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Insurance Investment and the London Money Market of the 18th Century

By A. H. John

The 18th century witnessed a remarkable development in insurance facilities. The marine branch, it is true, had a long history, and the origin of fire insurance lies in the years after the catastrophe of 1666. But the growth of the former into one of the great financial activities of the City, and the multiplication of fire offices, is one of the outstanding features of the century. The formation of insurance offices first became prominent in the up-surge of company projects which characterised the 20 years before the Bubble. Most of these proved failures, but by 1760 there were some 14 societies, 12 of which were in London. Thereafter their numbers increased gradually, particularly in the provinces, until at the end of the century there was a total of 30. With the exception of one life and two marine insurance offices, these societies were entirely confined to dealing in fire risks. Less important, but much more widespread, were the small institutions concerned with contingencies which can loosely be designated risks of life. These ranged from the few offices which dealt in annuities, almost wholly in London, to the growing number of friendly societies to be found in most parts of the country. The immense growth of the latter was paralleled in the late 'sixties and early 'seventies of the century by an "epidemic of contributorships" in London.[1] It has been estimated that by 1800 one person in four in England was a member of a friendly society.

Many of these 18th century insurance offices had a short life and the papers of most of them have long since disappeared. The records, unfortunately in most cases incomplete, of nine societies have, however, survived, and form the basis of this paper. They are the Hand-in-Hand (1696); the Amicable Society for a Perpetual Assurance (1706); the Sun Fire (1710); the Union Society (1715); the Westminster Fire Office (1717); the London Assurance (1720); the Royal Exchange (1720); the Equitable Life Assurance (1768); and the Phœnix Fire Office (1783). The smaller fire offices—the Westminster, the Hand-in-Hand, and the Union—together with the Amicable and the Equitable, were mutual societies; the remainder were proprietary companies organised for profit.[2]

[1] A. B. Dubois, *The English Business Company after the Bubble Act*, p. 256. I have to thank Mrs. M. Porter of the Economics Research Division of the School for much assistance in examining contemporary journals and newspapers, and in the preparation of the graphs.

[2] I also wish to express my gratitude to the insurance companies which allowed me to make use of the above records.

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For much of the 19th, and particularly in the 20th century, insurance societies have exercised a profound influence on the capital market, as being the principal channel for the investment of small savings. The origin of this function is to be found in the activities of these early offices, particularly the larger ones, whose business was not limited to London. That their contribution to the development of the economy of the 18th century was not great, can be ascribed to the smallness of their resources. For it was not until the end of the century, when the total investments of the offices mentioned above had increased from £250–300,000 in 1720 to nearly £4 million, that, with the emergence of life insurance, their lustily growing strength made itself apparent. None the less, the records of these early years are not without interest, for they shed much light on the workings of the money market between 1700 and 1800.

II

To understand clearly the opportunities available to the directors of these insurance offices for the investment of their funds, it is necessary to provide an outline of the contemporary money market. And in this respect nothing more strikingly differentiates the 18th century from its predecessors than the widespread adoption by governments of the technique of borrowing on transferable securities. In England this development committed the state to a role of fundamental importance in the nation's economy. For the paper assets thus created formed the basis upon which the English money market was built. Not only was the mobilisation of capital accelerated by this means[1]—and the existence of financial institutions like insurance made possible—but the security of the English Funds enabled them in turn to be used as the basis of a pyramid of other loans within the business community.[2] The " fund of credit " was of the greatest practical importance. Further, this increasing movement of capital within the community was matched by an ease of transfer across national frontiers unachieved in former times.

The usefulness of paper securities in facilitating the transfer of short-term capital won general recognition early in the long discussions on the National Debt. It was inevitable, in view of the predominance of mercantile capitalism at this time, that the emphasis in financial developments should have been placed on this aspect, rather than on the organisation of long-term investment. The policy expressed in the Bubble Act was acceptable because it did not run counter to the economic structure of the age. For the provision of a series of transferable

[1] See, for example, Abel Boyer, *The Political State of Great Britain*, Vol. I & II, p. 295, where it is stated that £500,000 was reserved in the loan of 1711 for " such as brought their plate into the Mint, which many did in great quantities ".

[2] The origin of East India Bonds and their extensive use as security for loans are excellent examples of this.

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paper assets was of great practical importance at a time when trade was expanding and when the day-to-day business of the ordinary merchant comprised a variety of financial activities, such as acceptance, discounting, foreign exchange, underwriting and stockjobbing. Attempts, on the other hand, to run counter to merchant interests, as, for example, in the control of their foreign lending, were met with immediate and successful opposition.

Concentration on the study of banking tends to obscure the fact that the resources of the bankers, especially in the first half of the century, provided only a part of the credit requirements of both state and trade. The Bank of England, by virtue of being the government's banker and the largest institution of its kind in London, exercised a powerful influence on the market; but the extent of its private business was relatively small until after the Seven Years' War. Of the other banks in London and the provinces, those whose activities lay primarily in the financing of the sale of commodities emerged only after the 'seventies. Much of the business of the earlier London banks consisted in receiving deposits and advancing loans to the government and the gentry. Accordingly, within the framework of the government and the three great companies (the Bank of England, the East India Company, the South Sea Company), the money market, although to a diminishing extent after 1770, was personal and individual, rather than institutional. Much was made available to the state by direct advances from the merchants, not only in the funded debts but also in annual short-term credits. In commerce, a great deal of what self-financing failed to accomplish was provided by loans between merchants. This stage in the development of the money market was reflected in the variety of credit instruments used in the City, ranging from the direct pledging of goods to the use of tea-, pepper-, and dividend-warrants. Tea-warrants, for example, were, as late as 1780, " considered as cash and pass by delivery like East India Bonds, and were often pledged and money raised on them ".[1] In such a money market, government and allied stock became the first line of financial reserves of the trading community and the means by which a great deal of the loans between merchants was effected. Writing at the onset of the crisis of 1745, the junior partner of Messrs. Lascelles and Maxwell, the great sugar factors, stated, " Those who had great riches in the Publick Funds (which are the bulk of the rich people in the Kingdom) are as poor as those that have none, for they cannot raise money upon any of them ".[2] It was from the very real inconvenience caused to the ordinary merchant by the fluctuations in the price of stock that much of the contemporary dislike of the stock-jobber originated. With the exception of the Sun Fire, the insurance companies, like the Hudson Bay Company, made

[1] Law Reports, Vol. 99, p. 230, *Hoare and Others v. Dawes and Another*, 1780.
[2] Messrs. Maxwell & Lascelles, *Letter Book*, letter dated 26 September, 1745, to Dr. Wm. Austin. I am indebted to Dr. R. B. Sheridan for bringing this book to my notice.

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very little use of banking facilities until the last decades of the century. Instead, stock was sold, or used as security for loans, usually from members of the society, when unusual amounts of cash were required. This private provision of credit functioned, as did most of the commercial transactions of the time, upon personal contact; whether arising from membership of the same trade interest, of important racial groups within the City, or from the closer ties of kinship. In this, it was similar to the organisation by which international movements of capital ebbed and flowed with such remarkable efficiency. This personal contact included that existing between the directors of contemporary business corporations and their shareholders and clients; and many such companies, like the big insurance offices, provided loans, not only on government and other stock, but also on the security of their own shares.

