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COMPENSATION—ABOLITION OF SLAVERY.



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[Chancellor of the Exchequer. (Aug. 03, 1835). Compensation-Abolition of Slavery, Rothschild loan, HC Deb 03 August 1835 vol. 30, cc13-24. Hansard, UK Parliament. Reproduced for educational -purposes only. Fair Use relied upon. Source: <https://api.parliament.uk/historic-hansard/commons/1835/aug/03/compensation-abolition-of-slavery>

HC Deb 03 August 1835 vol 30 cc13-24

The Chancellor of the Exchequer said, that perhaps the most convenient way for him to communicate to the House what had recently passed on the subject of the loan for paving the compensation to the slave-owners, would be by moving that the [Compensation Act](#) be read, and that the House do resolve itself into Committee upon it, when he would take the opportunity of making his statement, and moving certain resolutions with a view to carry the money provisions of the Bill into effect. He also moved that a [Copy of the Contract for raising 15,000,000l.](#) under that Act, be laid on the Table.

Copy laid on the Table and read.

Mr. Hume asked whether his right hon. Friend was going to lay any information before the House? If so, he apprehended that the Papers or Resolutions should be printed before calling on a Committee to agree to a Vote on the subject.

The Chancellor of the Exchequer said that his object in going into Committee was, pursuant to notice, to propose a Vote to give effect to such provisions of the contract he had entered into, as required parliamentary sanction. With respect to the loan, it required no confirmation, being contracted according to Act of Parliament, and, as far as that was concerned, his object was to explain to the House the circumstances that attended the negotiations and the conditions under which the loan had been contracted. He believed he was pursuing the usual course in proposing to go into Committee on this occasion.

The House resolved itself into a Committee, and the Act was read.

The Chancellor of the Exchequer confessed that, if it were not for his confident reliance on the kind indulgence of the House, he should feel great difficulty in rising to address it on the present occasion, because he well knew that the details into which he was about to enter, were not of a nature very likely to captivate the attention of hon. Members. But, at the same time, he felt conscious that the transaction in question was one of the most important of the kind which had been laid before Parliament for many years; and he might therefore hope to receive that attention to which individually he had no claim. The House was aware that under the [Slavery Abolition Act](#), which had just been read, there were provisions [enabling the Government to raise, by way of loan, a sum not exceeding 20,000,000l. for the purpose of giving compensation to the owners of slaves in our colonies.](#) The provisions of this Act were seriously discussed at the time when it was passed by the Legislature, and the powers vested in the Government under it, differed materially from those which had been granted to it on all former loans. By former Acts, it was left to the Chancellor of the Exchequer to open negotiations for loans with individual contractors, and he was then to come to Parliament and ask for a recognition and confirmation of the contracts which had received his approbation; but, under the powers conferred by the present Bill, the Legislature intrusted the Government with full authority to contract the loan, only saving the power of Parliament by providing that the loan should be contracted while the Parliament was sitting, and the papers connected with the loan should be forthwith laid on the Table of the House. Acting under the provisions of this Act, it became his province, as soon as he could ascertain the time when it was necessary to make provision for the required sum, to take the necessary steps for effecting a loan. He believed that there were some individuals disposed to censure him for the delay that had occurred in the transaction, and to impute some blame to him for not having taken those steps at an earlier period than, he did; but there were many circumstances that had induced him to postpone to the latest possible moment, the act of entering into a contract for the loan. With those

