

# Amsterdam and the Atlantic Revolutions: How Dutch High Finance Navigated the Economic and Political Crises of the Revolutionary Era.

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## Statement of Research

This paper explores how the Amsterdam capital market and Amsterdam banking houses navigated the political and economic crises of the late eighteenth and early nineteenth century, the Atlantic Revolutions. Rather than view this era as a shock that paralysed Dutch high finance, leading to the demise of the Amsterdam capital market, this paper proposes that Amsterdam financiers seized on new opportunities unleashed by France's wars, leading to a small book, European financial integration and the diffusion of the Amsterdam model of capital mobilisation.

## Sources & Methodology

Traditionally, the changes to the Amsterdam capital market and Amsterdam high finance are studied from an Anglo-centric and post-Napoleonic perspective. This research studies the changes to Amsterdam chronologically, starting in 1795, and from the perspective of Amsterdam and Amsterdam financiers. The research relies principally on the archives of Amsterdam banking houses which are deposited in the City Archives of Amsterdam. By far the most useful archive has been that of Hope & Co.<sup>1</sup> Because of the intertwinedness with Baring of London, the archives of the latter have been consulted extensively too.<sup>2</sup> These private archives have been complemented with the archives of the Amsterdam city council<sup>3</sup> and with the archives of the Dutch Ministry of Finance, because of their proclivity to keep track of the happenings of the Amsterdam capital market.<sup>4</sup> Select foreign archives have been consulted for purposes of corroboration.<sup>5</sup>

The topic shall be approached through two case studies, a study of French resource extraction in the Netherlands, 1795-1806 and a study of the financing of the sale of Louisiana.<sup>6</sup>

## Theses

1. Amsterdam high finance adopted to the new economic realities by financing France's war effort, principally from 1803 to 1814.
2. Amsterdam's financing of France's wars at a time when the informal and formal political boundaries of France expanded to encompass much of Europe produced a high degree of European financial integration leading to a diffusion of Amsterdam methods for capital mobilisation. Both the London capital market and the Paris capital market have roots in the Amsterdam capital market, 1795-1815.
3. The decline of the Amsterdam market for international government finance, 1795-1815 was not a linear process, but due to the alignment of Amsterdam financial interests with the interests of a belligerent France, there was a boom in international lending activity before the decline post-Napoleon.

## Historical Context

This period is defined by two events. First, the Atlantic Revolutions, or the democratic revolutions, or imperial revival – the event has various names, but it refers to the political upheaval that swept large parts of the globe and which destroyed old conceptions of political organisation in favour of new ideas on sovereignty, legitimacy, the social contract, etc.<sup>7</sup> In the constellation of revolutionary states, arguably

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<sup>1</sup> The Netherlands, Stadsarchief Amsterdam [NL-SA], 735, *Archief van de Firma Hope & co. met verwante archiefvormers*.

<sup>2</sup> United Kingdom, The Baring Archives [UK-BA], Np1.A, *Northbrook Business Papers*, 4.

<sup>3</sup> NL-SA, 5053, *Inventaris van het Archief van het Nieuw Stedelijk Bestuur*.

<sup>4</sup> The Netherlands, National Archief [NL-NA], 2.01.21, *Inventaris van de archieven van het Ministerie van Financiën, 1798-1813*.

<sup>5</sup> France, Archives des Affaires étrangères FR-AE, Correspondence politique, Hollande (CPH) and Correspondence politique, Hollande, Supplément (CPHS); France, Archives nationales FR-NA, Papiers Sieyès, 284AP/9-10; United States of America, Library of Congress, Manuscript Division USA-LoC, *Louisiana Miscellany* [LM].

<sup>6</sup> M.E. Hay, 'Making War Pay for War? Napoleon and the Dutch War Subsidy, 1795-1806,' *Low Countries Journal of Social and Economic History* 17/2 (2020), 55-82; M.E. Hay, 'Batavian Allies: The Dutch Contribution to Financing the Napoleonic Wars: a Response to Pierre Branda's "Did War Pay for War?"', *Napoleonica. La Revue* 40/2 (Dec., 2021), 32-51; M.E. Hay, *Financing the Louisiana Purchase: Amsterdam, London and the Migration of International Finance in the Age of the Atlantic Revolutions* (under contract with Palgrave Macmillan).

<sup>7</sup> R. R. Palmer, *The Age of the Democratic Revolution* (2 vols., Princeton: Princeton University Press, 1959; 1964); Jacques Godechot, *La Grande Nation. L'expansion révolutionnaire de la France dans le monde, 1789-1799* (2 vols., Paris: Aubier, 1956). R. Palmer and J.

France was the most important. This is because of the second event that defined this period, the rise of Napoleon Bonaparte. The French Revolution was a tumultuous period of French history, with many different factions setting up different regimes. Napoleon stands out because he tamed the Revolution and consolidated his regime.<sup>8</sup> Napoleon did so exporting France's revolutionary turmoil to abroad – the Napoleonic wars. Of course, by doing so, he internationalised what had been until that time a series of interconnected domestic revolutions. It was no longer about defending new political ideas, but about constructing a new international order altogether.

