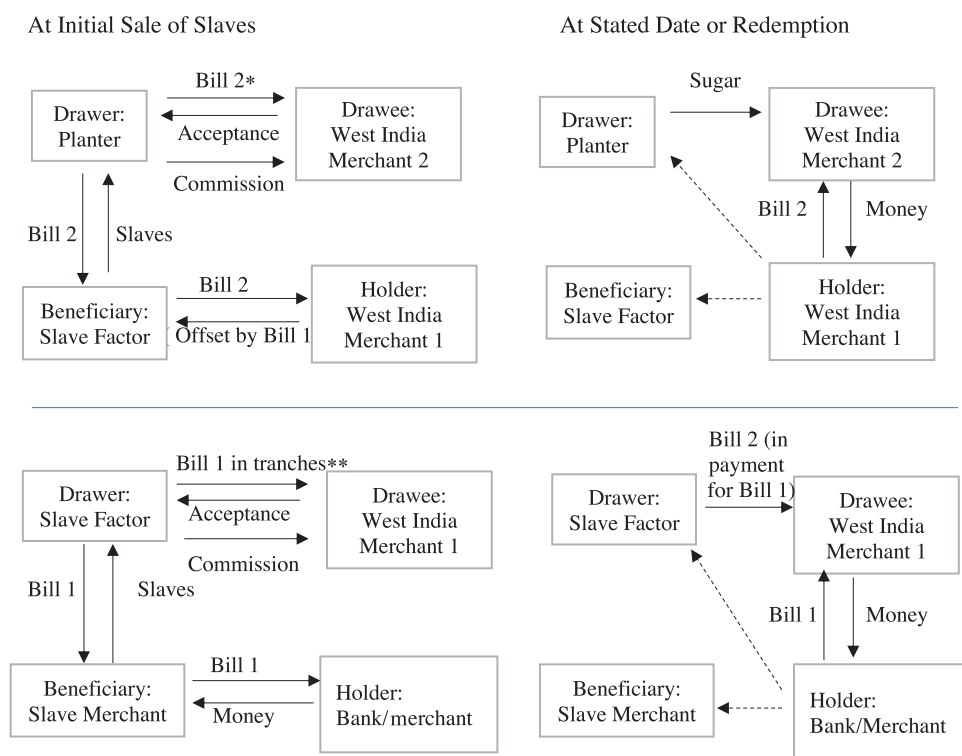


FIGURE 1 Relationships in the guarantee system.

Note: Dashed lines indicate secondary liability. For contractual relationships between drawers, beneficiaries and holders, see Schnabel and Shin, 'Liquidity and contagion', p. 936.

*3–36 months' bill.

**3, 6, 9, and 12 or 4, 8, 12, and 16 months' bill.

Source: Authors' own creation

public debt and loans to select chartered companies, such as the East India Company, the South Sea Company, and the Hudson Bay Company, and to some public utilities. Although a market in short-term domestic and foreign bills operated throughout the century, it only became important as a financial outlet in the latter half of the century.

In the second half of the eighteenth century, bills of exchange were popular investments for bankers due to their liquidity in the London money market. As negotiable instruments, bills were usually liquid or semi-liquid assets. The most liquid bills could circulate as easily as bank notes because they were discountable at the Bank of England. These bills had 2 months or less to run. Longer bills were negotiable and semi-liquid but could not circulate with the same ease. The West India bills were some of the longest bills and were relatively illiquid. After the American War of Independence and particularly in the 1790s, the length of the West India bills became markedly longer. Factors' bills were of particularly long duration, up to 24 or 36 months.⁴⁰ Even the 36-month bills were, however, supported by the fact that the London money market was a discount market. This meant that bills and notes could only be circulated by endorsement. That is, when the instrument was negotiated, the discounter continued to be liable to pay its full value until it

⁴⁰ Price, 'Credit in the slave trade', pp. 314–5; Morgan, 'Remittance procedures', pp. 736–9.



was finally paid – in the vast majority of cases by either the acceptor or the issuer (in the case of a note), and not by the discounter. That is, everyone who negotiated a bill retained secondary, but not primary, liability on the bill.⁴¹ This discount market structure was extraordinarily effective at increasing the liquidity of commercial paper and, in late eighteenth century England, bills with 6 months or less to run circulated readily in industrial areas and port cities as a means of payment.⁴² This liquidity was, however, generated at the expense of creating a vast network of firms that were exposed whenever there was a bankruptcy.

Outside of London, the West India bills grew to make up a significant part of the commercial paper circulating in the country.⁴³ According to Pressnell, up until the expansion of domestic trade in the 1780s, inland bills that originated in domestic trade were scarce in the provincial areas, where men of wealth and the newly emerging country banks were investing in bills that originated in overseas commerce. Indeed, even after the circulation of inland bills increased, West India bills continued to be regarded as good investments and would be so regarded well into the nineteenth century.⁴⁴ For example, William Davenport, the prominent slave merchant in Liverpool in the latter half of the eighteenth century, was able to dispose of his bills to fellow slave merchants in the city.⁴⁵ James Rogers, a slave merchant in Bristol, had a network of provincial individuals and country banks who would discount his bills.⁴⁶ Provincial slave merchants, such as John Leigh in Liverpool, also took advantage of the London money market. Leigh typically returned from the Caribbean islands with bills of exchange as well as cargo, and relied on three banks for bill finance, one of which was Brickwood & Co of London.⁴⁷

The challenge for the eighteenth-century bankers was to find investments that were appropriate given the short-term of the banks' liabilities. These liabilities often took the form of bank notes, which were particularly hard to manage given their tendency to increase without notice whenever an account holder's bill was presented, drawing down the account holder's agreed credit line. Ideally, the bills that comprised most of a bank's asset portfolio would be trade bills of 6 months or less, since once a bill had 2 months or less to run, it could typically be transferred to a bank's correspondent in London and discounted at the Bank of England. In practice, however, especially prior to the expansion of domestic commerce in the 1780s, banks were proliferating faster than the safest investment opportunities,⁴⁸ and banks often carried some liquidity risk in their portfolios. In this environment, West India bills, even though they were relatively risky investments because of their long maturity of 12–36 months, were both popular investments for banks and increasingly a risky segment of a bank's asset portfolio.

⁴¹ Liability was joint, which meant that any endorser could be sued for the full value of the bill (Schnabel and Shin, 'Liquidity and contagion', p. 938) – and if the endorser paid, the endorser would then have a claim against the issuer. This legal structure differed from the law of bills on the continent (Sissoko, 'Becoming a central bank').

⁴² Ashton, 'The bill of exchange'.

⁴³ Checkland, 'Finance for the West Indies', p. 461.

⁴⁴ Pressnell, *Country banking*, pp. 435–6.

⁴⁵ Anderson, 'The Lancashire bill system'.

⁴⁶ Price, 'Credit in the slave trade', pp. 317–8.

⁴⁷ Ishizu, 'Boom and crisis'.

⁴⁸ The fast growth of country banks in Northwest and Southwest of England likely played a role in bank reliance on West India bills (Ishizu, 'The nature and scope'; Sissoko, 'Why Lancashire?').

II | THE BANK OF ENGLAND INTERVENES: THE CRISES OF 1793 AND 1799

The West India bill, due both to its term and to the fact that it was held by the newly established country banks, was one of the most volatile elements in the financial markets. It played a role not only in the 1772 crisis⁴⁹ but also in the crises of the 1790s.

The financial crisis of 1793 was described by Clapham as ‘the worst financial and commercial crisis that (the country) had yet known’.⁵⁰ Although contemporary critics often claimed that the crisis was caused by reckless country banks that failed or stopped payment due to insufficient capital reserves, overseas commercial bills, particularly the West India and cotton trades, were the underlying problem. During the boom following the War of American Independence, trade with the West Indian slave colonies enjoyed a prosperous period with rising sugar prices that lasted through the early years of the 1790s. London West India merchants had provided credit on a large scale, and the volumes of West India bills and planters’ bills held in England increased. The outbreak of the war against France in 1793 came as a shock to Britain’s overseas trade, and the long bills that originated in overseas markets, especially in the trade with slave colonies, became illiquid.⁵¹

In this crisis, many of the London West India merchants went into difficulties, ‘they being all linked together in the bill way from £3 to 400 000 in circulation’.⁵² Pressnell attributed the concentrations of bank failures during the crisis in the Bristol and Lancashire regions to the popularity of investments in West India bills and North American cotton bills. In fact, in March 1793 West India bills accounted for 34 per cent of the bills of bankrupt merchant firms, measured by value. American bills, including the cotton trade, accounted for another substantial portion of the defaulted bills.⁵³

James Baillie & Co., a West India firm in London, fell into difficulty holding bills of nearly half a million pounds.⁵⁴ This led to the collapse of two Liverpool banks: Charles Caldwell & Co., which was heavily involved in the finance of the West India trade, and Gregson & Co. The subsequent failures in 1793 of several banks and firms that had accepted long bills had a contagion effect. Those holding the bills of West India or American merchants that had not failed could no longer circulate these bills on any terms. This freeze in the credit markets risked generating a new onslaught of failures. Lane, Fraser & Son, a West India trading company, collapsed when the Bank of England declined their bills for discounting. This was followed by the failures of other West India merchants and bankers.⁵⁵

The West India merchants in Liverpool sought help from the Bank of England, and were told that the only bills the Bank could discount were those with 2 months or less to run – but this was no help at all. The Chamber of Commerce of Liverpool launched a joint petition to lobby for a

⁴⁹ Kosmetatos, ‘Last resort lending before Henry Thornton?’; Sheridan, ‘British credit crisis of 1772’, pp. 171–3.

⁵⁰ Clapham, *The Bank of England*, vol. I, p. 259. This resulted in a significant decline in the circulation of country bank notes. Report of the Lord’s Committee of Secrecy (P.P. 1797 vol. 2), Testimony of Henry Thornton, pp. 224–5.

⁵¹ Checkland, ‘American versus West Indian’, p. 147.

⁵² Pares, *A West-India fortune*, p. 357.

⁵³ Pressnell, *Country banking*, p. 458; Checkland, ‘Finance for the West Indies’.

⁵⁴ James Baillie purchased the Grenada slave plantation mentioned in the introduction in 1790 when the Bank of England sold it. Jolly, ‘Bank of England owned 599 slaves’. Final payment was made in 1804 [Bank of England (BoE) Archives ADM7/32, p. 649].

⁵⁵ In addition to Caldwell & Co, Burton, Forbes & Gregory failed.