The variety of securities created by the necessities of government finance facilitated their adaptation to the peculiar needs of the merchant community. Political insecurity led, in the first decade of the 18th century, to a preference for short-term paper which, as a consequence, made the prices of long-term investments doubtful indicators of the availability of capital for commercial purposes. The emergence of the funded debt as the basis of the money market might possibly be dated, not from its increase between 1711–13, but from the successful conversion of 1717, and the administrative reforms then passed, which facilitated the transfer of such stock. " If they should propose paying off such as are unwilling to continue their money on the new conditions that may be made, as several think they will ", wrote an Amsterdam merchant, " it will be an extraordinary expedient to preserve your credit in its flourishing condition both at home and amongst your neighbours, who have'nt hitherto on the like occasion found out so good a secret, or at least had not the power to practise it ".[1] By 1730, government and allied stock were carefully graded according to their negotiability and risk of capital loss. The market had thus become a complex of interest rates, many of which represented particular functions. There was something analogous to loans on call and at short notice in the use made of Exchequer Bills of various kinds, and their yield was for long periods below 3 per cent. This was 1 per cent. lower than those on the main body of government stock, just as the more speculative Bank of England and East India Stock, and mortgage yields, were higher. Within the various funds which comprised the National Debt the same differentiation can be observed.

Nothing illustrates this development of the money market better than the changed function of the East India Bond. At the end of the 17th century, according to Mr. Davies, " As non-speculative fixed-yield, redeemable securities, they commended themselves to persons not

[1] Guildhall Library, Radcliffe-Delmé Papers, Letter dated 2 April, 1717, from Messrs. Chitty & Son, Amsterdam.

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familiar with the way-ward habits of the embryo stock exchange. They were clearly thought to be especially suitable for women investors ".[1] By the 'thirties of the following century, partly as a result of the decline in the issue of Supply Exchequer Bills, India Bonds had become one of the principal investments for the temporary balances of the merchant community. Transferable by endorsement, they were bought " by such as must always have those securities which they can turn into money at an hour's warning ".[2] As such the bonds were used throughout the century, although by 1780 they were being eclipsed by Exchequer Bills, which were then being issued in greater quantities. From 1710, the value of the East India Bonds in circulation ranged between £2 and £4½ million, varying to some extent with the plenty or scarcity of money.[3] Between 1712 and 1742 there were, in addition, the bonds of the South Sea Company; but as they were in the process of being paid off from the late 'twenties onwards, their practical importance was not great. From 1737, and until the last decades of the century, the yield on India Bonds corresponded with that on Exchequer Bills, except for short periods of financial stringency. This yield represented the lowest rate at which money could be borrowed in London during this period.

It might be observed that the character, as distinct from the size, of the unfunded debt, of which Exchequer Bills formed part, was of great significance to the working of the money market, especially in war. This arose from the nature of the Ordnance Debenture, and particularly of the Navy Bill, which formed so large a proportion of this type of borrowing. These securities had no fixed date of redemption[4] and were subject to uncertainty even in the payment of interest. While readily assignable, they were not " divisible: if therefore the money which the billholder wanted was less than his bill was worth, he was obliged to sell more than he wished, the entire bill only, and not a part of it being saleable; and as many of them were for large and most of them for fractional sums, it was often difficult to dispose of them ".[5] Such being the character of these securities, as their numbers increased in wartime so did their discount, to the extent of " 10, 15 and even 20 per cent ". As a consequence, the reduction in advances and discounts caused by a desire for greater liquidity was reinforced by the relative advantage of investment in this form of unfunded debt, as contrasted with bills of exchange and loans, on which the maximum rate of interest

[1] K. G. Davies, " Joint Stock Investment in the Later Seventeenth Century ", *Economic History Review*, 2nd Series, IV, 3, p. 300.

[2] Cobbett's *Parliamentary History of England*, Vol. X, p. 109; see also T. Mortimer, *Everyman his Own Broker* (1762), p. 180; and W. Fairman, *An Account of the Public Funds* (1824), p. 136.

[3] Commonwealth Relations Office. East India Company Records, General Ledgers.

[4] Messrs. Lascelles & Maxwell, Letter to J. Harvie, dated 6 November, 1745, " The debt of the Navy is monstrously high at this time and no fund sufficient to pay it, and therefore some have layen out of their pay above 7 years and are likely to do so much longer ".

[5] T. Whately, *Considerations on the Trade and Finances of Great Britain*, p. 5.

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was limited to 5 per cent. And to the attraction of high yields was added that of capital appreciation on the return of peace. Increases in the Navy and Ordnance debt thus " loaded the market to an extraordinary degree ",[1] exerting an influence not only on the reduction of commercial credit but also on the price of funds.[2] The funding of this type of paper was therefore necessary both to rid the government of a troublesome burden and to facilitate short-term lending. By the reforms of 1796, the currency of Navy Bills was limited to 90 days and their rate of interest made the same as that on Exchequer Bills, and it became permissible to discount them at the Bank 25 days after issue. " Of all the financial measures adopted during Mr. Pitt's administration ", it was written, " none does more service to the money market or more credit to himself than this well-judged alteration in the terms of the Navy Bill ".[3]

It is possible that for the greater part of the 18th century the various kinds of Exchequer Bills, together with East India Bonds, represented the most important investments for the temporary balances of the City. " For with respect to the sums lent on current supplies ", it was stated, " they are lent by such persons as cannot lie out of their money for any term of years ".[4] In this regard, the money market of the 18th century was closer to that of the present day than to the money market of the 19th century with its emphasis on the bill of exchange. Information on the rates of discount for such paper during this century is not extensive. Much of what exists relates to banks, and suggests that the rates charged by them were high and curiously rigid. This might possibly have arisen from the absence of an adequate machinery for redistributing, particularly for bills for over 65 days, which made them as paper assets, despite their self-liquidating character, difficult to transfer.[5]

As the funded debt grew, there can be little doubt that the amount subscribed from the provinces increased, although " as late as the beginning of the Napoleonic Wars, ' in the provincial parts of Britain,

[1] J. Montefiore, *A Commercial Dictionary*, " Navy Bills ".
[2] See, for example, J. Sinclair, *The History of the Public Revenue of the British Empire* (1785), pp. 121 and 260.
[3] J. Montefiore, *op. cit.*
[4] Cobbett's *Parliamentary History of England*, Vol. X, p. 109.
[5] There is some evidence for thinking that private discounters might have been more flexible than bankers in the 18th century. Thus, for example: " Twenty-eight years ago [1790] this calling [bill-broking] was considered in a very different light to what it assumed at a later period. When money lay useless at the bankers, or in the chests of large capitalists, not an exchequer bill, and scarcely an India-bond in the market, to absorb a shilling of the floating capital. . . . Then it was that monied people solicited Tradesmen's bills for discount: and the bill-brokers received a premium for bringing these to their employers.

