

SOME POTENTIAL LESSONS FROM THE BRITISH FINANCIAL SECTOR'S ROLE IN PERPETUATING AND ENDING CHATTEL SLAVERY

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Introduction

Both the transatlantic slave trade and the wider slave economy, which the slave trade supplied, were capital-intensive and credit-intensive businesses, and the British financial sector was intimately entangled with this transatlantic slave system for two centuries. Such historic entanglement has both parallels to and differences from the relationships today of global, national and local financial institutions with “modern slavery”. This piece seeks to summarize the key features of the British financial sector’s role in perpetuating and ending chattel slavery—in which a person is formally recognized by the law as property—and to suggest some points of contrast and comparison with contemporary campaigns around the international financial sector in the context of modern slavery.

Background

Britain was a late but important participant in the slave trade and the slave economy. Portugal had developed a slave-sugar complex in its near-Atlantic possessions as early as the 15th century. Within 20 years of Columbus’s arrival in the Americas, Spain was shipping enslaved Africans to its new possessions. Although John Hawkins famously undertook several slave-trading voyages with royal authority in the mid-16th century, Britain’s substantive involvement in the slave economy began in the 17th century. Britain’s first Atlantic colony was founded at Jamestown in 1607, followed by the seizure or settlement of St Kitts, Nevis and Barbados in the 1620s, Antigua and Montserrat in the 1630s and—crucially—Jamaica in 1655. Initially, these colonies were worked by a combination of white indentured labour and enslaved Africans producing a variety of crops, but by the closing decades of the 17th century field labour had become the exclusive province of enslaved Africans, and sugar had become the major commodity.

A second wave of expansion of the British colonial slave system took place in 1763 with the seizure of the Ceded and Neutral Islands (Grenada, St Vincent, Dominica and Tobago) from France. A third and final wave took place between 1798 and 1815, during and after the wars against Revolutionary and Napoleonic France and its allies. In the Caribbean, Britain seized St Lucia from the French, Demerara, Essequibo and Berbice (later British Guiana) from the Dutch and Trinidad from the Spanish. In the Indian Ocean, it took Mauritius from France and the Cape of Good Hope from the Dutch.

In the 18th century, in order to supply its expanding slave empire and to exploit commercial opportunities in supplying enslaved people to the colonies of other European powers, Britain became the leading slave trading power, responsible for over 40 per cent of the movement of enslaved Africans across the Atlantic.

The British slave trade was led initially by merchants in London in the late 17th century, then in Bristol in the 1720s and 1730s, before Liverpool became the dominant British slave port until the abolition of the British slave trade in 1807. In aggregate, Britain was responsible for the shipping of more than 3 million enslaved people out of a total of at least 12 million people known to have been forcibly moved between the beginning of the transatlantic trade in the early 1500s and its eventual international extinction in the 1860s.

It is important to recognize that slavery was a colonial phenomenon. Chattel slavery did not exist in Britain as a social and legal institution. This is not to deny the existence of people of African descent living in states of unfreedom in Britain. Thousands of African individuals were brought to Britain in the 17th and 18th centuries, and evidence exists both for their self-liberation and for their purchase and sale. But their status was ambiguous under the common law, and after 1772 enslaved people brought to Britain could not legally be forced to leave Britain to be re-enslaved in the colonies. In the colonies, by contrast, slavery was sanctioned by the British state, which supported it militarily, fiscally and legally.

Most important in terms of state support was the protection offered to sugar grown in the British colonies through differential import duties, effectively excluding sugar produced by colonial rivals from the British market. As a corollary, Britain discouraged or prohibited manufacturing and processing of raw materials in the colonies, instead seeking to restrict value-added activity to metropolitan centres. Slavery was thus embedded in the wider series of protective trade arrangements labelled as "mercantilism" or the "colonial system", which progressively came under pressure as Britain's emerging leadership in manufacturing as the first industrial nation drove it towards the gradual adoption of free trade in the first half of the 19th century.