**TABLE 1** Taxonomy of established Bank of England lending facilities

	Security	Delegation of credit decision	Included in our data
Established private-sector lending facilities (as of 1797)			
Discount of bill	Two or more guarantors	Delegated: Committee in waiting	No
Discount of note	One or more guarantor(s)	Delegated: Committee in waiting	No
Extension of discount credit line via Court ^a	One or more guarantor(s)	No	Yes
Unsecured overdrafts <i>South Sea Company</i> : up to £50 000 (after 1807 up to £80 000) <i>Hudson Bay Company</i> : up to £20 000 (after 1807 up to £50 000 ^b)	None	No (renewed at 2 months as needed)	No
Secured overdraft <i>East India Company</i> : up to £400 000 ^c	Exchequer bills	No (renewed every 2 months by Court)	No
Loan to <i>East India Company</i>	On EIC bonds: up to £500 000 On EIC annuity: up to £800 000	No (typically renewed every 2 months by Court) ^d	No
Loans of instalment payments to the syndicate financing the government's annual issue of annuities ^e	Government annuities (consols)	No	No

^aAlthough this was only sporadically offered, it was well established since at least 1772 that a borrower could receive an exceptionally large credit line through the discount mechanism, when the Court of Directors voted to extend such accommodation (*Kosmetatos*, 'Last resort lending before Henry Thornton?').

^bSeptember 1808 personal bond of certain Directors posted.

^cOn EIC borrowing, see *Clapham*, *The Bank of England*, I, pp. 209, 244.

^dJanuary 1806 1-year loan, discussed 12 April 1810, pp. 272–5.

^eFor example, on 16 May 1810 the Committee of Treasury Report Book (CTR; Bank of England Archive G8/7, p. 56) states: 'A question being asked, whether the contractors might rely upon the usual accommodation from the Bank on the payments of the loan [of 1810]?'

Parliamentary Act to support the mercantile community. This action convinced the government and the Bank of England to come up with a plan whereby long bills could be exchanged for Exchequer Bills.⁵⁶ Because Exchequer Bills could be discounted at the Bank, this policy had the effect of supporting liquidity in the money market. In the event, less than half of the Exchequer Bills that had been authorized for this purpose were issued. In a classic denouement of a panic, as soon as abundant liquidity was made available, it was no longer needed.⁵⁷

Six years later in 1799, a commercial crisis again hit the trade with the slave colonies. In this instance the Bank of England introduced longer-term loans for the first time, and remarkably, these new loans were initially all directed to the West India merchants. To explicate the innovative nature of the Bank's intervention, the well-established forms of Bank lending to the private sector are set forth in Table 1 and new forms of Bank lending in Table 2.

⁵⁶ *Bennett*, 'Network interlocks'.

⁵⁷ When the Government again issued such 'commercial Exchequer Bills' in 1811, once again the West India merchants were implicated (*Pressnell*, *Country banking*, p. 468).

**TABLE 2** Taxonomy of innovative Bank of England lending facilities

	Security	Delegation of credit decision	Included in our data	Later use
Innovative lending facilities				
Secured term loans (repo) Collateral: consols Basis: certification of produce	Guarantor + government annuities + certification of produce	No	Yes: 1799 loans	Crisis lending from 1825 on (without certification of produce)
Secured term loans Collateral: sugar and coffee	Guarantor + claim to goods in hands of Bank trustees	No	Yes: 1799 loans	1825 crisis
Term loan with just one guarantor	One guarantor	No	Yes: 1801 loan, April 1803 loan, London Dock Company loans	
Term loan with two guarantors	Two guarantors ^a	No	Yes: Bristol Dock Company	
Term loans with two guarantors, including inspectors	Two guarantors	Before 1811: No After 1811: delegated to Committee of Treasury	Yes, up to Jan 1811 Sept 1803 loan	1890 crisis

^aCommittee of Treasury minutes 30 April 1807, p. 116.

The well-established forms of such Bank lending include the discount of bills and notes for about 1200 discount account holders,⁵⁸ overdrafts issued to a few companies, renewals of a long-term loan to the East India Company, and loans of the instalment payments on the government's annual issue of consols to the syndicate that won the bid to finance the issue. Notably all private-sector loans were short-term or actively renewed by the Court of Directors every 2 months.

We find two forms of lending that are first encountered in 1799. First, the Bank began to lend on a longer-term basis of 6 months or more with no requirement for bimonthly renewals by the Court of Directors, and second, the Bank lent on the basis of goods.⁵⁹ In addition, the Bank accepted stock in the public funds (i.e. consols) as 'security' for its crisis loans. It is remarkable that the initial recipients of these new longer-term loans were the merchants who traded with slave colonies (WIM=West India Merchant loans in Figure 2).

⁵⁸ Bills and notes differed in the number of signatories. Bills of exchange were drawn on a third party, and bore two promises to pay (signatories), that of the issuer and of the drawee who had accepted and signed the bill, in addition to that of the discounteer. A promissory note, by contrast, was not drawn on a third party and thus had only one promise to pay in addition to that of the discounteer. This made bills safer investments than promissory notes.

⁵⁹ Kosmetatos finds evidence of short-term loans made during the crisis of 1772, a few of which were not repaid for several months. It is not clear, however, that these loans were deliberately extended for this time period, especially as most of the loans were repaid within 2 months. Note that the support to the Edinburgh firm, William Alexander & Sons (Kosmetatos, 'Last resort lending before Henry Thornton?', pp. 5, 7) was provided through the discount window and therefore on the basis of bills with 2 months or less to run. As noted in the Introduction, this loan was exceptional because it was backed by mortgages. After Alexanders defaulted in 1776, this experiment was not repeated until the 1820s.

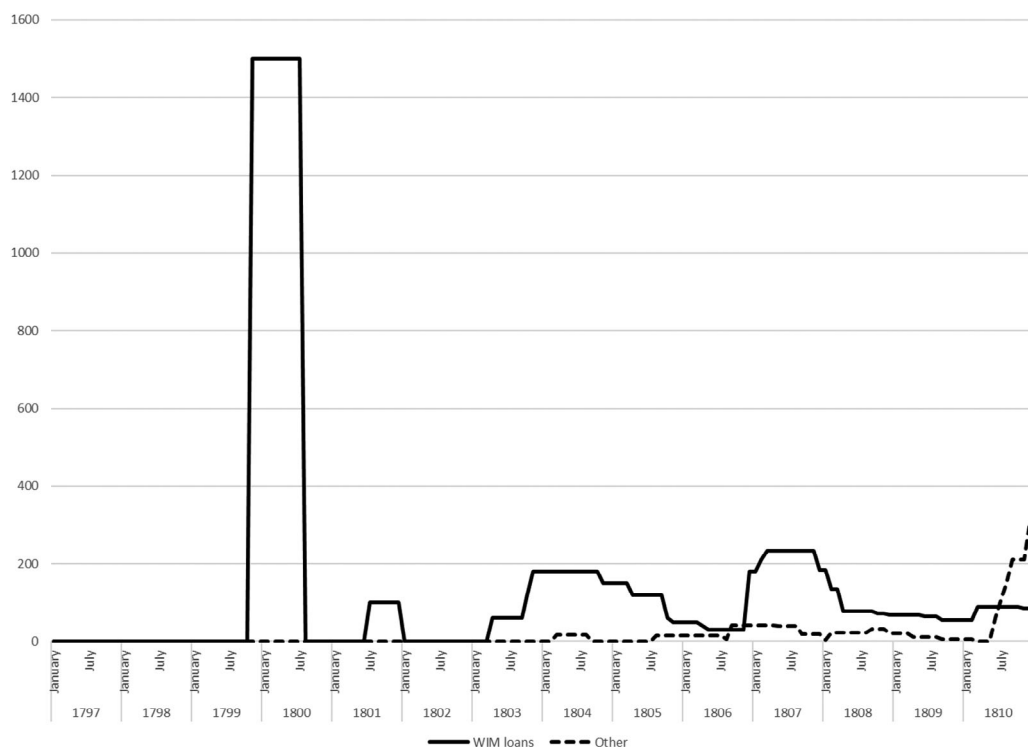


FIGURE 2 Creative lending 1797–1810 (£ thousands).

Source: The Minutes of the Court of Directors of the Bank of England (data reported in Table 3).

The most important difference between the crises of 1793 and of 1799 was the expansion of commercial credit supported by the Bank of England's suspension of convertibility of Bank notes in 1797.⁶⁰ The Bank had already shifted to liquidity provision via Bank notes by 1772,⁶¹ and the suspension of its own notes in 1797 further enabled the Bank to supply its notes by 'discounting freely'.⁶² This generous credit support promoted commercial activity so that the Suspension was accompanied by a robust economy.

Prior to the liquidity crisis in October 1799, the West India merchants in particular benefitted from such a buoyant credit supply. Sugar prices became very high in 1793, and due to heavy speculation in the Hamburg market,⁶³ they reached an all-time high in February 1799.⁶⁴ High prices and misguided war-time policy had, however, led to a glut of sugar in the home market, marking

⁶⁰ A combination of large government debt issuance and commercial strains had so heavily reduced the Bank of England's stock of gold in 1797 that the Bank had – with the government's approval – been forced to end convertibility 'temporarily'. This 'temporary' situation would last until 1821.

⁶¹ Kosmetatos, 'Last resort lending before Henry Thornton?.'

⁶² This policy would continue for more than 5 years (Clapham, *The Bank of England*, vol. II, pp. 12–3).

⁶³ Ragatz, *The fall of the planter class*.

⁶⁴ After a brief price increase in October in 1800, the prices continued to decline. *Report on the Commercial State of the West India Colonies* (P.P. 1807), pp. 66, 84.



a definitive end to the boom that the West India merchants had enjoyed.⁶⁵ Sugar as well as coffee prices fell and risked destabilizing the West India merchants and with them the banking system.