" . . . Up to that period, we ourselves, had discounted very largely the bills upon London, of a remote manufacturing district, at the rate of 3 per cent. per annum. So great was the glut of money there, and then, as well as elsewhere, that we knew of some gentlemen engaged in banking concerns in the same town, who had an understanding with each other to discount nothing under 4 per cent., yet clandestinely supply Tradesmen in the town with large sums to buy bills of manufacturers at a much lower rate ". D. Booth, *The London Tradesman*, pp. 277–8.

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the public funds were comparatively little resorted to as a deposit for private property' ".[1] In the last quarter of the century, however, increasing economic activity, improved means of communication, and the growth of country banks led to the creation of a single market, first for short-term investments, and later for long-term capital. Nevertheless, it is clear that short-term credit, as well as long-term capital, like many commodities, was made available during much of the 18th century in markets greatly, though not entirely, influenced by local factors. A Welsh gentleman writing in 1732–3 suggested three markets: London and its surrounding counties to a distance of 70 miles; the maritime counties and the great trading towns; and, finally, the rural areas of England and Wales. These he placed in ascending order of expense.[2] But in this he was probably unduly influenced by Welsh conditions, where local supplies of capital were notoriously small; and it is also inconsistent with other of his evidence. What is important, however, is the recognition of local variations in credit conditions. Interest rates would tend to be consistently higher where industry was beginning to concentrate, than in predominantly rural areas, because of the greater opportunities for investment. It was the existence of such conditions which, when the appropriate institutions emerged, enabled " the thrift of the South and East and the enterprise of the Midlands and North " to be so " happy and fertile " a combination.[3]

The growth of such specialist financial institutions was one of the outstanding characteristics of the 50 years between the outbreak of the American War and the end of the Napoleonic Wars. It involved a rapid development of metropolitan and country banks; the establishment of the London Clearing House; the well defined beginnings of separate organisations for the Stock Exchange and for marine insurance; and the appearance of an embryonic discount market. These developments reflected not only the opportunity for specialisation resulting from a growing economy, but also the influence of the relatively high rates of interest which ruled for most of this period. Financial transactions became more profitable, while in industry and agriculture generally an emphasis was placed on self-financing. This specialisation of function might also have been encouraged by the protection offered the mortgagee by the Court of Chancery, especially with regard to the disposition of funds by institutions primarily concerned with short-term credit.[4] The investment activities of the early insurance societies reflected these developments, as by trial and error

[1] J. Lowe, *The Present State of England with a Comparison of the Prospects of England and France*, p. 326. Quoted in Geyer, Rostow & Schwartz, *The British Economy, 1790–1850*, Vol. I, p. 409.

[2] W. Allen, *The Landlord's Companion or Ways and Means to raise the Value of Land*, p. 9.

[3] T. S. Ashton, *The Industrial Revolution*, p. 106.

[4] E. H. Coleridge, *The Life of Thomas Coutts*, Vol I, p. 114. According to Coutts the Courts had prevented the foreclosure of mortgages in the years of acute shortage of money during the Seven Years' War.

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they moved into what is now regarded as their traditional spheres of activity.

III

Lacking the experience from which the canons of modern insurance investment have been evolved, the societies of the 18th century were more empirical in the use of their funds. Much depended on the character of the society; and in this there was a big difference between the mutual fire offices and the larger companies. The former were confined in their business to the environs of London; to some extent restricted in the accumulation of funds by their constitutions; and limited in the scope of investment by their articles of association.[1] There was thus relatively little opportunity, and perhaps little inclination, to pursue an active investment policy. Government funds provided an adequate, if, at the end of the century, dangerous home for their resources. In contrast, the second group were, from their establishment, in the centre of the business of the City, and numbered among their directors some of the most prominent merchants of the time. These factors, together with their great funds, enabled them to adopt a policy radically different from that of the mutual offices.

From the first, however, the character of their activities imposed upon both types of offices two important technical considerations with regard to investment. In the first place the predominance of fire and marine insurance placed an emphasis on easily realisable assets. As a consequence stock, and loans on stock, were to be preferred to mortgages which, while they provided for the security of capital values, were attended by considerable expense and with delay when circumstances required their realisation. They thus became for insurance societies, at an early date, a secondary line of investment. For this reason, the societies preferred long mortgages. " They will not choose ", wrote the Equitable's solicitor in 1788, " to be bound to lend ye money for any term of years, but there is not the slightest likelihood of their calling it in whilst ye interest is well paid ".[2] Companies would also on occasion stipulate a minimum period for which the loan was to be held. Secondly, subject to the requirements of liquidity, the security of capital values was of fundamental importance. For this reason the more speculative securities were avoided by the insurance investor. This was particularly the case with departmental, or unfunded, debts, generally in the form of Navy Bills, Transport and Ordnance Debentures. It was only rarely that such were held, even by the bigger companies. Much use was made of the annual loans in anticipation of taxes in the first decades of the century, when the funded debt was small; but thereafter only infrequently. In times of stress they were open to much the same criticism as that levelled against loans

[1] For a detailed account of the structure of a typical mutual office, see E. A. Davies, *An Account of the Formation and Early Years of the Westminster Fire Office*, especially Appendices I–III.
[2] Equitable Life Assurance, Letter dated 25 June, 1788.

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to meet deficiencies of taxes; for, as the Management Committee of the Sun Fire noted in 1719 with regard to the loans on the Land Tax, " their state is precarious, they may be worth £100 today and in debt £200 tomorrow ".[1] Government terminable annuities were also of little value to the institutional investor, in that they were a diminishing asset. It was the bigger funds which attracted the money of the insurance offices: the Old and New South Sea Annuities in the first half of the century, Consols and Reduced 3 per cents. in the second half. Again, there was a tendency, particularly strong before 1750–60, to keep away from stock likely to be directly affected by business conditions. Thus, Bank Stock did not in general prove attractive until towards the end of the century, although its yield tended to be somewhat higher than the bulk of government funds. Above all, it was the stock of the East India Company which fluctuated most widely, affected as it was, not only by the state of its trade, but also by that of its continental rivals, and by political events in India and at home. As a result, very little insurance money was invested in this great company.

Subject to these considerations the allocation of the funds of the proprietary companies reflected variations in the yields of various investments. Much of this movement of resources, from one form of investment to another, concerned new income, rather than the selling of existing assets and reinvestment. The redeployment of funds between various categories of government stock was commoner from the 'twenties to the 'sixties, when the market was buoyant, than later. From time to time, the Sun Fire and the London Assurance would sell stock for the purpose of making up a mortgage or of lending to merchants, but the amount involved was never large. Finally, the companies took little part in the new loans issued from time to time.