Finally, it is also important to register that what was abolished in 1807 was the slave trade; slavery itself continued in the British colonies and was brought to an end only by the 1833 Abolition Act, under which enslaved people finally became free in 1838.

The role of the British financial sector in the slave trade and in chattel slavery

Britain's involvement in colonial slavery between the late 17th and the early 19th century coincided precisely with the financial and commercial revolution that was a prelude to industrialization and to the birth of the first urban society. There is continued controversy about the importance of slavery to this transformation of the British financial sector, but there is no debate about the importance of the British financial sector to the development of the slave trade and to colonial slavery.

The "triangular trade" depended on long-term credit. There was little specie available in the British West Indies, whereas the Indian and Asian trade was often bullion-based. There could be an 18-24 month interval between equipping and despatching a ship to West Africa, where it loaded enslaved people in exchange for 'trade-goods' (metalware, guns, textiles, beads) before sailing to the West Indies and offloading the survivors, and its arrival home with tropical produce or in ballast.

There were two series of bills of exchange fundamental to this system: bills issued by the slave factors (wholesalers) in the Caribbean to the slave-ship captains and bills issued by the 'planters' to the slave factors. Both were ultimately drawn upon merchant houses in Britain, increasingly on London houses which acted as consignees for the sugar. Consignees offered slave owners both credit and a selling function in marketing sugar on a commission basis (the price-risk remained with the slave owner). This was a capital-intensive business since duty was paid by the importing merchant on the sugar at entry.

The West India merchants in the City of London, the financial centre of London, were few but were among the largest firms operating. They were accordingly disproportionately represented in the commanding heights of the City of London, among Governor and Director of the Bank of England. They did not, however, dominate local city politics. While some merchants featured among Lord Mayors and Aldermen, the thrust of their political efforts appeared to be at the national level. A minority of the merchants in the West India trade moved away from trade in physical commodities and evolved towards merchant banking in a more recognizable modern form.

A second circuit of credit was in the financing of estates and enslaved people through mortgages. The sophistication of the Dutch financiers in Amsterdam, who raised investment pools to buy or advance mortgages in Demerara, Essequibo and Berbice, was not commonly replicated by the British, for whom loan arrangements were typically bilateral. Mortgages typically covered both land and the enslaved people whose labour gave value to the land. Mortgage deeds often carried lists specifying the enslaved people who were

encompassed by the mortgage, including the unborn children of the enslaved women (enslaved people added subsequently by purchase were outside the scope of the mortgage, although the mortgage sometimes included a commitment to maintain a minimum labour force on the plantation). The mortgages arose in several distinct ways.

First, slave owners entering into slave ownership for the first time or expanding their slave ownership often required capital. Vendors of existing estates—and the enslaved people attached to them—often took back mortgages from the buyers, who paid only a fraction in cash upfront, and this vendor financing was sometimes assumed by merchants in Britain. But new estates required new capital. In the Ceded and Neutral Islands after 1763, a speculative frenzy drew in new players, and very substantial amounts of capital were mobilized in Britain to fund the expansion. In 1772, for example, in a rare example of collective investment, the Bank of England director Peter Thellusson and his partner John Cossart “coordinated” 16 individuals and 19 annuity bonds to raise £12,855 loaned to Peter and Marie Fournillier to develop the Bacolet estate on Grenada.

Such mortgages also arose when credit on open account from London merchants reached levels that caused sufficient concern to trigger demands for security. Baring Brothers advanced more than £80,000—about one-third of the firm’s estimated capital in the 1820s—to a single slave owner, Wolfert Katz in Berbice, and secured it on mortgage. At the time of compensation, Katz contested the validity of the mortgage, but fortunately for Barings, Katz died before litigation was fully underway and the Barings partners prevailed upon his widow to cede the compensation to them.