The Bank was approached by a Committee of West India Merchants, which had been expressly formed for the purpose of negotiating 'accommodation' with the Bank that would finance the carry of inventory.⁶⁶ The Bank responded creatively – just as central banks respond to crises today: first, by proposing to discount notes on the security of goods⁶⁷; then, by extending the loans explicitly for 6 months⁶⁸; and finally, when the legal difficulties of treating goods as collateral were found to be too burdensome, by using goods to establish a basis for the amount of the loans and by accepting as collateral 'stock in the public funds' or in other words consols.⁶⁹

The 1799 loans were almost certainly the first instance where the Bank of England made loans supported by collateral in the form of goods. Although there were rare examples during this period of the Bank accepting mortgage claims from troubled borrowers whom it sought to help,⁷⁰ it was unprecedented that the Bank lent against a deposit of goods⁷¹ in lieu of one of the personal guarantees typically demanded by the Bank at the discount window. Privately issued commercial bills were considered safer investments because every bill discounted at the Bank had at least three distinct parties who were obliged to make payment when the bill became due – typically in less than 2 months. Even Exchequer Bills and other government-issued bills were less liquid than private bills because there was uncertainty about when the government would choose to redeem the bills.⁷²

Similar to goods, consols were not typically used as collateral for a borrower seeking a Bank loan at this time.⁷³ Note that financing the instalment payments due to the government from

⁶⁵ Statement of Mr. Hibbert in *House of Commons Debate* 12 March 1807, vol. 9, p. 96. See also Evidence of Charles Bosanquet, *Report from the Committee on the Commercial State of the West India Colonies* (P.P. 1807, vol.3), pp. 36–9. See below for a discussion of the government policy that contributed to the glut. Note also that in August the enactment of the Slave Act with its permanent regulation of slave ships and docks could only dampen confidence in traders exposed to the slave colonies. This law, 39 Geo. III c. 80, made permanent regulations governing slave ships, such as the requirement that decks be separated by 5 feet. Previously these regulations had been temporary, required annual renewal, and periodically lapsed.

⁶⁶ The Minutes of the Court of Directors, Bank of England Archives (C.D.), 7 November 1799. This ad hoc committee was formed at a meeting on 2 October 1799 of the West India Merchants in London by a resolution that is transcribed in the Bank minutes. The committee was comprised of Messrs Boddington, Hibbert, Milligan, and Lushington.

⁶⁷ Minutes of the Committee of Treasury, 4 October 1799.

⁶⁸ C.D. 7 November 1799.

⁶⁹ C.D. 7 November 1799. Ultimately the Bank did find a way to accept goods as collateral, and had the West India merchants appoint three Bank directors – Richard Neave, Beeston Long, and William Manning – to act as trustees for this collateral (21 November 1799; 28 November 1799). Similarly, consols were posted as collateral via a transfer of title to the bonds into the names of the governor, the deputy governor, and another senior Bank director.

⁷⁰ See for example, *Kosmetatos*, 'Last resort lending before Henry Thornton?'; *Jolly*, 'Bank of England owned 599 slaves'. It is in the nature of an unlimited liability regime that a trader whose financial assets leave him insolvent must expect to sell his real property to meet his obligations. As a result, continuing to lend to a near insolvent trader on the basis of a mortgage was a standard element of the lender's toolkit in dealing with distressed debt.

⁷¹ The loans were secured on sugar at £30 per ton and on coffee at £100 per ton. Indeed, this aspect of the loan was so complicated that the law would have to change before the Bank would again lend on goods. C.D. 28 February 1826; *Sissoko*, 'Post-war normalization'; *Clapham*, *The Bank of England*, vol. II, p. 108.

⁷² *Pressnell*, *Country banking*, pp. 417, 424. Indeed, Roberts makes the point that, when Treasury bills were first issued, they were modelled on prime commercial bills, that is, those bills that had the highest quality acceptances and therefore were very liquid (*Roberts*, 'Bank of England and the City', p. 155).

⁷³ *Sissoko*, 'How to stabilize', pp. 10, 13–4. Note, however, that in rare cases the Bank had accepted as collateral East India Bonds – for example, backing a 1751 credit line extended to the Royal Bank of Scotland (C.D. 9 December 1751) – or Exchequer Bills (Table 1).



the syndicate that purchased the annual government debt issue constituted a narrow exception to this rule (Table 1) – an exception that was in fact designed to support the government alongside the private money market. The reason that consols were not typically accepted as collateral was the interest rate risk inherent in long-term debt instruments. Consols could lose value over time, particularly over the course of a loan of 6 months or longer.⁷⁴ Because of the need to maintain liquidity in a convertible currency environment, early discount bankers were very attentive to the maturity of their loans. The Bank of England was no different, and this was why its regular discount business was limited to bills of 2–3 months' maturity. Indeed, direct evidence from the Court itself emphasizes the unusual nature of the 1799 loan. The Court resolved 'that in the opinion of this Court the loan of money upon note accompanied with a deposit of stock (i.e., consols) shall not be drawn into precedent'.⁷⁵ Despite these protestations, a precedent was indeed set. Just 25 years later during the very first post-Resumption crisis, the Bank again turned to consols as a means of providing liquidity.⁷⁶ The same tool would be used in crises repeatedly thereafter.⁷⁷

The exceptional nature of the long-term lending by the Bank also merits emphasis, in part because of how these loans were structured. The bills underlying the loans had to be renewed every 2 months, but the Bank committed ahead of time to the renewals.⁷⁸ As a result these loans differ in form from those to the East India Company, which had to request a renewal from the Court of Directors every 2 months.⁷⁹ Not only the length of the loans but also the fact that the Bank committed to renew bills is also remarkable. In a strict interpretation of the real bills approach, a bank should only lend on a bill that originates in a commercial transaction,⁸⁰ not on the renewal of a bill.⁸¹ In this sense, too, the structure of these 1799 term loans to the West India merchants demonstrates a relaxed lending policy relative to the well-established lending in Table 1.

These very novel loans were also substantial in size. The aggregate loan to the West India merchants was £1.5 million for 6 months, and was then extended for another 3 months.⁸² Furthermore, the Bank's intervention was effective, as just a month after the details of the Bank's support were

⁷⁴ On the price instability of consols, see [Gilbart](#), *Practical treatise*, p. 77; [MacLeod](#), *Theory and practice*, p. 428.

⁷⁵ C.D. 7 November 1799.

⁷⁶ Report from the Committee of Secrecy on the Bank of England Charter (P.P. 1832, vol. 6), Testimony of Jeremiah Harman, Question 2217.

⁷⁷ [Flandreau and Ugolini](#), 'Where it all began', p. 119. Lending against the security of *short-term* government debt, such as Exchequer or Navy Bills, was becoming a common practice in banking around this time, as bankers began to lend 'on call' to brokers such as Goldsmids ([Cope](#), 'The Goldsmids', p. 200). Lending against the security of both short-term government debt and consols was adopted by the Bank in 1824 when it was looking for ways to build up its earnings after the government abruptly extended the circulation of small notes by 10 years, leaving the Bank with a vast excess of gold reserves ([Pressnell](#), *Country banking*, p. 479 ff; [Sissoko](#), 'How to stabilize'; C. D. 24 June 1824). Such loans would also be used to provide liquidity during the 1825 crisis. *Report from the Committee of Secrecy on the Bank of England Charter* (P.P. 1832, vol. 6), Appendix 6.

⁷⁸ C.D. 17 October 1799.

⁷⁹ There is an important distinction to draw between a loan that can be withdrawn at any time, but is in practice rolled over repeatedly, and a loan that is explicitly a term loan. The latter typically has greater protections for the borrower.

⁸⁰ [Thornton](#), *An enquiry; Report from the Select Committee on the High Price of Gold Bullion* (P.P. 1810).

⁸¹ [Sayers](#), *Bank of England*, p. 277; *Report from the Select Committee on Notes in Scotland* (P.P. 1826, VI), p. 574; [Sissoko](#), 'Becoming a central bank'.

⁸² The average sum outstanding in the form of discounts at the Bank of England ranges from £5 million in 1797 to more than £21 million in 1810 ([Sissoko](#), 'Becoming a central bank'). In 1799, the loan to the West India merchants made up about 20 per cent of the Bank's discounts.



worked through, the price of coffee had increased by 33 per cent.⁸³ In the absence of the Bank's support, many West India merchants would probably have had to dump their merchandise on the market. Apparently, the loan was paid up by the 1st July 1800 because we hear no more about it.

Why did the Bank intervene in 1799? The answer lies in part in the broader support that was offered by the government to the West India merchants during this crisis. In early October, Parliament granted a loan of £500 000 in response to a petition of Liverpool and Lancaster merchants, who were at risk of being bankrupted by forced sales of sugar at low prices – and a chain reaction of failures would affect the manufacturers and commerce more generally. In the House of Commons debate over this loan, the position of merchants of London was presented by William Manning, a West India merchant and Bank of England director, as secure, but this was promptly called out by a colleague: 'if the merchants of London received the assistance of the Bank of England, it was the same as if they received it from Parliament'.⁸⁴ In fact, the Committee that approached the Bank had been formed on the same day that this debate took place, which implies that Checkland's assessment was correct: 'in 1799 [the State] supported the Liverpool and Lancaster West India traders (the Bank looked after the rest)⁸⁵ and that there was some coordination between the policies of the Bank and the government.

These interventions were necessary because of the glut of sugar, which in turn was due to wartime policies including the import into England of sugar from former French colonies and a failed attempt to raise funds by increasing the taxes paid on re-exported sugar.⁸⁶ These war-time policies on sugar risked not only bankrupting the West India merchants but also destabilizing the broader economy. This motivated Parliamentary intervention to support the northern West India merchants, together with a correlated policy of support from the Bank of England for the West India merchants in London.

For the Bank, two factors undoubtedly played a role in the Bank's support for this policy. First, by 1799 the Bank had been coordinating for more than 3 years with Pitt, who was serving both as Chancellor of the Exchequer and Prime Minister, on the challenges of government war finance and the Bank's role in it. As the need for war finance grew, the often-contentious correspondence between the Bank and the Exchequer was documented in a separate volume that was described by a governor as 'a private book to which the Secretary has no access'.⁸⁷ Through the suspension of convertibility and its aftermath, regular meetings between the Bank and Chancellor were needed to coordinate monetary support for the vast demands of war finance whilst at the same time leaving the Bank with enough resources to provide the liquidity needed to maintain the country's economic stability. In this environment, it is not surprising that in 1799 the government and the Bank also coordinated in supporting the West India merchants.⁸⁸

⁸³ As is indicated by comparing the prices quoted in C.D. 7 November 1799 and C.D. 19 December 1799.

⁸⁴ *House of Commons Debate* 2 October 1799, vol 10, p. 92.

⁸⁵ Checkland, 'Two Scottish West India liquidations', p. 135, parentheses in original.

⁸⁶ *House of Commons Debate* 2 October 1799, vol 10, pp. 88–92; see also *Bell's Weekly Messenger* (London) 6 October 1799. Pitt had apparently overplayed his hand, imagining that Britain could control European access to sugar – with the unexpected consequence of stimulating imports from Brazil and Cuba (Ryden, 'Three faces of West India decline', p. 125). Indeed, a later MP describes this episode as the government's 'delusive project of making foreigners pay a part of our heavy duty on sugar' that was exposed in 1799 when hundreds of ships full of sugar travelled directly to Hamburg (George Hibbert in *House of Commons Debate* 12 March 1807, vol. 9, p. 96).