circumstances, however, it was unnecessary for him to trouble the House. Under the provisions of the Compensation Act, while the Government had full power to raise the 20,000,000l., it was restricted as to the period of entering into the contract, within the limit of the time when Parliament should be sitting; and, therefore, now binding himself in the month of August, he felt compelled to make provision for the maximum amount of the demand to which, under the Compensation Act, the country might be liable from this period till the usual time of the House meeting again. The full amount of the compensation for all the colonies was 20,000,000l., of which sum 2,100,000l. was devoted to the Mauritius, and 1,200,000l. to the Cape of Good Hope; and as neither of these sums could come into course of payment between this and February next, he felt justified in excluding that 3,300,000l. from the loan. There was also a sum of 1,721,000l. apportioned to the island of Barbadoes, to the circumstances connected with which he would call the attention of the House. His hon. Friend the Under Secretary for the Colonial Department, in his admirable statement on the subject of our West Indian Colonies, had informed the House, that the Colonial Act passed by the Legislature of Barbadoes, in pursuance of the Slavery Abolition Bill, was of such a nature that it became necessary to communicate to the Assembly, that in the opinion of the Government its enactments were inadequate and unsatisfactory, and could not be allowed by his Majesty in Council. This being the case, till a new Act was passed by the Colonial Assembly he should not be required to provide compensation for the proprietors of slaves in Barbadoes, but he might be put in that position before long, an act might pass that would be considered adequate and satisfactory, and in that case, if he excluded Barbadoes in contracting the loan on this occasion, and if the colony agreed to such an act as he had described, before the next Session of Parliament, the proprietors in that island would be deprived of their compensation till the re-opening of Parliament. He therefore proposed, not as a part of this contract, but upon a separate Resolution, in compliance with a provision pointed out by a noble Lord not now a Member of the House, to ask the House for power to create a fund representing the amount of the Barbadoes compensation, to be dealt with subject to the orders of the compensation Commissioners. Here then was a sum of 1,700,000l. (speaking in round numbers) which possibly might not be soon required, and adding to this sum the 3,300,000l. awarded to the Cape of Good Hope and the Mauritius, but which could not be wanted before the usual time of the meeting of Parliament, he obtained a gross amount of 5,000,000l., which might be excluded from a consideration in contracting the present loan. He found himself therefore bound to make provision for a sum of 15,000,000l. sterling, but the precise period at which he might be called on to pay it was uncertain. He might be called on to provide a considerable sum in September next. For all claims to compensation which should be unopposed, and for all which being opposed became matter of reference to a court of law, he might be called on to provide at once—in the first case at the desire of the parties, and in the second at the instance of the court; and the public would be liable in both cases to make immediate provision for the demand. Looking at so large an operation as this loan of 15,000,000l., it appeared clear to him that he could only raise such a sum with convenience by distributing it in instalments over a given time; but in taking this course he felt it might happen that the amount of the instalments to be paid might not be sufficient to meet the just claims of the West Indian proprietors at the time, and that they might call for a larger amount of compensation than the contractors would have been bound to furnish. To provide for these two cases—namely, to be enabled to meet the required payments, and at the same time to avoid the inconvenience of raising a large amount of the loan at once, he proposed that where the instalments already paid were not sufficient to meet the demands of the West Indian proprietors, it should be the duty of Government to issue certificates or debentures, bearing interest, and specifically charged on the next instalment of the loan. Those debentures should be payable to the bearer. In fact, they would be bills at thirty-one or sixty-one days, as the case might be, redeemable at the period fixed, and issued so as not to act inconveniently on the Exchequer - bill market. These certificates should be receivable in payment of the instalments of the loan. As the instalments were intended to pay off the debentures, if a party delivered up debentures, it amounted, in point of fact, to a money payment and would not be objected to. He proposed that the instalments should be distributed over a period of time, from the 6th of August till the 13th of September, and they would be so regulated that the larger amounts should be payable at the same time as the greater dividends would be demanded, and the smaller when the amount of money required might be expected to be less. This, he must here remark, was the first loan made under circumstances such as the present, and since the alteration in the currency. This might be said to be the first considerable loan contracted under the new state of the circulation and of the money-market, as it was also the