The interplay of these forces—the requirements of liquidity, of security of capital values, and of income—can well be seen in the records of the Hand-in-Hand, the oldest surviving mutual fire office. Founded in 1696, its first minutes reflect the contemporary distrust of government securities and the pressure of the members for a " lands' security ". This the directors felt able to accede to, when a fall in the rate of interest in the last years of the 17th century diminished the attraction of Exchequer Bills and loans on Supply. By 1699, the Bank was making short-term loans to merchants at 4½ and 5 per cent.;[2] and such conditions continued until the end of 1707, with the exception of two short crises at the beginning of 1701 and 1705. In the middle months of 1704 the Treasury of the Million Bank was " disposing of ye money of this Bank at not less than 4½ per cent." ;[3] in January, 1705, it was observed that Exchequer Bills " hardly bring in 5 per cent.;[4]

[1] Sun Fire Insurance, Minutes of Committee of Management, October, 1719.
[2] The Bank of England, Court Minute Books.
[3] P.R.O., C/114/15.
[4] The Hand-in-Hand Assurance, Minute Book No. 1, 28 January, 1705.

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while from September, 1705, to early 1708, the East India Company was also able to borrow at a similar rate.[1] In these circumstances, the society lent an increasing proportion of its funds on the security of London house property at a charge of 5 per cent. A part of this money went to the speculative builders who formed a large element of the directorate. Robert Frith, Henry Lidgburd, and Serjeant Highmore, for example, received loans to build houses in Albermarle Street, Frith Street and Bond Street. Others were lent money on property in various parts of London, from Wapping to Golden Square, and Chelsea. In December, 1701, approximately a third of the £2,100 then invested lay in mortgages; six years later nearly half the total investments, amounting to £16,787, were similarly employed.[2] At this latter date there was also a substantial amount lent to individuals on the security of government and other stock. In this the Hand-in-Hand was paralleled by the Amicable Society, established in 1706. The upward movement of interest rates, foreshadowed in the Autumn of 1707, became a reality early in the following year, under the dual pressure of increases in the funded and unfunded debts. The charge made by the Amicable for loans was raised in the first half of 1708 to 6 per cent., to be followed rather belatedly, in the Hand-in-Hand, by a similar increase in rate of interest on existing mortgages. At the same time, the new investments of the two offices were made almost entirely in government funds. The return of easier money conditions in 1711, following the funding of the floating debt, and the rumours of peace, witnessed in the Hand-in-Hand a revival of investment in real property between 1713–15. But by 1720, despite the fall in interest rates, only a twelfth of the £36,000 then invested by this society was in the form of mortgages.

This diversion of resources into the funds reflected in part the decline in the influence of the speculative builder in the society, and in part the greater size and growing security of the National Debt. The country recovered its financial buoyancy with remarkable rapidity after the Peace of Utrecht. In this it was aided by an influx of French gold, by successful funding and conversion operations in 1717, and by reforms in the administration of the debt.[3] By the end of 1717 the advances on the land and malt taxes were being obtained at 4 per cent., and by January of the following year the government was borrowing at 3½ per cent. for short-term purposes.[4] At the same time the East India Company announced its decision to reduce the interest on its bond debt to 4 per cent., at which figure it was to remain until threats of war tightened conditions on the money market in 1719. The aftermath

[1] East India Office Library, Minutes of the Court of the East India Company.

[2] It is probable that the limitation of building activity during the wars of the 18th century was confined to the later years of each war, when interest rates rose substantially. Cf. Mrs. Dorothy George, *London Life in the Eighteenth Century*, p. 79.

[3] J. J. Grellier, *The History of the National Debt*, p. 106.

[4] Abel Boyer, *The Political State of Great Britain*, Vol. XV, p. 103.

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of the Bubble, with its two or three years of financial stringency, did little to alter the upward secular trend in the price of government securities; the yields, which were approximately 7.25 per cent. in 1712, had fallen to 4 per cent. at the beginning of 1728. These conditions were reflected in the government's ability to raise supplies at 3 per cent. in 1725, " the lowest rate that has ever been known ",[1] and in the successful conversion scheme of 1727. This upward trend, after considerable financial activity in 1733, reached its climax in 1736–7, when interest on India Bonds was reduced to 3 per cent. and the London Assurance charged only 3½ per cent. for short-term loans. Fundamentally, these events were the result of the growing stability of the Hanoverian Succession and of the fact that, despite Anglo-Spanish bickering, England was enjoying the longest period of peace of the century. In such circumstances Walpole was able to effect large repayments of Exchequer Bills, as well as to reduce the funded debt by some £6 million. The availability of money was further helped by the redemption of substantial parts of the bond debts of both the East India and South Sea companies.

The financial boom of 1736–7 introduced two decades which, despite the years 1745–48, saw the cheapest monetary conditions and the lowest corn prices of the century. From 1736 to 1745 and from 1749 to 1760, the yield on India Bonds and on Exchequer Bills fluctuated between 2.8 and 2.9 per cent., and that on the bulk of government funded debts between 3½ and 4 per cent., more usually about 3.6 per cent. The years between 1763 and 1775 witnessed a considerable recovery from the extreme conditions of 1759–63, but never fully achieved the buoyancy of the earlier period. It was in this part of the century (that is, to the end of the Seven Years' War) that the large companies used substantial portions of their resources in investments other than government stock. The London Assurance had nearly a third of its assets thus employed between 1751–61; the Royal Exchange possibly an even greater proportion; and the Sun Fire approximately 40 per cent. From 1761 to 1800 the average decennial price of consols fell from £85 10s. to £67 1s. 3d. These changed conditions were noted by writers as early as 1771 and were the subject of a spate of pamphlets a decade later. Except for the period 1789–93, the yield on government and allied stock did not again fall below 4 per cent. until 1822. For insurance investment the 'seventies were a watershed in that a far greater proportion of money flowed into paper securities after that period than before. The mortgages held by the Sun Fire in 1800 were only £70,235 more than in 1778, and the investment activities of other societies, with one special exception, were entirely confined to stock of various kinds. By the end of the century, approximately 80 per cent. of the assets of the companies examined were in securities, amounting in all to £3–3½ million nominal value. By 1825 the Equitable alone held £9,385,000 in the government funded debt.

[1] Abel Boyer, *The Political State of Great Britain*, Vol. XXIX, May, 1725.

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The contemporary money market offered two other opportunities of investment, namely in mortgages and in loans, generally of a short-term nature. Of these the latter was perhaps the most characteristic of the first three-quarters of the century. Nearly all the societies engaged in it to varying degrees. The lack of specialised institutions in the market is reflected in the vain attempts of the Royal Exchange Assurance to become the London agent of the Bank of Scotland. In 1722, when the " bad effects of the scarcity of money and a sunk credit are now too generally felt ", it offered to lend to the Bank £20,000 for a minimum period of 19 years, in return for half the profits accruing from the use of the loan, together with a similar proportion of the profits arising from bills drawn on or by the bank; an offer which was, not unnaturally, rejected, on the grounds that the conditions were too onerous.[1] Other examples of its activities include a loan of £12,000 to Sir Justus Beck[2] and of £2,700 in 1730 to George Robinson, on the security of 52½ tons of copper.[3] The Sun Fire, which in its early years was closely connected with the Royal Exchange Assurance, also had important members of the East India interest among its " managers ", or directors. It was also, by virtue of common directors, associated with the Company for Working Minerals in Scotland. Accordingly, loans were made to the company of £1,000 in 1735 and of £2,000 in the following year; in turn, the Sun Fire borrowed from the company in 1757. Brice Fisher was a frequent borrower on a variety of securities; Edward Jasper was granted a loan on the bulse of diamonds and later on government securities; Samuel Touchet was lent £1,200, when his affairs were beginning to falter in 1761. Later in the century, Messrs. Clairmont and Neaves, wine merchants of Mincing Lane, were indebted to the extent of £10,000 for a considerable period, as was also Robert Ladbroke, the distiller.[4]