⁸⁷ *Report of the Lord's Committee of Secrecy*, P.P. 1797 vol. 2, p. 178. This volume documenting the interactions between the Bank and the Treasury in this era is in the Bank of England archives, item M5/472.

⁸⁸ Williams, *Capitalism and slavery*, and Ryden, 'Three faces of West India decline', on Pitt's pragmatic shift to support the slavery economies during the war.

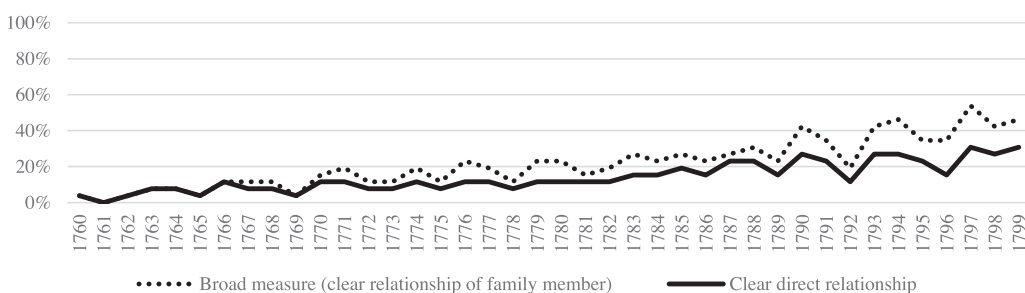


FIGURE 3 Share of Bank directors and governors classified as West India directors.

Source: Bank of England Court of Directors Annual Lists.

Note: For sources, see Appendix to Figure 3.

Second, support for the West India merchants at the Bank was related to the growing influence of the West India slave economy interest in the Bank's directorate. It has been pointed out that West Indian merchants held a prominent presence in the Bank of England throughout the nineteenth century.⁸⁹ In fact, the presence of West India merchants amongst the Bank directorship was already clear in the late eighteenth century, as demonstrated in Figure 3. It shows that the share of West India merchants in the directorship of the Bank of England steadily increased from just 4 per cent (one director) in 1760 to 30 per cent in 1799. This tendency continued well into the mid- and late nineteenth century.⁹⁰

One may ask whether the prominence of West India slave economy merchants in the directorship of the Bank at the turn of the century was simply a reflection of their relative weight in the British mercantile community. However, in the early years of the nineteenth century, West India bills accounted for only 8–9 per cent of Bank discounts or alternatively 17 per cent of Bank discounts of non-domestic bills.⁹¹ Although sugar was the most important commodity imported from the slave colonies, accounting for almost two-thirds of the value of such imports in 1803 despite the decline in price that had taken place since 1799,⁹² the quantity of sugar imports from those colonies had only increased by a factor of 2.3 from the early 1760s to the 1800s.⁹³ Clearly, the West India slave economy influence at the Bank was growing much faster than its role in the British economy over the second half of the eighteenth century.⁹⁴

As a senior director of the Bank, Thomas Boddington, was one of the West India merchants who initially came to the Bank seeking a loan in October 1799,⁹⁵ the influence of the West India

⁸⁹ Kynaston and Milner, *City of London*, p. 84.

⁹⁰ For example, Draper listed five West India merchants amongst the Bank directors in 1801 and 1827 (Draper, 'Helping to make Britain great', p. 98).

⁹¹ Bank of England archives M6/1; see also Clapham, *The Bank of England*, vol. I, pp. 206–8.

⁹² *Accounts of West India produce* (P.P. 1804).

⁹³ *Report on the Commercial State of the West India Colonies* (P.P. 1807), pp. 73, 75. There has been an ongoing debate amongst historians over the degree to which, or even whether, the importance of the West India sugar industry 'declined' in the British economy and empire after the American Revolution. See Ryden's account about the criticism by Drescher on Williams (Ryden, 'Does decline make sense?').

⁹⁴ Note that the growing political importance of the West India merchants may have been driven by factors other than trade, but that is beyond the scope of this paper.

⁹⁵ Minutes of the Committee of Treasury, 4 October 1799. Messr Boddington is almost certainly Thomas Boddington, who was a director from 1782 and of enough seniority to become deputy governor and then governor (although in fact he was never promoted to those positions).



slave economy interest in the decision-making with respect to the 1799 loans seems indisputable. That said, the desire to protect the financial system from a crisis similar to the 1793 crisis and from destabilizing the new inconvertible currency regime undoubtedly also played a role in the decision.⁹⁶

III | ONGOING BANK OF ENGLAND LOANS TO THE SLAVE COLONY MERCHANTS

The 1799 loans were only the beginning of the Bank's support of West India merchants. Table 3 exhibits the loans made by the Bank spanning the years 1797–1822, as drawn from the Index entry 'Loans' in the Minutes of the Court of Directors.⁹⁷ Loans made to the East India Company, South Sea Company, and Hudson's Bay Company are omitted, as are loans made to support the issue of long-term government debt, which are classified in the Index under the name of the debt issue and not under the name of the borrower.

Table 3 shows that in 1803 the Bank made sizeable loans that were extended for periods of a year or more to a variety of West India merchants. Furthermore, significant amounts remained outstanding through 1813. Such lending continued, though more sporadically, at least until 1820. Figure 2 and Table 3 also show that, in the earliest years of these long-term loans, the West India merchants were the only recipients of such lending by the Bank, and that they were borrowing amounts as large as £150 000.⁹⁸

These loans to the West India merchants are unconventional and easily distinguished from discount window lending. As with the 1799 loans, they are term loans and allow the borrower to use bills that were created for the purpose of the loan – in other words to use bills that did not meet the strict criteria for real bills. For these loans the Bank did not lend against collateral such as goods or bonds, but instead required that a consortium of third parties guarantee the Bank against any losses on the loan. Typically, each individual guarantee would be for 5–10 per cent of the loan.⁹⁹

They have additional novel characteristics too. The loans made in 1801 and April 1803 were secured only by notes. The signatures of the issuer and the borrower were all that was needed, and there was no collateral to make up a third form of security.¹⁰⁰ Loans to the London Dock Company, a company formed by merchants to improve the infrastructure at the ports – including the provision of adequate and secure warehousing facilities for their stock – also fall under this category with reduced security and started in late 1803. Although the London Dock Company

⁹⁶ As Howe argued, the Bank directors, irrespective of their connection with West India trade, were themselves exposed to commercial crises and the failure of their own businesses. Half of 23 Bank directors died with estimated estates less than £100 000 between 1833 and 1847 (Howe, 'From "old corruption"').

⁹⁷ Loans that were not made to West India merchants are listed in the appendix to Table A1.

⁹⁸ Of the four loans to individuals who were not West India merchants on or before 1803, all are for terms of 4 months or less. The series of short-term loans to Messrs. Goldsmid from May 1802 through February 1804 were to a prominent financier of the Government, who was apparently being permitted to finance his purchases of Exchequer Bills on instalment. In less than 2 years the Bank put a stop to this lending.

⁹⁹ Note that this structure is a natural evolution of discount window lending on the basis of bills. Because at least three parties are liable on every bill – the acceptor, the discountor, and the drawer – for every 'loan' the Bank has two guarantors. The 1890 Baring loan would have a similar structure. The Bank coordinated and funded the loan, but a consortium of third parties was liable for any losses on the loan (Clapham, *The Bank of England*, vol. II, pp. 332–4).

¹⁰⁰ C.D. 25 June 1801 and 7 Apr. 1803.

**TABLE 3** Loans made by the Bank of England 1797–1822

Borrower name	Date	Amount (£)	Loan length (month)	Renewals (renewal length in months)
WIM Committee	17 Oct 1799, 7 Nov 1799	1 500 000	6	20 March 1800 (3)
Hibberts, Fuhr & Purrier	25 June 1801	100 000	6	
John Willis & Co.	7 April 1803	60 000	18	25 Oct 1804 (12)
Donaldson & Glenny	29 Sept 1803	60 000	18	25 Oct 1804 (12) 23 Jan 1806 (12) May 1807 (12–18) 20 Oct 1808 (indefinitely)
Simpson & Davison	10 Nov 1803	40 000	12	8 Nov 1804 (12) 24 Oct 1805 (6)
Lushingtons & Mavor	17 Nov 1803	20 000	12	18 Sept 1804 (12) 10 Oct 1805 (9) 6 Feb 1805 (15) 7 Aug 1806 (12) 20 Aug 1807 (12) 1 Sept 1808 (12)
London Dock Company	22 Dec 1803 16 Feb 1804 22 Nov 1804 28 March 1805	50 000 20 000 50 000 50 000	4 2 4 4	28 March 1805 (4)
Thomas Coles & Sons	18 Dec 1806	150 000		1 Oct 1807 (4)
Donaldson & Thomson	19 Feb 1807	30 000		18 Oct 1807 20 Oct 1808 (indefinitely)
Nathaniel Bogle French	26 Feb 1807	24 000	6	... 30 March 1809 (2) ... 12 Sept 1811 (2) ... 28 Jan 1813 (2)
Bristol Dock Company	30 April 1807 6 Aug 1807	60 000 40 000	9	24 March 1808 (12) 15 Feb 1809 (12)
Simon Cock ^a	22 Feb 1810	35 000	12	16 Aug 1810 (6) 28 Feb 1811 (6?) 11 July 1811 (6) 26 March 1812 (2)
Gordon Murphy & Co.	27 Aug 1812	100 000	12	
Inglis Ellice & Co.	19 Nov 1812	150 000	12–18	
London Dock Company	29 July 1813 20 Jan 1814 2 Feb 1814 21 July 1814 19 Jan 1815 13 July 1815	50 000 50 000 10 000 50 000 50 000 50 000	2 2 2 2 2 2	23 Sept 1813 (2) 23 March 1815 (2) 21 Sept 1815 (2)

(Continues)



TABLE 3 (Continued)

Borrower name	Date	Amount (£)	Loan length (month)	Renewals (renewal length in months)
	12 Oct 1815	150 000	6	23 May 1816 (6) 24 Oct 1816 (6) 9 Jan 1817 (6) 30 Oct 1817 (6) ^b 21 May 1818 (6) 19 Nov 1818 (6) 15 July 1819 (6) 2 Feb 1820 (to May 31) 8 June 1820 (6) 30 Nov 1820 (6) 31 May 1821 (6) 4 Feb 1822 (to 31 May)
O'Reilly Young & Co.	4 April 1816	100 000	12	
Campbell Bowden & Co.	14 Jan 1819	150 000	12	2 Dec 1819 (9) 12 Oct 1820 11 Oct 1821 3 Oct 1822 16 Oct 1823

Source: The Minutes of the Court of Directors of the Bank of England.