first loan effected when the price of stock was so high as at present; consequently, if the loan contractor anticipated a fall rather than a rise in the price of stock, it would govern his biddings accordingly. Before he stated the terms of the loan, he must observe, that at the time the tender was made in the money-market he understood, and had reason to believe, that he should have the advantage arising from the competition of two or three parties. It would have gratified him exceedingly to find that there was such competition, for then he should have felt himself free from the responsibility of dealing with one tender only, and if he had been enabled to come down to the House and assure it that the contract was regulated by open competition, it would have been extremely satisfactory. Well, then, the opportunity for such competition was tendered to the public, but it so happened that two out of three parties declined availing themselves of it, and he this day found that **the only tender made was by the house of Rothschild and Co.**, a firm the name of which was a sufficient guarantee to the House. Under such circumstances the only protection he had, as against the contractor, consisted in the terms which he had previously enclosed in his own sealed paper; the form of that proceeding being, that if on receiving the contractor's tender he found it more advantageous to the public than the terms contained in the sealed paper, he was bound to accept it; but if, on the contrary, it proved to be less advantageous, he had the option of declining the tender. He would open his paper on receiving the tender, and if it contained lower terms than the contractor offered, the alternative afforded to that individual consisted in their rejection, if he did not choose to accede to them. He would now tell the House what proposal he had that morning received, the terms which the first Lord of the Treasury and he had previously placed in their sealed paper, and the result of the whole transaction. The closing price of Consols on Saturday was 90½, which gave for the proposed amount of 75l., in money 67l. 17s. 6d.; the three per cents reduced left off at ninety-one, 25l. in which amounted to 22l. 11s.; and the tender by **Messrs. Rothschild** was a long annuity of 14s. 11d. The terms he had proposed in his own sealed paper were a long annuity of 13s. 7d., which, valued in money at the closing price of Saturday—16½%, amounted to 11l. 5s. 9d. Having rejected the proposition of **Mr. Rothschild**, that Gentleman, after considerable deliberation, acceded to his, and on those terms was the loan contracted for. He would now state the exact difference between the one tender and the other. But first he must observe, that in the Act of Parliament under which this loan had been contracted for, there was a limitation on the operations of Government, which, though it had an absolute right to raise a loan which should be **binding on the nation** on being formally completed, was nevertheless restricted to this condition—that the interest payable to the contractor should in no case exceed, by more than 5s. per cent, per annum, the current rate of interest, according to the market price of redeemable securities at the time. At that rate, the maximum amount of interest under the Bill would be 35,760l. per million, or 760l. above the 3½ per cents, as calculated on the average price of Consols during the last six years. The terms on which he had made his proposal, as contained in the sealed paper, differed from the maximum amount of interest provided by the Act, by a sum of 23,613l. a-year, or by a principal sum of 405,535l. The terms proposed by him, and accepted by **Mr. Rothschild**, differed from the terms originally offered by the contractors to the extent of an annual charge of 10,075l., representing a principal sum of 149,233l. It therefore appeared, that the Government had saved, between the tender of **Mr. Rothschild** and the terms contained in the sealed paper 10,075l. a-year, and between the maximum amount of interest allowed by the Act and the actual terms of the loan 23,613l. per annum. At what rate of interest was this loan practically contracted? The money amount was 101l. 18s. 3d., the contractor being entitled on paying up the instalments to a discount; the value of that discount was estimated at 11. 19s. 9d., making a total sum of 103l. 18s. Now the ordinary discount on former loans having been four percent, there never had been a rate of discount so low as that to be allowed on the present loan. In addition to this, take the actual rate of interest on the loan, and compare it with the fairest standard, the average interest of Consols during the last six years, years of peace. He hoped the next six years would be as tranquil as the preceding, and in that case the contractor would reap the full advantage of his bargain. Referring to the last six years—no unfair standard—he found the average interest of Consols to have been 3l. 10s., while the present loan had been contracted for (even with the funds at 90, 90½, and 91) at a rate of interest of from about 3l. 7s. 6d. to 3l. 7s. 8d. per cent. A more advantageous loan had never been contracted, and he could not but expect that the arrangement, would prove satisfactory to the House and the public, seeing the unparalleled low rate of interest to be paid. Comparing the interest payable on this with that paid on other loans, he found the advantages of the present arrangement exceedingly striking. **The interest on the loan contracted in 1812 was 5l. 5s. 7d.; on the first**