It is, however, in the London Assurance, with its close connection with the Anglo-French, the Jewish, West Indian and Levant merchants, that the business of short-term lending can best be seen. Beginning soon after the grant of its charter in 1720, advances by the corporation reached an annual total of £43,590 in 1726, £64,450 in 1736, £223,488 in 1751 and £356,180 a decade later. Thereafter the amount of the loans fell off sharply, from £210,838 in 1762 to £93,500 in 1767; and after 1770 were only a small element in the investments of the company. These advances were made entirely on the security of stocks of various kinds, and generally amounted to between £5,000 and £20,000. They were all short-term loans, to " the rescounters in May ", or for 1, 2, 3, 6, 9 or 12 months' duration, rarely longer. As might be expected, those to whom the facilities of borrowing were made available were the clients and members of the corporation. They included such Jewish

[1] J. Armour, *Proposals for Making the Bank of Scotland more Useful and Profitable*.
[2] English Law Reports, Vol. 21, p. 833, *Meliorucchi v. The Royal Assurance*, 1728.
[3] P.R.O., C/11/773/43
[4] Sun Fire Insurance, Minutes of Quarterly Meetings of Managers.

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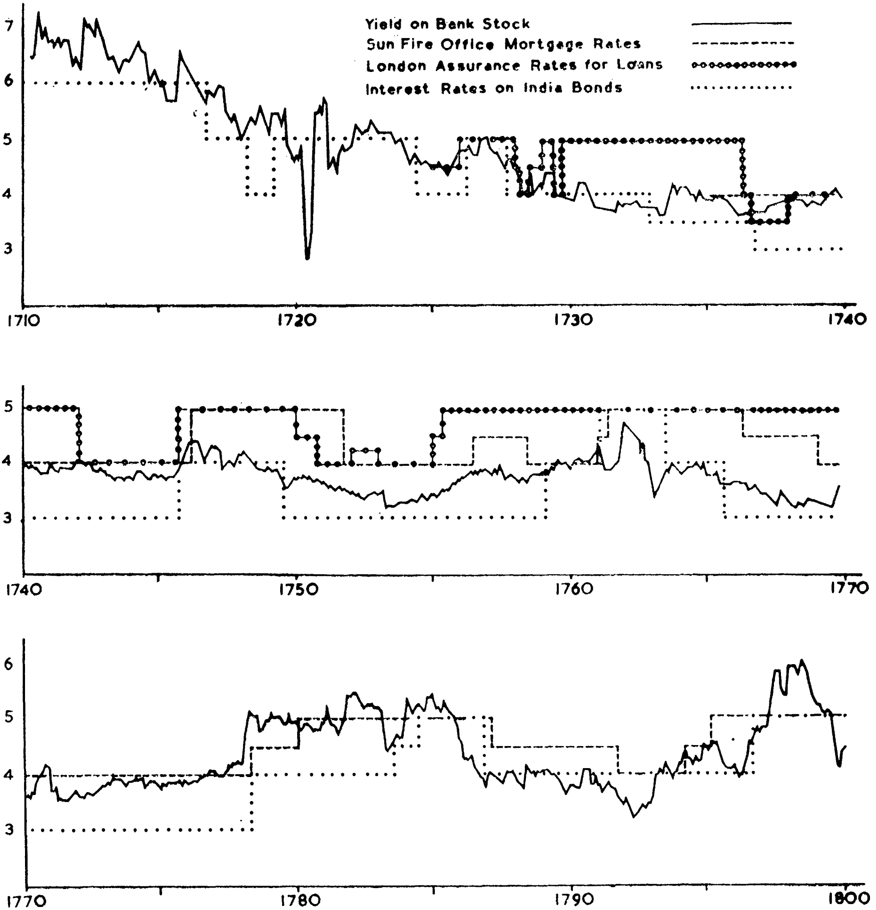
merchants and brokers as Isaac Ferdinand Nunes, Isaac Lemet, Stephen Daubuz, Solomon da Costa and the famous Sampson Gideon; goldsmith-bankers such as John Castle and Matthew Dove; stockjobbers such as Mark Woodley; the Anglo-French merchants like Claude Aubert, Charles du Porte and S. L. Loubier; and representatives



of the West Indian interest such as Thomas Dineley and Percevall Lewis. Only one member of the aristocracy is found, namely, John, first Earl de la Warr, and Governor of the Levant Company.[1]

The rates of interest charged for these loans were slightly above the returns on government stock and fluctuated in much the same way. An examination of similar loans by the Bank of England shows that the rates charged by both institutions were, over periods of time, in substantial agreement. Although the London Assurance lent

[1] London Assurance, General Ledgers.

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regularly throughout the century, the peaks of activity occurred when money conditions tended to be tight. On such occasions, the merchants and brokers turned to borrow from the less generally used sources of money. Thus, for example, the increase of loans in 1726–28, 1734 and 1744–45. The sharp rise recorded for 1751 was due to a gigantic loan of £150,000, which was repaid in the following year; it was renewed in 1756 and remained in existence for a number of years.[1] The heavy borrowing on government securities, especially as the Seven Years' War progressed, was paralleled by increases in loans by the Sun Fire and by the Bank of England. Of the participation of the " Bankers near the Alley " in this type of business, it was written, " their profits are so immense that they are now openly refusing to discount bills to the great detriment of the commercial interest of this City ".[2]

The diversion of credit from commerce to government, which had driven borrowers to the large insurance houses, slackened in 1763 for a variety of reasons. There was in the first place a fall in the amount of government long-term borrowing. In the second place steps were taken to deal with that " misshapen mass ", the accumulation of Navy Bills and Ordnance Debentures. £3,483,553 of this undated paper was funded in March, 1763, in 4 per cent. stock at par. This tended to reduce the yield on short-term securities relatively to that on long-term funds. The discount on Navy Bills, which had been 8 per cent. in December, 1762, fell to 3½ per cent. in March, rising to 4 per cent. in the following two months: that on Exchequer Bills showed a similar but less pronounced improvement; and the East India Company gave notice in July, 1763, that the rate of interest on India Bonds would be reduced 4 per cent. in December. On the other hand, yields on long-term securities moved upward in April, 1763. The crisis which occurred on the Continent, in the July and August of that year, intervened to prevent the full effects of the funding being achieved, and the consequent heavy outward movement of capital at the end of the year and at the beginning of 1764 increased all rates of interest. Nevertheless, by this funding operation " the market was cleared of a great quantity of paper circulation on government security, which has excluded a like circulation on private security and engrossed all the ready cash; this operation therefore made an opening for notes on personal security, facilitated discount, and occasioned an easier circulation of money ".[3] These circumstances explain in some measure the strength of the London money market during the crisis. By the end of 1764 money conditions, generally, were easier. On the Continent the crisis was over and money was moving back into the funds; trade was flourishing, and £650,000 of the Navy Bills were paid off in December. In such conditions, the government in March, 1765, was able to fund £1,000,000

[1] The records of the London Assurance do not, unfortunately, state either the purpose or the recipients of this loan.
[2] T. Mortimer, *Everyman his Own Broker* (1762), p. 201.
[3] T. Whately, *Considerations on the Trade and Finances of Great Britain*, p. 5.