Notes: Compiled from the entries under 'Loans' in the Minutes index (as provided for the minutes for each year), and it has excluded short-term loans made to support the issue of long-term government debt, and loans to regular borrowers (e.g. East India Company, South Sea Company, Hudson's Bank Company).

A borrower was identified as West India merchant (WIM) when the firm or individual was matched with those listed in the Legacies of British Slavery database, <https://www.ucl.ac.uk/lbs> or noted in the British National Archives, <http://discovery.nationalarchives.gov.uk/>.

^aSimon Cock is identified as 'commercial agent for Liverpool' and an advocate for West India interests in Checkland, 'Two Scottish West Indian liquidation', and *idem*, 'American versus West Indian'.

^bThis entry does not appear in the index under 'Loan', but only under 'London Dock Company'.

served a broad range of merchants, West India merchants were major investors.¹⁰¹ While the London Dock Company loans were mostly only for 4–5 months, they were large, £50 000 to £100 000. By 1814 the London Dock Company had become so reliant on the Bank that the Bank in yet another example of unconventional lending took possession of the dock itself, and part of the loan to the London Dock Company was converted into an 18-year lease.¹⁰²

In 1807 a 9-month loan was made to another dock company. This unconventional longer-term loan to the Bristol Dock Company includes the note 'the bill pending in Parliament having been stopped in its progress by the dissolution [of Parliament]'.¹⁰³ This is further evidence that the Bank was actively expanding its loan terms for the support of the West India merchants, going well beyond traditional 2-month loans, to provide support that the government itself would not offer.¹⁰⁴

¹⁰¹ Draper, *The price of emancipation*. Some of these investors, such as Richard Neave and Beeston Long, were also directors of the Bank.

¹⁰² C.D. 24 March 1814.

¹⁰³ C.D. 30 Apr. 1807.

¹⁰⁴ In 1807, Pitt had recently died, and the subsequent coalition government passed the abolition of the slave trade, but collapsed shortly thereafter.



In 1803 the Bank also started to lend to West India merchants who had stopped payment or were close to doing so. Such actions were rare and previously were typically taken only in the heat of crisis (e.g. in 1772).¹⁰⁵ After 1803, however, there were a series of such loans to West India merchants. The first was a £60 000 loan in April 1803 to John Willis & Co, which had already stopped payment. Although a first application was rejected,¹⁰⁶ the next application was approved after the committee of the Willis & Co's creditors averred that they were convinced that the firm's capital well exceeded its obligations and specifically provided that small bills would be paid in full along with those that were essential to keep the firm in operation. This had the effect of ensuring that the loan was not structured to favour the larger creditors.¹⁰⁷ The Bank then agreed to discount these creditors' notes for 18 months and would end up renewing the loan for another 12 months.

September 1803 was the next case of a loan to a firm, Donaldson & Glenny, that 'was about to be discontinued'. This was another large, £60 000 loan with an 18-month term.¹⁰⁸ It was, however, based on bills and therefore provided the three forms of security that the Bank customarily sought. It also had distinctive characteristics. Three firms reviewed Donaldson & Glenny's books, attested to the solvency of the firm, assured the Bank that in their judgment the loan requested if granted for the time would be adequate to restore Donaldson & Glenny to financial health, and finally proposed to act as guarantors for a portion of the Bank's loan by drawing or accepting some of the bills underlying the loan. This is the first documented case of the Bank using a lending model with investigators who certify solvency and the sufficiency of the loan and also have 'skin in the game'. In this case, however, the investigating companies determined that the firm's long-term assets were worth so much that its equity was almost £400 000, and they proposed that £300 000 in long-term securities be set aside 'as a cover to such persons as might be disposed to stand forward with their credit to assist' Donaldson and Glenny's. Although the Bank agreed to these terms, the loan ended up being a very costly mistake.¹⁰⁹

Given the ultimate losses to the Bank, it is interesting that one of the investigating firms was Manning, Anderson & Bosanquet, a West India merchant firm, whose partners included the aforementioned William Manning, the Bank of England director and a Bank director's son, Charles Bosanquet.¹¹⁰ One may perhaps be forgiven for wondering whether the creditors in this case had learned from the experience of Willis & Co's creditors that setting aside collateral for creditors who assisted in keeping the concern going would only be acceptable to the Bank if the equity of the borrower exceeded the collateral. Valuation of long-term assets being then, as now, more a

¹⁰⁵ Kosmetatos, 'Last resort lending before Henry Thornton?.'

¹⁰⁶ C.D. 17 March 1803.

¹⁰⁷ The 1803 loan to John Willis & Co is notable for the fact that it demonstrates that the Bank was very aware of its public responsibilities and was effectively acting as a trustee for the general creditors, demanding that those who were not at the table negotiating with the Bank could be sure of getting terms no less than what they would get in a court-supervised liquidation. This is yet another sign that at the start of the nineteenth century the Court of Directors understood that the Bank had duties to the public that went far beyond those of a typical private firm.

¹⁰⁸ C.D. 28 September 1803.

¹⁰⁹ Although half of this loan was paid off on time, it took four additional years for the Bank to collect the next quarter of the loan, and in October 1808 £15 000 was extended 'without engaging for any specific time' (C.D. 25 October 1804, 23 January 1806, 7 May 1807, and 20 October 1808). In 1811, £15 000 of Donaldson & Glenny's debt was still unpaid.

¹¹⁰ William Manning expanded his father's slave plantation business to become one of the most eminent West India firms in the city. He became a Member of Parliament in 1790, became deputy governor of the Bank of England during the Bullion controversy in 1810, and became governor in 1812. Manning succeeded in venturing into the British territories in the Caribbean islands by acting as agent for St Vincent and Grenada (Checkland, 'Finance for the West Indies', p. 464).



matter of art than science, it is easy to imagine that a motivated creditor might have chosen to take a particularly optimistic view of the future value of Donaldson and Glenny's assets to obtain both a loan from the Bank and favourable terms for the existing creditors.

At the end of 1806 and beginning of 1807 we see three loans to West India merchants. One £150 000 loan was made to Thomas Coles & Sons,¹¹¹ which would repay this loan after 14 months, only to fail in 1810. In February 1807 Nathaniel Bogle French, a former director of the Bank, borrowed £24 000, which was paid only very slowly over the course of 6 years. In the same month a loan of £30 000 was made to Donaldson and Thomas, which was holding this sum in the now-illiquid bills of Thomas Coles & Sons. The loan was protected by two guarantors and would enable the firm to honour its obligations related to the supply of foodstuffs to the 'King's ships'.¹¹² In October 1808, this loan was combined with the remaining balance on the loan to Donaldson & Glenny, a related company that was discussed above, and was renewed with the inauspicious note 'without engaging for any specific time'.¹¹³ By December 1810 less than 25 per cent of the October 1808 balance had been received, and the Bank, running out of patience, demanded liquidation.¹¹⁴ In 1813, £25 000 was still outstanding, and the power of attorney issued on 8 July 1813 by the Court to representatives in Jamaica empowering them to act on the Bank's behalf in collecting debts was almost certainly related to this case.¹¹⁵

These two (combined) loans, for Donaldson & Thomas and Donaldson & Glenny, were the only West India merchant loans that clearly resulted not just in delayed payments but also in losses for the Bank. To put this loss in perspective, the total amount of unpaid discounts for the whole of the Bank's discount lending from the year 1804 to 1808 was £93 476.¹¹⁶ Thus, this one case represented almost a year's worth of losses on all of the conventional private lending of the Bank at the time. It is therefore remarkable that the loan application for Donaldson & Glenny was submitted by Manning, Anderson & Bosanquet, the firm owned by a Bank director and the son of a director.

As Figure 2 demonstrates, the direct loans to non-West India individuals and firms were relatively small, and until 1808 the balances owed by the West India merchants on these loans generally exceeded those to domestic individuals and firms by an order of magnitude. From 1807 to 1808 two non-West India merchant loans were made. First, £20 000 was lent to Archibald Dalzel, an African slave trader, for 6 months, which was extended to just over a year, and second, £10 000 was lent to C. & R. Puller, a well-connected firm run by the children of a former long-time Bank director who were apparently very friendly with the deputy governor. This last loan was paid off within a year and a half. The following 2 years of 1808 and 1809 were boom years, and lending to both West India merchants and non-West India merchants began to run off.

¹¹¹ C.D. 18 February 1806 and 1 January 1807; Minutes of the Committee of Treasury, 17 December 1806. This firm was considered to be one of the first-rated companies in general brokerage in London specializing in the West India trade. This loan was backed by single guarantors, who each took up £10 000 of the loan.

¹¹² C.D. 19 January 1807.

¹¹³ C.D. 20 October 1808.

¹¹⁴ C.D. 6 December 1810 and 3 January 1811.

¹¹⁵ C.D. 28 January 1813 and 8 July 1813.

¹¹⁶ C.D. 9 February 1809, p. 446; Sissoko 'Becoming a central bank'. This figure includes recoveries (or payments that were made late) up through 1809. Note that it is unclear whether or not the Donaldson & Glenny/Thomas loan is included in the discount data.



IV | THE 1811 POLICY OF EMERGENCY LENDING

The boom in 1808 and 1809 was associated with intense competition for export markets and drove up the producer price index as well as exchange rates. By the fourth quarter of 1809 many British merchants had an overstock of goods from the slave colonies and elsewhere which could not be sold. Nevertheless, more imports continued to arrive from Europe and the slave colonies, as many of them were in fact payments in kind for previous exports. The combination of glutted domestic markets and losses by speculative exporters in particular to South America led to widespread bankruptcies in 1810.