loan in 1813, 5l. 10s. 6d.; on the second loan of 1813, 5l. 6s. 2d.; on the loan of 1814, 4l. 12s. 1d.; on that of 1815, 5l. 12s. 4d.; on the loan of 1819, 4l. 5s. 9d.; on that of 1820, 4l. 3s. 3d. and on this loan, no more than 3l. 7s. 6d. More favourable terms than these could not be expected by the House or the country. This rate of interest was to be computed, not exactly as the present charge, because 101,000l. consisted of terminable annuities but the charge for permanent debt was no more than 3l. 7s. 6d. per cent. He had now completed his statement on the subject of this loan, and he congratulated the House that security had been taken which enabled it to see that whenever the Session might close no claim could be made on the justice of Parliament by the West Indian proprietors which the Government would not be in a condition to answer. It was satisfactory to find that, under the present arrangement, every portion of our obligations would be rigidly fulfilled, because no West Indian proprietor could consider that wrong was done to him by paying him in debentures instead of money. He took pride in saying, that the whole operation had been effected, without imposing on the Bank or the Government any species of obligation which had the remotest tendency to disturb the circulation of the country. In carrying into effect similar objects heretofore, arrangements had been, perhaps necessarily, made with the Bank to facilitate the payment of instalments under loans. But here, though the rate of interest did not exceed 3l. 7s. 6d. or 3l. 7s. 8d., no obligation to take in the omnium was imposed on the Bank, and the management of its concerns was left to its own unfettered discretion. He hoped the House would not have wished, even if he could have reduced the terms of the loan, that the operation should have been effected at the hazard of causing embarrassment to the circulation of the country, or at the risk of exposing the Bank to the necessity of making an undue issue of paper at a time when it might not be disposed to take that course. He had now explained to the House the plan he had taken; but the means he intended to pursue with regard to a provision for past interests required further explanation. The Resolutions which he was about to propose would be reported to the House, and afterwards printed, so that they would be completely known. His noble Friend (Lord Althorp), in the statement which he made with respect to his plan for providing for the interest on the West Indian loan, assumed the maximum of the amount that would be required, and stated that he would make a reserve of 800,000l. This would have carried the interest up to four per cent, deducting the expenses to be incurred. But his noble Friend had never pledged himself, nor was he in a position to pledge himself, with respect to the amount of interest that would be due; yet, because he had stated that the maximum of the sum required would be four per cent, some individuals had mistakenly assumed that this was in fact the minimum, and that there was an obligation on his noble Friend with respect to the rate of interest to be hereafter paid. No such thing ever occurred. His noble Friend was not pledged either as to the amount of interest, nor as to the period when that interest was to begin. In order to decide the latter point, it behoved the House to inquire on what ground this charge became payable. It was payable as a compensation for loss sustained under the Slavery Abolition Bill. When, he would ask, did that loss arise by the alteration in our colonial system? The answer was on the 1st of August, 1834; consequently, in justice, the House was bound to provide interest for the West Indian proprietors from that day. His Resolution would affirm that proposition. But they must next inquire what should be the rate of interest? At first he was inclined to propose fixing it at what might not have seemed unreasonable—the rate of interest on Exchequer Bills. On reflection, however, he considered that this might press too heavily on the slave-owners, and therefore, he proposed that it should be paid in accordance with the rate of interest chargeable for the present loan, and he should call on the House to allow this rate of interest, from the 1st of August, 1834. By the Abolition Act it was provided, that the expenses of the Compensation Commissioners at home and abroad should be deducted out of the sum available as compensation to the West Indian proprietors. The principal sum had been apportioned among the colonies, and a table, fixing their respective proportions, having been approved of by the King in Council, had been published and sent out to the colonies. If, therefore, he could get the means of paying these expenses without disturbing this order, he thought it would be more satisfactory to the colonists than if he made a rateable deduction from the amount fixed by the order of apportionment. He proposed, with this view, to raise a sum payable out of the interest due from the 1st of August to meet the whole expenses of the Compensation Commissioners, and he estimated that sum at 150,000l. He had now stated the two points to which he referred at the outset; he had explained the terms on which the loan had been contracted, and the precautions taken to make the contract advantageous to the country. He had compared the interest payable with the interest on former loans—with the interest of the three per cents, on an average of the last six years—and on all these points he had shown that the loan had been effected on advantageous