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of outstanding 4 per cent. Navy Bills at par, and in virtually 3 per cent. stock.[1] The rate of interest on Exchequer Bills was reduced to 3 per cent., a step followed by the East India Company in September, when the customary six months' notice of a reduction was issued. By this date the amount of the loans advanced by the London Assurance had fallen to nearly £100,000; and for the rest of the century the growing strength of the banking system seems to have reduced the need for this type of accommodation. It continued, however, as has been shown from the records of both this corporation and the Sun Fire, but on a much diminished scale.[2] In the first half of the 19th century this sort of activity was revived when the floating balances of insurance houses were employed by billbrokers in the discount market.[3]

Closely allied to this short-term lending in the first part of the century were the advances made on bottomry and respondentia bonds[4]—an old and widely practised form of mercantile credit. The amounts thus invested by the marine insurance companies do not appear to have been large, and but for the direction of part of these investments, would be of little interest. In 1725, a year of easy money conditions in England, the London Assurance instructed its agents at Lisbon and Cadiz to make loans on the Portuguese and Spanish fleets; £18,021 was accordingly remitted for this purpose by bills of exchange on Sir John Lambert, Benjamin Fontaine, Messrs. Radbourne and Guillerman, Boisser & Company, and John Hays. By this decision the corporation entered a market which already attracted a great deal of English capital, and was to continue to do so until the last decades of the century. It was a business fraught with great risks. These risks arose less from the hazards of the sea than from difficulties in the recovery of debts and from uncertainty of taxation. But the profits were commensurately high. Premiums for bottomry loans from Cadiz to Buenos Ayres in 1725, for example, were between 90 and 100 per cent.[5] The Cadiz and Lisbon agents placed the first loans in January, 1727, no fleet having sailed in the previous year, as a consequence of which £10,000 appears to have been returned to London. Further loans were made in the next three

[1] The terms were: " two-fifths in redeemable annuities; two-fifths in lottery tickets; and the remaining one-fifth in redeemable annuity or life annuity with benefit of ownership, at option of subscriber, the whole at 3 per cent. or repayment at par ". T. Whately: *op. cit.*, p. 8. 3 per cent. funded debt at time of funding stood at £87.

[2] A similar analysis might be made for the financial activities following the end of the American War of Independence. On the effects in modern times of the funding of the floating debt on the price of long-term government securities see E. V. Morgan, *Studies in British Financial Policy, 1914–25.* (I am indebted to Professor R. S. Sayers for this reference.)

[3] W. Newmarch, " An Attempt to Ascertain the Magnitude and Fluctuations of the Bills of Exchange in Circulation, 1828–47 ", *Journal of the Statistical Society*, Vol. XIV, pp. 143–83.

[4] A bottomry loan was on a mortgage of a ship's hull; a respondentia loan an advance on the security of goods and merchandise in the ship.

[5] The round voyage, however, took 18 months.

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or four years on " good ships and full ", to Havana, Caracas, and Pernambuco, to Rio and Bahia. Thereafter the business diminished, largely because of the expectation of war. The proceeds of these loans were sent home in a variety of ways. In 1731 the Cadiz agents were required to remit in specie; in 1734, " either in good bills on this place or in the usual materials of fine ware by sea, which last be pleased to prefer if peace continues ". In 1730, and again in 1738, the corporation received their payments in shipments of hard lemons.[1] If the records of the Royal Exchange Assurance had survived, it is probable that a similar activity would have been revealed; the corporation was certainly lending money to London merchants in the 'thirties, for investment in Spanish bottomry loans.[2]

These transactions are interesting because they are typical of a variety of similar investments of English-owned capital, whether remitted from home, or directed from balances accumulated abroad. Dutch capital might have dominated the international scene by reason of its magnitude, but London merchants were not less active in this matter than their Amsterdam contemporaries. Since the time when English investors had burnt their fingers in Law's Mississippi Scheme, money continued to be placed in French Government Debt; this was well known to the English Government.[3] Clifford's of Amsterdam held, in 1720, 220,000 guilders in the Silesian loan as nominees of several directors of the South Sea Company;[4] and the Portuguese Crown is reported to have borrowed heavily from English merchants from time to time. It was the knowledge of these transactions which underlay the debate, in 1730, arising out of Charles VI's attempts to borrow £400,000 in London; the exceptions in the Act then passed to control foreign investments, for " those who traded in the funds abroad or trusted their money in foreign companies " clearly show this.[5] When in January, 1735, a loan of £250,000 at 7 per cent. was floated in London on the security of this Emperor's silver mines, " Such," wrote Abel Boyer, " is the madness of the present times and so fond are people to lend their money on what is called Publick Security, that the subscription was not only full in three hours, but soon after it began to bear a premium ".[6] But capital was not only finding its way into foreign government debt. English investors were, for example, widely believed to be deeply

[1] The London Assurance, Minutes of Committee on Bottomry and Letter Book of Committee on Bottomry.

[2] P.R.O., C/12/1454/100, C/12/1205/12, and C/11/1571/20.

[3] N. Magens, *An Essay on Insurance*, Vol. I, p. 506.

[4] B.M., Add MSS. 25,576, f. 2. The sum was subscribed in 1719 and the merchants concerned were Sir Theodore Janssen, Sir Lambert Blackwell, Richard Horsey, Charles Eyre and Samuel Reade, junr.

[5] Cobbett's *Parliamentary History of Great Britain*, Vol. VIII, pp. 778–89.

[6] Abel Boyer, *The Political State of Great Britain*, Vol. 49, p. 129. An account of this loan and the *cause célèbre du droit des gens* to which it gave rise is to be found in Sir E. Satow, *The Silesian Loan and Frederick the Great*. The Stock Exchange lists of the period quote another Emperor's loan at 5 per cent., which suggests that English investors contributed to a second loan, which might or might not have been floated in London.