Thomas Coles & Co, the recipient of the 1806–7 loan, triggered the 1810 crisis when it failed, causing the stoppage and eventual bankruptcy of the London bank of Brickwood, Rainer & Co, with which Coles & Co. had extensive acceptance transactions.¹¹⁷ As Brickwood & Co had been considered a sound and important acceptance house, especially in the West India commerce, this set off a chain of failures of merchants and banks in London and beyond.¹¹⁸ One of the victims was John Leigh, the Liverpool merchant, who had expanded his market from the Caribbean islands into Rio de Janeiro from 1807. He immediately failed after Brickwood's stoppage with debts over £139 000.¹¹⁹ During the 1810 crisis, the Bank of England saw both more accounts go into default and a larger quantity of bills go unpaid than would be the case in the notoriously severe 1825 crisis.¹²⁰ This is also the first crisis where the minutes of the Court of Directors clearly document the Bank's commitment to support commercial activity.¹²¹ In support of business activity, the Bank did not just act as passively, allowing its supply of discounts to increase with the market demand for them, but also put in place an emergency lending policy. This innovative policy had several characteristics that mimicked the 1803 loan to Donaldson & Glenny, but was also augmented by conditions that reflect the Bank's experience with that loan.

In February 1811 the Bank of England adopted a new regulation for 'all special loans to individuals'. These were designed to support the credit of solvent firms whose assets 'may be for a time placed out their reach', and the regulation stated explicitly that the loans were 'not to enable Houses who have failed to compromise or settle with their creditors'. This new regulation delegated the Court's authority to the Committee of Treasury on the basis of an explicit set of criteria for the loans.¹²² Two or more inspectors must certify the borrowers' accounting statements, verify that the amount of the loan was adequate for the borrowers to settle their affairs, and also agree to act as guarantors for part of the loan. Guarantors must be found to cover the whole sum of the loan, and the guarantors were notified that, in the event that the borrowers fail despite the loan, they would be expected to make payment on the loan.¹²³ This all follows

¹¹⁷ Duffy noted that, although the details of the bill finance transactions between Brickwood and Coles & Co are not known, the transactions were extremely large judging from the pledge of a £70 000 bill by Coles at Brickwood as part-security for a loan which was in the end not paid (Duffy, *Bankruptcy and insolvency*, pp. 239–41).

¹¹⁸ Duffy, *Bankruptcy and insolvency*, pp. 239–41.

¹¹⁹ Ishizu, 'Boom and crisis'.

¹²⁰ Sissoko, 'Becoming a central bank'.

¹²¹ Sissoko, 'Becoming a central bank'; C.D. 15 February 1810, p. 219.

¹²² C.D. 28 February 1811, pp. 521–2.

¹²³ Whether this policy was or was not mostly effective in the 1810–1 crisis is unclear. If both the applicant and the security declare bankruptcy, then the Bank has a claim in two bankruptcies, not just one. There is no question that the Bank was still trying to collect some of this debt in 1816, but whether the problem loans were made before the January 1811 policy was put in place remains unclear.



the model of the 1803 loan, but there are additional terms that can reasonably be considered a reflection on the experience with that loan. The inspectors must be neither directors of the Bank nor creditors or debtors of the applicant. These criteria indicate that the Bank learned from its problematic early experience with ‘insider’ lending. It is also notable that this structure for supporting solvent firms in crisis in which the Bank of England provides liquidity, but only under the condition that the majority of the risk of the loan is borne by other private-sector entities, has been used by the Bank of England repeatedly since this date.¹²⁴

V | CONCLUSION

This paper demonstrates that merchants engaged in trade with Caribbean slave economies were the first beneficiaries of unconventional lending facilities developed by the Bank of England in the early years of the Suspension. With these facilities the Bank for the first time took goods as collateral for loans made in crises. In addition, the Bank began to commit itself to lending for a much longer term than had been the norm in the past.

Because the system of bill finance created a web of interconnectedness, the trade in Caribbean slave plantation products was integrated financially with the industrializing North, and the failure of the West India merchants in 1799 would have destabilized domestic British trade. In this environment, the government supported the West India merchants both to forestall financial instability and because the wartime policy had caused the rise and sudden decline of sugar prices that triggered the crisis. Thus, the Bank’s unconventional lending facilities were designed to coordinate with broader government policy and to avert financial instability. Although this latter concern may appear similar to the sugar producers’ claim in their call for the state support that the West India sugar industry was essential to the national and to the imperial economy, it is more likely that it reflects the pragmatic approach of the Bank policymakers in protecting the nation’s financial system.

In addition, the directorship of the Bank was increasingly comprised of individuals with an interest in the West India trade, and lobbying by these Directors for Bank loans is evidence of their influence and may explain the innovative loans that the Bank provided to West India merchants in the first decade of the nineteenth century. Despite the likely influence of the West India merchants on its decision-making, in 1811 the Bank adopted a lending policy that explicitly excluded Bank directors from inspecting and certifying eligible borrowers.

Historiographically, our paper incorporates two major changes in the British economic history of this period. The on-going evolution of the Bank of England and its economic role can be linked with the importance of the trade in slave plantation goods to the domestic British economy and more broadly with the market reorganizations in the Atlantic Economy during the Napoleonic Wars. First, we demonstrate how the Bank’s lending policies were evolving during the Suspension. We find early examples of term lending, of lending against goods as collateral, of crisis lending against consols as collateral, and of accepting one-name, instead of two-name, security on its loans. By 1811 the Bank directors had passed a formal regulation setting forth the terms upon which the Bank would lend on a longer-term basis in crises to firms with illiquid assets. This evolution in the Bank’s practices was incremental, but these were meaningful steps in its development as a core institution anchoring the British economy.

¹²⁴ Examples include the rescue of Barings in 1890 and the secondary banking crisis in the 1970s (Sissoko, ‘How to stabilize’; Bank of England, ‘The secondary banking crisis’).



More importantly, the finding of this paper that, during this period the Bank of England was taking on an unconventional and sometimes innovative role, containing crises by supplementing the government's active support of the West India merchants, lends empirical support to the claim that the Caribbean slave plantation economies played an active role in the development of financial markets in Britain. There is now a growing body of scholarship that integrates overseas trade and the colonial economy into narratives of domestic economic growth during the eighteenth and early nineteenth centuries. Yet, the consensus is only slowly forming over the extent to which and how precisely the various economic factors interact. As for the connection between the slave plantation economies and the development of financial markets in Britain, there has been so far only fragmentary evidence documenting the volume of lending made by British financial institutions to the Caribbean colonies. Our findings from the Bank of England archives add much-needed evidence to the current literature by demonstrating that overseas trade and imperial colonies were treated as integral to British economic performance by decision-makers at the time.

Too often when the connection between slavery and the development of financial institutions in Britain is mentioned, the stress is on the investment of the profits obtained from slavery. Wealth obtained from slavery was indeed invested into important financial institutions such as commission houses, as this paper has shown – and this is indeed a very important issue. The Bank of England was one of the institutions where powerful individuals with interests in the Caribbean slave economies participated as senior members.¹²⁵ Equally important is that financial institutions responded to the booms and busts of the Caribbean trades with innovative lending methods precisely because the West India bills comprised an essential segment of the financial market particularly in the later eighteenth century. We demonstrate that the Bank of England supported both the West India merchants and their bills, and did so by developing unconventional, and even innovative, lending policies. This is evidence of the role the slave trade played both in British economic growth at the time and in the Bank's on-going evolution as a core institution in the British economy.

ACKNOWLEDGEMENTS

Authors thank Pat Hudson, Anne Murphy, John Turner, seminar participants at University of Manchester and University of West of England, and three anonymous referees for very helpful comments and suggestions. Authors also thank Mike Anson and Joseph Hettrick for their kind assistance at the Bank of England Archives.

DATA AVAILABILITY STATEMENT

The data that support the findings of this study are available from the Bank of England at <https://www.bankofengland.co.uk/about/people/court-of-directors> for the Court of Directors Minutes and at <https://www.bankofengland.co.uk/-/media/boe/files/archive/directors-annual-lists/1694-1908-book1.pdf> for the List of Directors.

REFERENCES

- Anderson, B. L., 'The Lancashire bill system and its Liverpool practitioners: The case of a slave merchant', in W. H. Chaloner, and B. M. Ratcliffe, eds., *Trade and transport: essays in economic history in honour of T. S. Willan* (Manchester, 1977), pp. 59–97.

¹²⁵ The Bank of England issued a statement of apologies for 'some inexcusable connections' of former governors and directors with the slave trade (19 June 2020) <https://www.bankofengland.co.uk/news/2020/june/statement-in-relation-to-the-banks-historical-links-to-the-slave-trade>.