Thirdly, slave owners accelerated consumption by borrowing against their estates and enslaved people to finance conspicuous consumption in Britain or to fund the next generation of dependents through legacies and annuities secured on their estates. James Evan Baillie and Hugh Duncan Baillie, partners in the Bristol Old Bank (a predecessor of Royal Bank of Scotland through the latter’s absorption of National Westminster Bank), were mortgagees and assignees of a legacy secured on the Revolution Hall estate in Grenada and the enslaved people attached to it. In his will made in 1793, William Smith, the owner, had charged on Revolution Hall one-third of his total bequest of annuities of £1200 per annum to his widow, his sister and the mother of his “natural children”, and legacies of £2000 to each to his children and grandchildren.

There was a risk premium on “West India credit”. While domestic interest rates were capped at 5 per cent under usury laws, “colonial interest” of 6 per cent was permissible (government stock generally yielded 3 or 3.5 per cent in this period). Compound interest was prohibited, but lenders often surmounted this by making advances for one year at simple interest and then rolling over the interest and principal into the next year.

The insurance sector in Britain was connected in several ways with the slave economy. In contrast to the US, there is no evidence of life insurance contracts covering enslaved people (collective insurance pools in Britain appear to have evolved after the end of slavery). But within marine insurance the insurance of slave ships and of “West India men” carrying produce to Britain was an important line of business. Estimates indicate that between 40 and 65 per cent of the marine insurance premium income of London Assurance (with Sun Alliance and Lloyd’s one of the three marine insurers of the 18th century) came from the slave trade and West India shipping. Fire insurance in Britain was stimulated by the sugar-refining industry: the Phoenix, one of the largest insurance companies in the UK, was founded by London sugar-refiners in 1782.

The British state was prepared to intervene—and did—in the event of what would now be called market failure. In 1795, in the wake of disruption from warfare in Grenada, the merchants and planters of Grenada and St Vincent benefited from emergency Exchequer Loans from the British state totalling £1.6 million. The state made further provision, for example in response to volcanic eruption on St Vincent in 1811 and to hurricane damage in the British Caribbean in the early 1830s.

The politicization of slavery

Individuals in Britain had been hostile to slavery since the inception of the slave system. However, abolitionism only became a politically significant movement in the late 1780s, in the aftermath of the loss of the American colonies. Between 1787 and 1792, mass mobilization in Britain against the slave trade occurred, combining extra-parliamentary action in the form of petitioning with a Parliamentary strategy focused on the House of Commons. However, the outbreak of war against France and the revolution in St Domingue (Haiti) derailed agitation for the abolition of the slave trade. William Wilberforce, a leader of the abolitionist movement, persevered throughout the late 1790s and early 1800s, presenting annual bills to the House of Commons that were routinely defeated. In 1806-1807, however, a new Whig government and a short-term crisis in the sugar economy after over-expansion in the 1790s led to the abolition of the overseas slave trade and then the slave trade to British colonies themselves.

Slavery then largely went off the political agenda for the subsequent 15 years, with flurries of activity around the threat of a renewed French slave trade in 1814-1815 and around the debates over registration of enslaved people through triennial censuses between 1813-1817. Abolition was revived as a Parliamentary and extra-Parliamentary cause in 1823, when the focus shifted from abolition to mitigation of slavery. By the early 1830s, it had become clear that slavery would not be reformed. An uprising by enslaved people in Jamaica on Christmas 1831 (Sam Sharpe’s Rebellion or the Baptist War) brought home to the political nation that increasing violence was likely to be necessary to sustain the system in the face of a

resistant enslaved population. In the first election to the Reformed Parliament of 1832, more than 100 Members of Parliament were elected having pledged themselves to abolition. In 1833, negotiations began in earnest over measures for the end of slavery, the final Act taking the form of a 4- to 6-year “Apprenticeship” period for the enslaved people and £20 million in compensation to the slave owners.

Reactions by financial sector actors to the growing stigmatization of slavery

Some financial sector actors responded to the growing stigmatization of slavery by completely withdrawing or divesting, others partially withdrew from certain activities or sectors and reducing their overall exposure, while others increased their activity to meet opportunities left by others.