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implicated in the Ostend and Gottenburg East India Company. In 1736 Alexander Hume, a director of the Royal Exchange Assurance, wrote to Thomas Hall " to know of your intention about being concerned in the new ship building in Spain, I should be glad of your resolution about it as we intend to shut up the subscription soon. Our stock is now £63,000 and we have some actually buying goods for the cargoe and the ship 'ere this is begun building ".[1] Five years later, the same merchant received a letter from Messrs. Jackson & Diharce, of Genoa, asking if he wished to contribute to a new insurance and discounting company lately established there, in which they had bought shares for their London principals.[2] Writing of the period before the Napoleonic Wars, it was stated, " While the old system and commercial relations of continental Europe continued to flow in their accustomed channels, it is well known that much of British capital was employed in trade between the various countries of Europe, and their, as well as our own, settlements abroad ; . . . these transactions which were principally if not entirely British though in a foreign garb. . . . As it regards the employment of British capital . . . in foreign commerce we may instance the trade of Sweden and Denmark, and of Spain and Portugal with their colonies, and also with the East India settlements generally, which used to be in a great degree on British account, or connected with British speculation".[3]

While the amount may never be accurately estimated, there can be little doubt that English capital was playing an increasing part in the international movements of money, especially between the capitals of the principal mercantile powers, which characterised the 18th century after the Peace of Utrecht. There is reason for thinking that the search for investments, which drove Dutch capital outwards in all directions across Europe, was in some measure a feature of English economic life between 1730 and 1756; that it was, in fact, a continuation of the characteristic already noted in England for a period of some 40 years before the Bubble.[4] In this period, if money could be obtained in Holland at 2½ and 3 per cent., it is remarkable how narrow was the margin between these figures and the yield on British government funds. Writers in the late 'twenties and 'thirties were certainly conscious of an approximation of London and Amsterdam rates of interest. Colour is given to their statements by the presence of a series of offices in London during these years for Dutch lottery loans.[5] The war years 1739–48 were an interlude of relatively little importance in this availability of capital. After 1739, the yield on English funds moved nearer

[1] P.R.O., C/103/131. Letter dated 15 July, 1736.
[2] P.R.O., C/103/133. Letter dated 27 September, 1741.
[3] *Letter to Jasper Vaux*—Jevons Collection of Pamphlets, Goldsmith's Library.
[4] K. G. Davies, " Joint Stock Investment in the Later Seventeenth Century ", *Economic History Review*, 2nd Series, IV, 3, p. 300.
[5] While the gambling element bulked large in this type of transaction, the amounts involved were not inconsiderable. Between £9–10,000 was subscribed to the State Lottery of Gronningen in 1722: P.R.O., C/107/138. This activity was forbidden unsuccessfully by 9 Geo. I, c. 10. The penalties were strengthened by 6 Geo. II, c. 35.

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to 4 per cent., and although the London money market was beginning to feel the pressure of war finance in 1744, a loan of £200,000 at 6 per cent. for the King of Sardinia was successfully floated in October of that year with John Bristow and Gerrard Von Neck as its trustees.[1] The crisis which occurred at the end of 1745 was primarily one of confidence engendered by political events. The increased rates of interest undoubtedly attracted much Dutch capital during the last three years of the war, but an examination of the yields on government stock, the ease with which money was raised in 1747 and 1748, and the rapidity of the post-war recovery do not suggest financial exhaustion.[2] By 1753 the market was not only dealing with the withdrawal of Dutch capital, but was able to make a small gesture in the matter of foreign lending. For in that year John Bristow, Edmund Bœhm, and Samson Gideon floated a loan of £90,000 at 5 per cent. for the City of Danzig, partly to enable the city to repay the outstanding sums on a loan raised in Amsterdam in 1740.[3] Even with the ' douceur ' to investors, the interest rates on the funded debts in the Seven Years' War never rose above 4½ per cent.,[4] despite the unprecedented sums raised and the immense burden placed on the short-term money market. In the following twelve uneasy years of peace, English capital continued to move to the colonies in the western hemisphere, and to be found in foreign stocks, especially those of France.[5] Finally, the extravagant finance of the American War had no difficulty in calling forth money, at a time when it is generally believed that the Dutch were disinvesting heavily. " The rage for subscribing ", wrote Thomas Coutts, the banker, in 1782, " continues meanwhile to pervade all ranks of men and I believe they begin to be almost frightened at the Treasury at the amount of the sums offered ".[6]

This evidence of the availability of capital at home and of its employment abroad, taken together with the evidence of the probable exaggeration of Dutch investment in English funds,[7] makes it fairly certain that Britain's financial position in the 18th century was far less critical than has been recently suggested.[8] The invisible items of trade of which the Spanish bottomry loans were typical, and which, according to Dr. Imlah, enabled Britain to have a surplus of visible imports over exports in 1798, were at that date of no recent importance.[9]

[1] *Gentleman's Magazine*, 1744, pp. 562–3; and *Scots Magazine*, VI, p. 485.
[2] See J. J. Grellier, *The History of the National Debt*, pp. 207–10 and footnotes.
[3] *Read's Weekly Journal*, March 17, 1753.
[4] J. J. Grellier, *Terms of all the Loans*.
[5] I. de Pinto, *An Essay on Circulation and Credit* (trans. by Rev. S. Baggs), p. 33.
[6] E. H. Coleridge, *The Life of Thomas Coutts*, Vol. I, p. 143.
[7] A Carter, " The Dutch and the English public debt in 1777 ", pp. 159–161 below.
[8] See in particular, C. H. Wilson, " Treasure and Trade Balances; the Mercantilist Problem ", *Economic History Review*, 2nd Series, Vol. II, No. 2, 1949; and by the same author, " Treasure and Trade Balances ", *Economic History Review*, 2nd Series, Vol. IV, No. 2, 1951.
[9] A. H. Imlah, " Real Values in British Foreign Trade ", *The Journal of Economic History*, Vol. VIII, No. 2.

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The third type of investment open to the 18th century insurance societies was the lending of money on the security of real property. The Hand-in-Hand bought a small area of land and buildings in the neighbourhood of the Old Bailey in 1764 for £3,000, but this was exceptional. In the first half of the century the only office to make great use of mortgages was the Sun Fire, to be followed later by the Equitable. The London Assurance lent money occasionally on this type of security, but the amounts involved never exceeded £11,000, and were confined to the period before the American War of Independence. Of the other offices, the Royal Exchange was precluded from this activity by the terms of its charter, and the mutual offices usually limited their individual advances to £1,000, which confined them to mortgages on dwelling houses and other small property. By 1800, the joint resources of the Equitable and the Sun Fire in mortgage loans amounted to £775,805. The building up of this considerable sum fell roughly into four periods, namely those in which the societies were willing to lend at their lowest rate of 4 per cent. These were from the early 'thirties to the Autumn of 1745; from December 1751 to December 1760 (except for an interval 1756–8, when the rate was 4½ per cent.); from March 1769 to March 1778; and from October 1791 to December 1793. Thus the amounts advanced by the Sun Fire increased from £61,903 in December 1750 to £141,000 in December 1760; from £151,000 in December 1768 to £321,255 in December 1778. From then to the end of the century there is an increase of only £70,235, with disinvestment between 1782–88, which was made good in the years 1789–93.[1] The Equitable shows the same pattern of behaviour. This society was established in 1768 as the first modern life office, and was unique in the rate of its growth. The need to place " the property of the society upon two distinct kinds of security " brought it into the mortgage market in 1778. Like the Sun Fire, the Equitable undertook no new mortgages between 1781–88. Its real period of expansion was from 1788 to 1798, when the total amounts so invested rose from £115,600 to £405,481. After 1799, 11 years were to elapse before either society again engaged heavily in loans on real property.