- Antipa, P. and Chamley, C., 'Regimes of monetary and fiscal policy in England during the French wars 1793–1821', Boston University, The Institute for Economic Development Working Paper Series. dp-327 (2019).
- Arnon, A., *Monetary theory and policy from Hume and Smith to Wicksell* (Cambridge, 2011).
- Ashton, T. S., 'The bill of exchange and private banks in Lancashire, 1790–1830', *Economic History Review*, 2nd ser., XV (1945), pp. 25–35.
- Bank of England, 'The secondary banking crisis and the Bank of England's support operations', *Bank of England Quarterly Bulletin*, Q2 (1978), pp. 230–39.
- Baring, F., *Observations on the establishment of the Bank of England and the paper circulation of the country* (London, 1797).
- Bennett, R. J., 'Network interlocks: the connected emergence of chambers of commerce and provincial banks in the British Isles 1767–1823', *Business History*, 55 (2013), pp. 1288–1317.
- Berg, M. and Hudson, P., *Slavery, capitalism and the industrial revolution* (Cambridge, 2023).
- Bignon, V., Flandreau, M., and Ugolini, S. 'Bagehot for beginners: the making of lender-of last-resort operations in the mid-nineteenth century', *Economic History Review*, 65 (2012), pp. 580–608.
- Bindseil, U., *Central banking before 1800: a rehabilitation* (Oxford, 2019).
- Checkland, S. G., 'Two Scottish West Indian liquidations after 1793', *Scottish Journal of Political Economy*, 4(2) (1957), pp. 127–143.
- Checkland, S. D., 'Finance for the West Indies, 1780–1815', *Economic History Review*, 2nd ser., X (1958), pp. 461–469.
- Checkland, S.D., 'American versus West Indian traders in Liverpool, 1793–1815', *Journal of Economic History*, 18 (1958), pp. 141–160.
- Clapham, J. H., *he Bank of England: a history, vol. I, 1694–1797; vol. II, 1797–1914* (Cambridge, 1945).
- Cope, S. R., 'The Goldsmiths and the development of the London money market during the Napoleonic Wars', *Economica*, new ser., 9 (34) (1942), pp. 180–206.
- Dickson, P. G. M., *The financial revolution in England: a study in the development of public credit 1688–1756* (New York, 2017).
- Draper, N., 'Helping to make Britain great: the commercial legacies of slave-ownership in Britain', in C. Hall, N. Draper, K. McClelland, K. Donington, and R. Lang, eds., *Legacies of British slave-ownership* (Cambridge, 2014), pp. 78–126.
- Draper, N., *The price of emancipation: slave-ownership, compensation and British society at the end of slavery* (Cambridge, 2009).
- Draper, N., 'The British state and slavery: George Baillie, merchant of London and St Vincent, and the Exchequer loans of the 1790s', *Economic History Society Working Papers Series 15029* (2015). <https://files.ehs.org.uk/wp-content/uploads/2020/11/29060814/de55e1a1-c7f6-450b-9a1a-831601ae46d9.docx> (accessed 12/04/2023)
- Duffy, I. P. H., *Bankruptcy and insolvency in London during the industrial revolution* (London, 1985).
- Fetter, F. W., *Development of British monetary orthodoxy, 1797–1875* (Massachusetts, 1965).
- Flandreau, M. and Ugolini, S., 'Where it all began: lending of last resort at the Bank of England monitoring during the Overend-Gurney panic of 1866', in M. D. Bordo and W. Roberds, eds., *A return to Jekyll Island: the origins, history, and future of the Federal Reserve* (Cambridge, 2013), pp. 113–161.
- Gent, J., 'Abundance and scarcity: classical theories of money, bank balance sheets and business models, and the British restriction of 1797–1818,' unpub. Ph.D. thesis, London School of Economics, 2016) (<https://etheses.lse.ac.uk/3435/>)
- Gilbart, J. W., *A practical treatise on banking* (London, 1856).
- Goodhart, C. A. E., *The evolution of central banks* (Massachusetts, 1988).
- Haggerty, S., *Merely for money? Business culture in the British Atlantic, 1750–1815* (Liverpool, 2012).
- Hall, C., Draper, N., McClelland, K., Donington, K., and Lang, R., *Legacies of British slave-ownership* (Cambridge, 2014).
- Hautcoeur, P.-C., Riva, A., and White, E. N., 'Floating a "lifeboat": the Banque de France and the crisis of 1889', *Journal of Monetary Economics*, 65(C) (2014), pp. 104–119.
- Heblich, S., Redding, S. J., and Voth, H.-J., 'Slavery and the British industrial revolution', *NBER Working Paper*, 30451 (2022).
- Howe, A., 'From "old corruption" to "new probity": the Bank of England and its directors in the age of reform', *Financial History Review*, 1(1) (1994), pp. 23–41.



- Hudson, P., 'Slavery, the slave trade and economic growth: a contribution to the debate', in C. Hall, N. Draper, and K. McClelland, eds., *Emancipation and the remaking of the British imperial world* (Manchester, 2014), pp. 36–59.
- Inikori, J. E., 'The credit needs of the African trade and the development of the credit economy in England', *Exploration in Economic History*, 27 (1990), pp. 197–231.
- Inikori, J. E., *Africans and the industrial revolution in England: a study in international trade and economic development* (Cambridge, 2002).
- Ishizu, M., 'Boom and crisis in financing the British transatlantic trade: a case study of the bankruptcy of John Leigh and Co. in 1811', in M. Saffley, ed., *The history of bankruptcy: economic, social and cultural implications in early modern Europe* (London, 2013), pp. 257–68.
- Ishizu, M., 'The nature and scope of early inter-bank correspondent relationships: a comparative study of England and Japan, 1760–1860', *SSRN Working Paper* (2023).
- James, J. A., 'Panics, payments disruptions and the Bank of England before 1826', *Financial History Review*, 19(3) (2012), pp. 289–309.
- Jolly, J., 'Bank of England owned 599 slaves in 1770s, new exhibition reveals', *The Guardian* (15 April 2022). <https://www.theguardian.com/world/2022/apr/15/bank-of-england-owned-599-slaves-in-1770s-new-exhibition-reveals> (accessed 30th July 2023)
- Kobayashi, K., *Indian cotton textiles in West Africa: African agency, consumer demand and the making of the global economy, 1750–1850* (London, 2019).
- Kosmetatos, P., 'Last resort lending before Henry Thornton? The Bank of England's role in containing the 1763 and 1772–1773 British credit crises', *European Review of Economic History*, 23(2018), pp. 299–328.
- Kynaston, D. and Milner, D., *City of London: the history* (London, 2012).
- Lovejoy, P. and Richardson, D., 'Trust, pawnshop, and Atlantic history: the institutional foundations of the Old Calabar slave trade', *American Historical Review*, 104 (1995), pp. 333–355.
- Lovell, M., 'The role of the Bank of England as lender of the last resort in the crises of the eighteenth century', *Explorations in Entrepreneurial History*, 10 (1957), pp. 8–21.
- MacLeod, H., *Theory and Practice of Banking*, vol. II (London, 1886).
- Michinton, W. E., 'Triangular trade revisited', in H. A. Gemery and J. S. Hogendorn, eds., *The uncommon market: essays in the economic history of the slave trade* (New York, 1979), pp. 334–351.
- Morgan, K., *Slavery, Atlantic trade and the British economy, 1660–1800. New studies in economic and social history* (Cambridge, 2001).
- Morgan, K., 'Remittance procedures in the eighteenth-century British slave trade', *Business History Review*, 79 (2005), pp. 715–749.
- Morgan, K., 'Merchant networks, the guarantee system and the British slave trade to Jamaica in the 1790s', *Slavery & Abolition*, 37 (2016), pp. 334–52.
- Mulcahy, M., *Hurricanes and society in the British Greater Caribbean 1624–1783* (Baltimore, 2005).
- North, D. and Weingast, B., 'Constitutions and commitment: the evolution of institutions governing public choice in seventeenth-century England', *Journal of Economic History*, 69 (198) pp. 803–832.
- O'Brien, P. and Palma, N., 'Danger to the old lady of Threadneedle street? The Bank restriction act and the regime shift to paper money, 1797–1821', *European Review of Economic History*, 24 (2020), pp. 390–426.
- Pares, R., *A West-India fortune* (New York, 1950).
- Pares, R., 'A London West India merchant house, 1740–69', in R. A. Humphreys, ed., *The historian's business and other essays* (Oxford, 1961), pp. 198–226.
- Pressnell, L. S., 'Public monies and the development of English banking', *Economic History Review*, 2nd ser., V (1953), pp. 378–97.
- Pressnell, L. S., *Country banking in the industrial revolution* (Oxford, 1956).
- Price, J. M., *Capital and credit in British overseas trade: the view from the Chesapeake, 1700–1776* (Massachusetts, 1980).
- Price, J. M., 'Credit in the slave trade and plantation economies', in B. Solow, ed., *Slavery and the rise of the Atlantic system* (Cambridge, 1991), pp. 293–339.
- Ragatz, L. J., *The fall of the planter class in the British Caribbean, 1763–1833: a study in social and economic history* (New York and London, 1928).
- Roberts, R., 'The Bank of England and the City', in R. Roberts and D. Kynaston, eds., *The Bank of England: money, power, and influence 1694–1994* (Oxford, 1995), pp. 152–184.



- Rodney, W., *History of the Upper Guinea Coast, 1545–1800* (Oxford, 1970).
- Ryden, D. B., 'Does decline make sense? The West Indian economy and the abolition of the slave trade', *Journal of Interdisciplinary History*, 31 (2001), pp. 347–374.
- Ryden, D. B., 'Eric Williams' three faces of West India decline', *Review (Fernand Braudel Center)*, 35(2) (2012), pp. 117–133.
- Sayers, R. S., *The Bank of England 1891–1944* (Cambridge, 1976).
- Schnabel, I. and Shin, H. S., 'Liquidity and contagion: the crisis of 1763', *Journal of the European Economic Association*, 2 (2004), pp. 929–968.
- Sheridan, R. B., 'The commercial and financial organization of the British slave trade, 1750–1807', *Economic History Review*, 11 (1958), pp. 249–263.
- Sheridan, R. B., 'The British credit crisis of 1772 and the American colonies', *Journal of Economic History*, 20 (1960), pp. 161–186.
- Sheridan, R. B., *Sugar and slavery: an economic history of the British West Indies, 1623–1775* (Baltimore, 1974)
- Smith, S. D., 'Merchants and planters revisited', *Economic History Review*, 55 (2002), pp. 434–465.
- Smith, S. D., 'Storm hazard and slavery: the impact of the 1831 great Caribbean hurricane on St Vincent', *Environment and History*, 18(1) (2012), pp. 97–123.
- Sissoko, C., 'How to stabilize the banking system: lessons from the pre-1914 London money market', *Financial History Review*, 23(1) (2016), pp. 1–20.
- Sissoko, C., 'How post-war normalization caused the 1825 crisis', *SSRN Working paper* (2018)
- Sissoko, C., 'Becoming a central bank: development of the Bank of England's private sector lending policies during the Restriction', *Economic History Review*, 75 (2022), pp. 601–32.
- Sissoko, C., 'Why Lancashire? Banking as the spark that set off industrialization', *SSRN Working Paper* (2022).
- Temin, P. and Voth, H.-J., *Prometheus shackled: goldsmith banks and England's financial revolution after 1700* (Oxford, 2013).
- Thoms, D. W., 'The Mills family: London sugar merchants of the eighteenth century', *Business History*, 11(1) (1969), pp. 3–10.
- Thornton, H., *An enquiry into the nature and effects of the paper credit of Great Britain* (New York, 1802, reprinted 1965).
- Turner, J., *Banking in crisis* (Cambridge, 2014).
- Ugolini, S., *The evolution of central banking: theory and history* (London, 2017).
- Williams, E., *Capitalism and slavery* (Chapel Hill, 2014).
- Wright, G., 'Slavery and Anglo-American capitalism revisited', *Economic History Review*, 73 (2020), pp. 353–383.
- Zahedieh, N., *The capital and the colonies: London and the Atlantic economy 1660–1700* (Cambridge, 2010).

Official publications

- Accounts respecting West India produce imported into Great Britain* (P.P. 1803–04 vol. 8, pp. 523–30).
- House of Commons Debate* 2 October 1799, vol 10, pp 88–92
- House of Commons Debate* 12 March 1807, vol. 9, pp. 85–101 (West India planters' petition)
- Report from the Committee of Secrecy on the Bank of England Charter* (P.P. 1832, vol. 6)
- Report from the Committee on the Commercial State of the West India Colonies* (P.P. 1807, vol. 3, pp. 1–88)
- Report of the Lord's Committee of Secrecy* (P.P. 1797 vol. 2)
- Report from the Select Committee on the High Price of Gold Bullion* (P.P. 1810).
- Report from the Select Committee on Notes in Scotland* (P.P. 1826, VI).