Complete withdrawal or divestment was a rare phenomenon. It has been suggested that in Bristol the commercial elites retreated from slave trading around 1740, contributing to the loss of Bristol’s leadership in the slave trade, although the city’s elite remained heavily committed to the sugar trade and to the financing of West India estates.

One of the few known withdrawals from direct slave ownership was by David Barclay, who moved 30 enslaved people from the Unity Valley estate in Jamaica and resettled them in Philadelphia in 1795. The estate had been repossessed by David and his brother around 1785.

Other bankers appeared caught in inaction. William Alers Hankey, whose family bank was a predecessor of Royal Bank Scotland and who had become the owner of the Arcadia estate in Jamaica, agonized over his slave ownership in 1832—saying “I am an enemy to slavery in the abstract”—but could find no solution to his ownership. Elsewhere, the operation of distance and the abstraction of credit instruments separated British institutions from slavery. Abolitionist bankers could and did hold mortgages and other instruments secured on estates and enslaved people. Henry Alexander was a Quaker and partner in Messrs. Alexander & Co, Ipswich bankers, who unsuccessfully counterclaimed as assignee of an annuity of £200 on New Montpelier Estate in St James, Jamaica with his father Dykes Alexander junior and his uncle Samuel Alexander. Henry Alexander founded and funded the Girl’s Free School of Industry in Ipswich. When his brother Richard Dykes Alexander made some land in Ipswich available for development in the 1850s he stipulated that some of the streets should be named after leading abolitionists.

There is little evidence of British financial institutions actively reducing their exposure to the slave economy for economic reasons. Perceptions of increased risk and decline in the value of “West India property” in the 1820s discouraged financial institutions from advancing new credit in long-established colonies such as Jamaica or St Kitts, in turn accelerating the depreciation of West India property—both the land and the enslaved people—but those very conditions made it harder to reduce old credit exposures.

At the other end of the spectrum, in the aftermath of the abolition of the slave trade, a group of merchants and financiers based primarily in Liverpool and to an extent in Glasgow invested heavily in the new sugar frontiers of British Guiana (formed from the former Dutch colonies of Demerara, Berbice and Essequibo). John Gladstone, a director of the Royal Bank of Scotland and the father of Prime Minister W.E. Gladstone, was the most prominent of these entrepreneurial financiers, defending slavery in the face of the abolitionist assaults of the 1820s.

The role of the financial sector in the abolition of slavery

In the early 1830s, as abolition became more likely, segments of the City of London mobilized to protect their interests. The argument that slavery was systemically important, and that an unmanaged collapse in the wake of abolition would jeopardize the financial system as a whole, gained traction—the “too big to fail” argument. The collapse in 1831 of the London West India merchant firm of Manning & Anderdon had shaken the banking system. Smith, Payne & Smith, a predecessor firm of the Royal Bank of Scotland, was a major creditor of Manning & Anderdon, and was rocked by its failure.

The calls for compensated emancipation advanced by the slave owners themselves in the 1820s were taken up in the early 1830s by financiers, not only those directly exposed but also by other voices concerned with systemic stability. They argued that the state should provide funding to cushion the impact of ending of slavery to avoid a disorderly collapse of the structure of credit on which much of the slave economy depended and to which many British institutions were exposed or over-exposed. Against this background, the British government and representatives of the slave owners negotiated a package of measures to navigate from slavery to emancipation, reaching an initial agreement for £15 million in cash compensation to the slave owners and a 12-year period of ‘Apprenticeship’ in which enslaved people were to work unpaid for 45 hours per week for their former owners. Opposition from representatives of the abolitionists led to a shortening of the period of apprenticeship to four years for domestic workers and six years for field labourers and,

as an offset to the value of the enforced labour forgone through the shorter period of apprenticeship, an increase in compensation to £20 million. No financial provision was made for the enslaved people: with the exception of a handful of radical abolitionists, the possibility for compensation for the enslaved people was not raised within the debates over the structure of emancipation.