The periods of activity in mortgage lending bring out clearly the relationship between the yields on government security and the flow of money into other forms of investment. They were all periods of low yields, as will be seen from the tables. This relationship applied to existing mortgages, as well as to new ones; for insurance mortgages, as those of many merchants and banks, were characterised by a provision allowing for movements in the rate of interest. The evidence given by the records of the Sun Fire shows that the relationship in downward movements of interest rates was not an immediate one. A certain time lag is to be expected, but part of the explanation lies in the fact that in most cases the downward trend refers to existing mortgages. There would be a strong inclination to defer as long as possible a fall

[1] Sun Fire Insurance. Minutes of Quarterly Meetings of Managers.

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of income from these investments. After the Napoleonic Wars the correlation became more direct. The relationship was then standardised by the Equitable in the following way[1]:

Price of Consols		*Interest if paid within 30 days after due*
Above £90	..	£3 10s.
At or under £90 and above £86	..	£3 15s.
At or under £86 and above £78	..	£4
At or under £78 and above £70	..	£4 10s.
At or under £70	..	£5

Without a greater knowledge of the pace and extent of enclosures, it is not possible to attempt a precise correlation between that activity and movements in the rates of interest, particularly for the first half of the 18th century. There is, however, a good deal of evidence to suggest that the periods in which the insurance companies were prepared to invest in mortgages were also periods in which there was a more general movement of money into real property investment. Professor Habakkuk has observed that the increase of enclosures in the counties of Bedford and Northampton in the 1720's was largely the result of the falling rate of interest:[2] wheat prices were certainly no higher on average than they had been in the previous decade. This bears out a more general claim made by the friends of the Ministry, at the election of 1730, that there had been " great sums of late expended in the enclosing and improving of lands and in the opening of mines ".[3] The greater use of Acts of Parliament for enclosure in the later parts of the century enables a more precise statistical correlation to be made for this period. During the 12 years between 1779 and 1791, when insurance investment in mortgages was virtually at a standstill, the number of acts involving enclosure of arable was 221, of which 47 were passed in 1779, and might well have originated in easier money conditions. This total is less than half the number passed in the decade 1768–78, during which years, as the Sun Fire records show, there had been active investment in loans on real property. Improvements in agriculture, together with building speculation and the movement of capital to the West Indies, were also given by a banker as the reasons for the crisis of 1772, as far as Scotland was concerned.[4] The high return on government stock in the last four years of the American war drew vast quantities of money to London; while the slow funding of over £18 million of the floating debt, together with threats of war in the Low Countries, delayed the post-war adjustment of interest rates. There thus can be little surprise that during the high corn prices of 1781–4, " some of the country

[1] The Equitable Records, Minutes of Director's Meetings, 9 December, 1830.
[2] H. J. Habakkuk, " English Landownership, 1680–1740 ", *Economic History Review*, Vol. X, p. 13.
[3] A. Anderson, *An Historical and Chronological Deduction of the Origin of Commerce*, Vol. IV, p. 156.
[4] Sir William Forbes, *Memoirs of a Banking House*, p. 39.

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gentlemen " talked " much of lowering the lawful rate of interest of money and mean to put it forward next session ".[1] It was not until 1793, when the incentives of rising prices coincided with cheaper money, that the volume of enclosure acts recovered their former size. During the war years inflationary profits facilitated self-financing of agricultural improvement, and permitted the continuance of borrowing, possibly from the country banks rather than from London, despite the high rates of interest then current.

Those who resorted to the insurance offices for mortgages were among the most prominent figures of the time. They included two Prime Ministers, the Duke of Newcastle, and the Marquess of Lansdowne; several members of the Pitt family, Sir Laurence Dundas, and the Dukes of Chandos, Leeds, Marlborough and Bedford. There were wealthy country gentlemen like John Crewe, Sir John Hussey Delaval, and Sir Thomas Skipworth; and less wealthy Welsh gentlemen like Sir Thomas Mansel and Sir Thomas Williams. By the end of the century half the counties in England and Wales contained some land mortgaged to one or other of the two companies. The amounts borrowed varied considerably. There were few below £5,000, and a large number of £20,000 and over. Only occasionally do the records of the companies state the purpose for which these loans were required. In the case of the Earl of Lincoln, who borrowed £40,000, it was for the purchase of an estate in Nottinghamshire,[2] while in that of Thomas Johnes of Hafod, Cardiganshire, it is fairly safe to say that the money was required for his building operations.[3] It is possible that some of the large mortgages, such as the £60,000 lent to the Marquess of Lansdowne, represented the consolidation or repayment of existing mortgages. This was certainly the case with part of the money borrowed by Thomas Johnes, and with the £35,000 lent the Duke of Bridgewater in 1769,[4] part of which was almost certainly used to repay a loan of £25,000 advanced by the bankers, Messrs. Child & Co. This money, which had been used for canal purposes, was the first of a long series of loans for public utilities, more especially after 1815. The Royal Exchange lent £300,000 to help the construction of Regent's Street in 1816; the Equitable a similar sum for improvements in the Strand in 1829;[5] the Marquess of Bute was borrowing at the same company when building his docks at Cardiff;[6] and the Palladium Insurance Company helped to finance the construction of the first docks at Newport, Monmouthshire, in 1841.[7] The amount lent for industrial purposes in the 18th century was negligible.

[1] E. H. Coleridge, *The Life of Thomas Coutts*, Vol. I, p. 166.
[2] Sun Fire Records, Minutes of the General Meetings, 21 May, 1761.
[3] Equitable Life Assurance, Minutes of Directors Meetings.
[4] Sun Fire Assurance, Minutes of Quarterly Meetings; and S. Smiles, *James Brindley and the Early Engineers*, p. 212.
[5] *B.P.P.*, 1868–9, Vol. 35, Part II, pp. 442–3.
[6] Equitable Life Assurance.
[7] E. G. Spate, *Box 1295*, p. 21.

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Taking the century as a whole, therefore, insurance investment reflected clearly the changing structure of the money market, as well as the different character of proprietory and mutual offices. The former, under the necessity of earning profits, were active investors, the disposition of whose funds showed the relationship between the yields on the funds and those to be obtained from other forms of investment. An examination of these yields suggests that, apart from long-term government loans, there does not appear to have been a significant difference in the rate of interest between the beginning and the end of the century. The fall in the rate at which the State could borrow, and which occurred in the first three decades of the century, was the result of political developments. The risk of lending decreased as the stability of the Government became increasingly evident. There appears to have been, however, a distinct correlation between movements of the rate of interest and the pace of development in those forms of economic activity which required large amounts of borrowed capital: in enclosure, in improvements of the system of transport and in building. The strength of this money market has undoubtedly been underestimated. It seems that Dutch capital, except perhaps in a few years of war, found employment in the English Funds less from England's need for capital than from a lack of investment opportunities at home. The imperfections of 18th century trade statistics prevent any attempt at assessing the margin between visible exports and imports; but the evidence suggests a growing income from invisible exports. It is certain that both this development and the inflow of foreign money into the funds, together with a growing trade, enabled London to grow rapidly as an international monetary centre after the decade 1720–30.

The London School of Economics.

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