Primary sources

- Bank of England Archives*
- Amounts of Branches of Trade in Discount with Bank 1800–1829, M6/1
- Banking Department General Ledger 1 Mar 1794 to 28 Feb 1805, ADM7/32
- The Minutes of The Court of Directors
- The Minutes of the Committee of Treasury
- Secretary's Department: Private Minute Book M5/472
- Bell's Weekly Messenger* (1799) 6 Oct., London.



How to cite this article: Sissoko, C., Ishizu, M., ‘Preventing financial ruin: How the West India trade fostered creativity in crisis lending by the Bank of England’, *Economic History Review*, (2025) pp. 1–32. <https://doi.org/10.1111/ehr.13407>

Appendix: to Figure 3: Sources

Note 1: The source is the digitized “Directors Annual Lists” from 1694 and 1838: <https://www.bankofengland.co.uk/-/media/boe/files/archive/directors-annual-lists/1694-1908-book1.pdf?la=en&hash=EF0DC0C0263CF81C4FFD93F5A6465B9CD9CA7FCD> (Bank of England Archive M5/436).

Note 2: The directors who served from 1760 to 1800 have been classified as ‘West Indies director’ if the directors and their relatives owned property in the West Indies (WI), or had a clear mercantile relationship to the West Indies trade, relying on the Legacies of British Slave-ownership (LBS) database, the *Oxford Dictionary of National Biography* [ONDB; see entries for ‘Thellusson, Peter (1737–1797), merchant’, ‘Manning, William (1763–1835), merchant’, and ‘Bowden, John William (1798–1844), ecclesiastical writer’], and the History of Parliament online as well as additional sources listed below.

Note 3: The directors have been divided into one of six categories. The ‘Broad measure’ of West Indies directors includes the first four categories.

- (i) Family has clear direct connections to the WI: the individual or his father, uncle, or brother either has a clear mercantile relationship with the WI or owns property in the WI:
Edward Payne (1756–94); Richard Neave (1731–1814); Lyonel Lyde (1724–91); William Snell (d. 1789); Thomas Boddington (1735–1831); Beeston Long (d. 1820); John Whitmore, Jun. (1750–1826); Peter Isaac Thellusson (1761–1808); William Manning, Jun. (1763–1835); George Dorrien (d. 1835); Nathaniel Bogle French (1758–1816); Thomas Amyand (d. 1805); Ebenezer Maitland (?).
John Whitmore, Jun., is classified in this category because he presented the petition from the West Indies merchants for London docks in Parliament in 1796. He may be classified as a clear next-generation WI director due to his sons’ property ownership in the LBS.
- (ii) Clear next-generation WI connections: the individual’s son, nephew, or son-in-law either has a clear mercantile relationship with the WI or owns property in the WI:
Samuel Bosanquet (1744–1806); Thomas Raikes (1741–1814).
- (iii) Clear WI connection, but of a brother-in-law, cousin, or more distant relation:
William Halhed (1722–86); John Puget (d. 1805); Jeremiah Harman (1763–1844); Charles Pole (1757–1830).
- (iv) WI involvement appears at one remove (e.g. mortgagor, executor):
John Pearse (1759–1836).
- (v) Clear connections post-date the year in question (future grandfather or future father-in-law to WI-connected family):
James Sperling; John Cornwall; William Bowden.
- (vi) No clear connection. Includes where similar names appear in the LBS database, but no confirmatory evidence is found.



Additional sources that were used for identifying WID are:

- P. E., Cassis, Y. and Cottrell, P.L. *Private banking in Europe: rise, retreat, and resurgence* (Oxford, 2015), p. 48.
- Bowden, W., Bailyn, B. and Morgan, P.D. *Strangers within the realm: cultural margins of the first British empire* (Chapel Hill and London, 1991), p. 425.
- Lyde, L. and Kellock, K. A. London 'Merchants and the pre-1776 American debts', *Guildhall Studies in London History*, 1 (1974), p. 114.
- Appendix, 133 London debt claimants of 1790. Cited in Byrnes, D. The Blackheath connection. Available at <http://www.danbyrnes.com.au/blackheath/thebc8.htm> (accessed September 2021).
- Halhed, W. and Powers, A. M. Puritans and planters: the Halhed family. Available at <http://aparcelofribbons.co.uk/tag/richard-halhed/> (accessed September 2021).
- Snell, W. and Bowen, H.V. *The business of empire: the East India Company and imperial Britain, 1756–1833* (Cambridge, 2005), p. 128.
- Raikes, T. and Joseph, F. Pedigree of the family of Raikes, formerly of Kingston-Upon-Hull. Available at <https://archive.org/details/pedigreeoffamily00fost/page/n7> (accessed September 2021).
- Isaac, P. T. and Cozens, K. Peter Thellusson: Bank of England director & London sugar refiner. Available at http://www.academia.edu/10873782/Peter_Thellusson_-_Bank_of_England_Director_and_London_Sugar_Refiner (accessed September 2021).
- Puget, P. and Horsefield, J. K. 'The Bank of England as mentor', *Economic History Review*, 2,(1) (1949), pp. 80–87.
- Dorrien, G. and Cussans, J.E. *History of Hertfordshire, Volume 3*, (Wakefield, 1881), p. 61.
- Amyand, T. and Carnegie, A.D. *Protestant exiles from France, chiefly in the reign of Louis XIV or the Huguenot refugees and their descendants in Great Britain and Ireland, Volume 2* (Edinburgh, 1886), p. 496.

**TABLE A1** Other loans made by the Bank of England (not to West India Merchants) 1797–1822.

Borrower name	Type	Date	Amount (£)	Loan length (month)	Renewals (renewal length in months)
Mr Goldsmid	Government finance	6 May 1802	400 000	30 days	3 June 1802 (1)
		9 Dec 1802	200 000	1 month	
		7 July 1803	76 000	10 days	
		18 Aug 1803	160 000	14 days	
		16 Feb 1804	300 000	14 days	
Andrew Stirling ^a	NA	17 March 1803	10 000	4	
Alderman Boydell ^b	NA	1 Sept 1803	16 000		
Thomas Andrews ^c	NA	1 Sept 1803	60 000		
John & Samuel Liptrap	Distillers	23 Feb 1804	18 000		
Lucas, Parkinson & Teush	Druggists	8 Aug 1805	15 000		14 Aug 1806 (12)
					14 July 1808 (26)
George Sharp & Sons	NA	18 Sept 1806	36 000		24 Sept 1807 (4)
Archibald Dalzel	African trader	28 Jan 1808	20 000	6	11 Aug 1808 (up to 8 months)
C & R Puller	(Friend of deputy governor?)	1 Sept 1808	6000	6	2 March 1809 (6)
		8 Sept 1808	4000	6	21 Sept 1809 (5)
Walmsley Turner & Co.	NA	7 June 1810	60 000		6 June 1811 (6)
					28 Dec 1811 (6)
H. Vos	General merchant	28 June 1810	50 000	12	
Goslings & Sons	Wine merchants	26 July 1810	18 000	10	
Richard Wilcox & Co.	NA	2 Aug 1810	22 000	12	20 Feb 1812
Aldebert Becher & Co.	NA	2 Sept 1810	30 000	6	28 March 1811 (6)
			30 000	8	
Hunters Rainey & Co.	General merchants	29 Nov 1810	100 000	12	11 April 1811 (2)
					6 June 1811 (2)
					22 Aug 1811
Robinson, Clarkson & Co.	NA	3 Jan 1811	60 000		11 July 1811 (up to 10)
Richard Debarry	NA	21 Feb 1811	3000		29 Aug 1811 (4)
Joseph & John Corsbie	South American property owners	8 Sept 1814	40 000	9–12	24 Aug 1815 (6)
Hawks Stanley & Co.	Newcastle Ironmongers	14 Sept 1815	20 000	12	
Fereday Smith & Fereday	Iron and coal works	18 Oct 1815	20 000	12	29 Aug 1816 19 June 1817 (6) 18 Dec 1817 (up to 12)
New River Co.	(At request of above Fereday)	12 Sept 1816	150 000	10 years	24 Jan 1822 (5 years)
Thomas & Matthew Pickford	Carriers	28 March 1816	12 000	6	
B. Fayle & Co.	Clay quarry	16 May 1816	25 000	12	24 April 1817 (6)

(Continues)



TABLE A1 (Continued)

Borrower name	Type	Date	Amount (£)	Loan length (month)	Renewals (renewal length in months)
Noble & Hunt	Newfoundland merchants	11 1816	27 000	12–18	9 March 1820 (4)
Estate of John Wilkinson	Ironworks	11 July 1816	62 000	12–36	30 July 1818 15 June 1820 14 Sept 1820
Reed, Batsons, Reeds & Co.	Newcastle bank	25 July 1816	100 000		14 May 1818
Edmund Boehm	East India merchant (business passive for last 20 years)	4 March 1819	£130 000		
Kent Arbouin & Co.	NA	11 March 1819	£20 000		
Estate of Boyd Benfield & Drummond		10 May 1821	£150 000		

Source: The Minutes of the Court of Directors of the Bank of England.

Note 1: See Note 1 to table 1.

Note 2: Upon the death of Mr Goldsmid, his estate found itself obliged to make payment on the Omnium in a market where it could not be sold. As a result, the chancellor of the Exchequer requested a 7-month loan to the Goldsmid estate to avoid the dislocation of the market for the Omnium that would be caused by Goldsmid's forced sale of all its holdings (for further details see P. Emden, 'The Brothers Goldschmid and the financing of the Napoleonic Wars', *Transactions of the Jewish Historical Society of England*, 14 (1939), pp. 225–46). The bank complied with the request (C.D. 11 Apr. 1811, pp. 10–4). Because the request came from the chancellor of the Exchequer, this is treated as a government loan.

Note 3: Two more loans were made by the Bank during this period but are omitted from the Appendix table. A loan to 'John Puget' was requested on behalf of the Irish Government (C.D. 23 February 1804, pp. 138–40; 14 June 1804, pp. 226–8). In fiscal year 1821/2, there is an entry on loans to Bank clerks who had since retired, regarding a resolution permitting reduction of instalment payments in proportion to their retirement payments (13 December 1821, p. 213).

^aThis does not appear in the index under the heading 'Loans' until it is due to be paid.

^bThis does not appear to be a loan, but instead an extension of the credit line available to him at the discount window.

^cThis does not appear to be a loan, but instead an extension of the credit line available to him at the discount window.