The £20 million was a significant amount for Britain in the 1830s, which was still highly-indebted in the aftermath of the wars against Revolutionary and Napoleonic France. It was equivalent to 40 per cent of annual central government expenditure (at a time of course when the central government did far fewer things than today) and 6 per cent of gross domestic product. To those opposed to slavery, it represented, among other things, an act of national atonement for Britain's past complicity. For the slave owners, it represented a partial socialization for the cost of emancipation. And to the unaligned political nation and to 'the City' it represented a bail-out of the creditors of the slave system and an avoidance of a contagious financial crisis.

The financing of the £20 million compensation required a major market operation. Tenders were solicited by the British government in the summer of 1835. N.M. Rothschild and Moses Montefiore led the syndicate that underwrote £15 million of new government stock, the only syndicate submit a bid. There was commentary in the financial press at the time over the withdrawal of rival syndicates, and a political row over whether the terms of the new securities had been accurately presented by the Chancellor of the Exchequer to the House of Commons, but this large-scale financial operation cleared the path to pay out those with financial claims on the enslaved people, as owners, mortgagees, judgment creditors or legatees and annuitants secured on the estates and enslaved people (as was customary under the wills of slave owners for their dependents, mostly but not exclusively female). In an extraordinary exercise by the British state, the vast bulk of the compensation awards had been made to 46,000 slave owners around the world by 1838.

Following the end of slavery, financial sector firms followed one of three strategies in relation to the former slave colonies. Some simply continued as before. Many of these firms were affected by the crisis of the late 1840s, when Britain withdrew protection for its own colonial sugar and began to admit sugar from lower-cost producers in Brazil and Cuba on equal terms. Others turned their back on the Caribbean, seeking to deploy or redeploy financial resources and human (managerial) capital from the former slave colonies into other areas of the world, notably the white settler colonies of Australia, New Zealand, Canada and the Cape. A third group embraced the new post-emancipation world and pursued capital-intensive investments in production using indentured labour from South Asia. This induced a new large-scale movement of people that transformed the social and ethnic mix of Guyana (then British Guiana) and Trinidad in particular in the Caribbean, as well as Mauritius in the Indian Ocean.

The purchase of enslaved people by British subjects was made illegal anywhere in the world in 1842. However, trading and financing of slave-grown commodities was not made unlawful, and British merchants and merchant-banks remained active in a number of slave economies, notably Brazil, Cuba and the southern states of the US. The investment bank Kleinwort Benson had one strand of its origins in Cuban tobacco trading. But it was slave-grown cotton from the southern US states that fuelled both the industrialization of Lancashire and the concomitant rise of a financial intermediary sector of cotton brokers and merchant-bankers serving both British firms and American slave owners. The entanglement of Britain's financial sector in transatlantic slavery thus survived Britain's abolition of its own slave system.

Potential Implications

There are several precedents from Britain's financial sector relationship with colonial slavery and its abolition that might help to illuminate current campaigns against modern slavery.

First, implicit in the term modern slavery is the promise of the potential for abolition; the phrase deliberately evokes histories of chattel slavery and its abolition (and represents a variety of practices as a single phenomenon). But it is important to recognize that British colonial slavery was not illegal, but was a specific legally-sanctioned institution, whereas modern slavery in some of its manifestations is illegal (or dependent on illegal acts) and in others is constituted by relationships of exploitation that are not susceptible to legal fiat but are deeply embedded in systemic inequalities.

Abolition of chattel slavery was effected first by legal enactment and then by enforcement, but the consequences of the slave system did not disappear with its legal abolition; the dual challenge of combatting modern slavery is enforcement in some cases and its protean nature in others. The experience of the period after emancipation, especially after 1842 (when buying or selling enslaved people anywhere in the world became a felony for British subjects), is a more direct parallel to those parts of modern slavery that are illegal or depend on illegal acts.