terms, while the operation exposed the circulation of the country to no risk and imposed no undue obligations on the Bank. He had explained that in the proposition he made was contemplated the payment of interest to the West Indian proprietors, from the 1st of August, 1834, up to the period of their payment out of this loan. He knew not whether he had had the good fortune to make his statement clear and intelligible to the House, but knowing the difficulty of the subject, he had endeavoured to be as simple and explicit as he could. He thought himself warranted in saying that this loan possessed two characteristics, which no loan ever before had. He had provided for the payment of the interest after the reduction of a vast amount of taxation without looking to any increase of the burthens of the country. It was also to be observed, that this loan had not been contracted for the purposes of national defence, or to gratify our ambition abroad, but with a view to carry into effect at once a great object, long desired by the friends of humanity in this and other countries. In doing that it was above all things necessary to preserve a due regard for the interests of parties, in a particular species of property which had been created by our laws rather than by their own, and was the creature of English encouragement rather than the production of the colonies. Such being the case, England was justly called on to make compensation for destroying interests which it had itself created, more especially at a time when he trusted he might venture to say, the great experiment undertaken under the care and superintendence of his noble Friend had already exceeded in the favourable results by which it was attended the expectations of the most sanguine—a matter that was the more deserving of congratulation at a period when the state of our colonies had been a subject of deep anxiety. In conclusion, the right hon. Gentleman begged leave to move the **two following Resolutions:**—"That the Commissioners of his Treasury be authorized to direct the payment, out of the Consolidated Fund of the United Kingdom of Great Britain and Ireland, of a sum sufficient to pay to the owners of slaves entitled to compensation in pursuance of the Act for the Abolition of Slavery, interest on the amount of their respective compensations, not exceeding 3l. 7s. 9d. per cent, from the 1st day of August, 1834, to the time when the amount of such compensation shall be awarded, after deducting thereout the expenses which may have been or may be incurred in the execution of the said Act." "That Bank Annuities equal to the sum of 1,721,345l. 19s. 7d. sterling, shall be placed in the books of the Governor and Company of the Bank of England, in the names of the Commissioners for the Reduction of the National Debt, to be applied in payment of the compensation to the owners of slaves in the island of Barbadoes, on the terms and conditions specified in the Act for the Abolition of Slavery, which sum shall be added to, and shall form part of, such Bank Annuities, and the interest thereon shall be charged upon and paid out of the Consolidated Fund of the United Kingdom of Great Britain and Ireland." He must explain that the variance between the terms of the first Resolution and his statement of the rate of interest arose from the difference between the charge of the loan as actually contracted, and supposing it contracted wholly in perpetual annuities. To explain this accurately to the House, required certain abstruse calculations to be made, in order to ascertain the precise rate of interest which were not yet completed, and therefore in the Resolution the rate of interest had been taken at the highest possible sum, 3l. 7s. 9d., but he had every reason to expect it would not exceed the amount mentioned in his speech,—namely, 3l. 7s. 6d.

The Question having been put,

Mr. Hume complained of the nature of the transaction, as far as he could understand it. His right hon. Friend had contracted a loan of fifteen millions, for which he gave 100l. Stock, and 11l. 5s. 10d. Long Annuities; so that in point of fact he gave 111l. 5s. 10d. for every 100l.; with this difference only, that 100l. of that sum was paid in Stock. The goodness of the bargain depended upon the fact, whether the three per cents, should be at par or not. His right hon. Friend thought, that they would not be at par for several years; and his (Mr. Hume's) expectation was, that they very soon would be at par, in which case the contractor would have a great advantage. He would have preferred a more simple system of making the loan. He would have preferred if the Chancellor of the Exchequer had said to the contractor, "I want 100l. say what rate you can give it at?" and whatever the rate on which it was borrowed was, it might be reduced to 3½ per cent. Whether the loan was profitable or not, depended entirely upon the rise or fall of Stocks. He did not think that the loan was either so simple or so favourable as might have been obtained. He was not disposed to think that it was a favourable loan, considering the present state of the Money Market.

The Chancellor of the Exchequer was rather disappointed to find that the terms of the loan did not give satisfaction to his hon. Friend, but he hoped that on consideration it would appear more and more satisfactory to him. He was expressly precluded from the arrangement proposed by his hon. Friend, by the provisions of the Act itself, to borrow a part of the sum by way of annuity. He was rejoiced however, to find that his hon. Friend objected to the terms of the loan on the grounds of the flourishing state of the country, in which he was very happy to agree with him. His hon. Friend had objected to the annuity system, and said he could have contracted the loan entirely in stock; but the effect of that was, to prevent this loan becoming to that extent a permanent burden on the resources of the country.

AN HON. MEMBER observed, that he could not help congratulating the country on the good state of public credit, as exemplified in the terms on which this loan had been effected. If any insidious measure for tampering with the currency had ever been listened to by Parliament, most assuredly a large loan like that now proposed could not have been effected on the terms stated by the right hon. Chancellor of the Exchequer. The present loan differed from all others; all former loans had been raised for the purpose of carrying on war, the present, however, had been effected for the purposes of humanity, and for removing a foul blot on the nation.

Mr. Thomas Attwood remarked, that at present there were four millions of gold and one million of silver disposable in the Bank of England. He wished to learn from the right hon. Gentleman whether this loan of fifteen millions was to be paid in paper money or in gold, and if in gold where it was to come from.

The Resolutions were agreed to, and the House resumed.