A second difference is that the actual or potential role of shareholder pressure was not especially relevant to the abolition of British colonial slavery. Joint-stock companies were a phenomenon of the 1820s and 1830s, in the last years of slavery. Prior to that, the modal form of participation was through partnerships. Public pressure was exerted on partners in firms as individual slave owners, especially by the *Antislavery Monthly Reporter* in the 1820s and early 1830s, but not on firms or institutions as such. The boycott movement of the 1790s was aimed at slave-grown sugar, not at the financial institutions that funded the slave system.

The first point of similarity is that financial institutions were rational players but that their rationality was bounded by their experience and expertise. There was a stickiness to their engagement with slavery. From our vantage point, we tend to see the end of slavery as inevitable, and the financial system as heading inexorably towards a crisis if slavery ended in an unmediated fashion. As the financial—as opposed to moral—risk of financing slavery increased, financial institutions generally held on rather than got out. Abolition happened when the system was under undoubted financial pressure, when the slave system was in decline, not because financial institutions withdrew from it, but because industrialisation and urbanisation had created new opportunities. As the British economy grew and diversified, slavery simply became less important to its present and future wealth.

The second parallel is the moral separation that financial instruments create between subject and object. Colonial slavery was physically distant from Britain. It came home in many different ways, through texts and accounts, people (both enslavers and enslaved or formerly enslaved people), commodities, and financial instruments such as bills of exchange, mortgages, and settlements and annuities secured on the estates and enslaved people.

The financial structures helped further insulate the financial sector in Britain from the immediacy of involvement in slavery. Even within such structures, the degrees of separation could suddenly shrink. Smith, Payne & Smith had impeccable Evangelical credentials and its partners were intimately tied by marriage to the Wilberforce family, yet by the collapse of its debtor Manning & Anderdon in 1831, Smith, Payne and Smith itself became directly both owner and mortgagee of hundreds of enslaved people in the Caribbean. Nevertheless, the re-inscription of enslaved people as ledger entries further distanced the violence and cruelty of the slave system and displaced the experiences of enslaved individuals.

The third point of comparison is that slavery and the anti-slavery movement were international phenomena. Chattel slavery was a global system structured by nation-states but which transcended them. Financial institutions could and did migrate to different forms of engagement with slavery as it was progressively eliminated within the British empire.

The fourth lesson is the resilience of the British slave system and of its supporters. More than half a century elapsed between the emergence of political abolitionism in the 1780s and the end of slavery and apprenticeship in 1838. Popular and political pressure was not consistently applied in this period: there were ebbs and flows in the salience of slavery as a political issue. Nor was there consistency as to the objective. There were extended attempts to reform the slave system rather than abolish it, both in relation to the slave trade (with new regulations passed in the late 1780s, including Dolben's Act of 1788) and to slavery itself (a programme of amelioration was adopted by the British Parliament in Canning's Resolutions of 1823). But only with the clear knowledge that reform had failed did the focus shift from improvement to extinction. And

the capacity and willingness of the abolitionists and the enslaved people themselves to sustain struggles over decades was critical in keeping the abolitionist flame alive in periods of unfavourable political conjuncture.

The fifth and final aspect of British colonial slavery is the compensated nature of its abolition. A form of property was outlawed—expropriated, in the view of the slave owners and mortgagees—and in exchange the state organized transfer payments from the taxpayers in Britain to the former owners, many of whom lived in the colonies. The compensation appears critical in bringing the absentee owners and financiers (those who lived in Britain, and faced the pressure of anti-slavery sentiment most directly) to acquiescence in the end of slavery. Once this group of slave owners had ceded the principle of abolition, the space for the slave owners resident in the colonies to oppose it was significantly diminished. Peaceful abolition, rather than abolition through revolution by the enslaved people as in St Domingue or by civil war as in the US, was achieved through compensation, not of victims of the system, but of perpetrators.

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