The Revolutionary and Napoleonic era is recognised as a watershed in European history, and it attracts a lot of academic interest, but most of it is focused on politics – the new political culture that emerged and how this affected the European and global order and the security architecture of Europe.<sup>9</sup> This paper is concerned with the economic dimensions of the crises of the Atlantic Revolutions. In terms of economics, the period was very disruptive on three levels:

- Domestic. In the first place, it meant a shift from peace time economy to war time economy, and in the age of total war, this meant a total mobilisation of resources for war. This had a great impact on the public finances of the belligerents: there was much fiscal reform to increase taxes, public debt boomed, and new ways of financing debt emerged.
- Continental. Two political rival blocs were formed: the Revolutionary powers centred on France and the defenders of the old order, Austria, Britain, Russia, Prussia and their allies. As alliances hardened, these blocs started to build their exclusive economic spheres: blockades and counter-blockades were imposed, tariffs and non-tariff barriers put in place, and there was economic re-orientation and reconstruction with an emphasis on self-sufficiency.
- Global. Deglobalisation as a result of the disruption of established commercial networks, and a European disengagement from the world, most notably the Americas.

The economic history of the Revolutionary and Napoleonic era could raise a number of interesting questions. I am interested in Amsterdam, so Amsterdam high finance (the actor) and the Amsterdam capital market (the structure). So, how did Amsterdam weather the storm that was the crisis of the Atlantic Revolution?

### **The Amsterdam Capital Market**

In the late eighteenth century, the Amsterdam capital market stood the pinnacle of the international financial economy. Amsterdam's financial primacy had grown off the back of the Dutch dominance of the carrying trade, though by the time this waned, Amsterdam capitalists had constructed an efficient financial architecture that allowed great profits to be reaped through financing the wars of the late eighteenth century.<sup>10</sup>

If one were to characterise the Dutch infrastructure for capital mobilisation, one could visualise a Dutch government tapping into the Amsterdam capital market by opening a loan subscription with a consortium of Amsterdam banking houses. These houses would then employ entrepreneurs (underwriters) and brokers to dispose of the loan through a larger geographical base. A small portion of the loan would be opened to the public. The Amsterdam Bank of exchange would act as a central clearing house.

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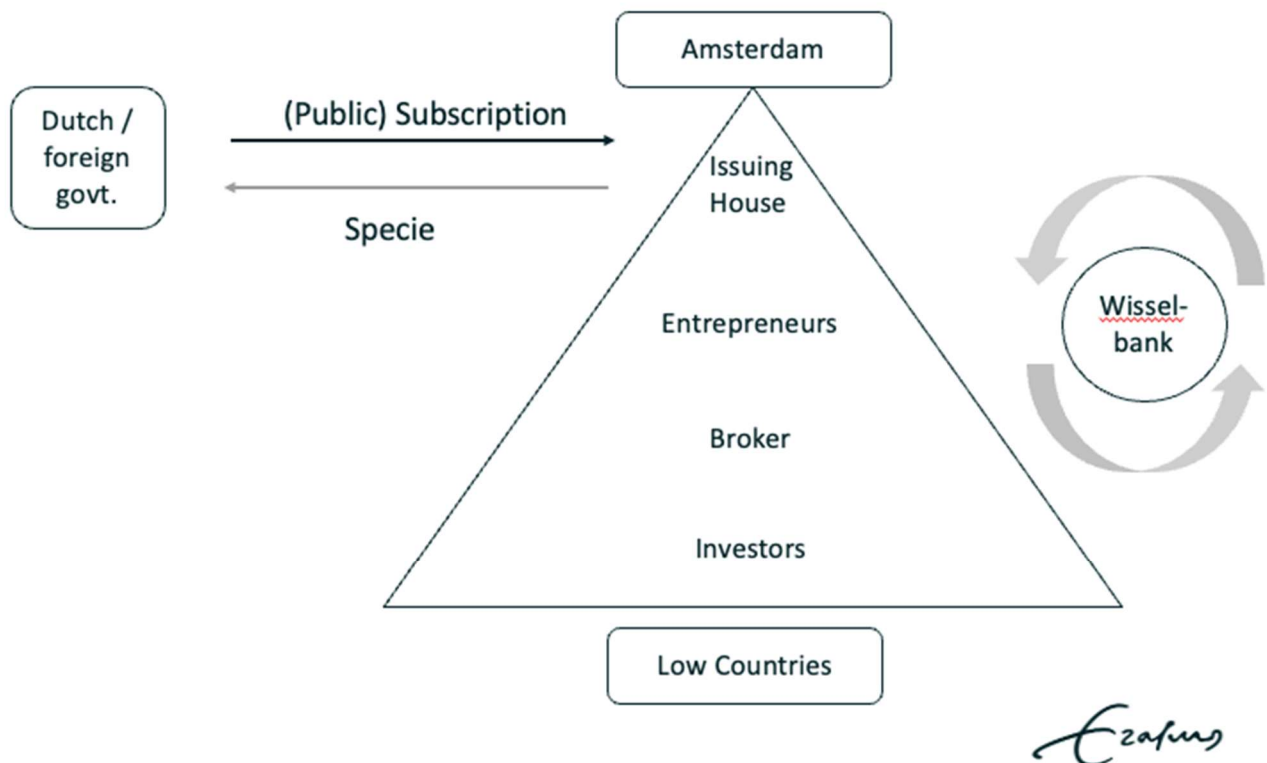
Godechot 'Le problème de l'Atlantique du XVIII<sup>ème</sup> au XX<sup>ème</sup> siècle', *Relazioni del X congresso internazionale di scienze storiche*, V (Florence: G. C. Sansoni, 1955), 173–239; D. Armitage and S. Subrahmanyam (eds), *The Age of Revolutions in Global Context*, c. 1760-1840 (Palgrave Macmillan, 2010); J. Adelman, 'An Age of Imperial Revolutions', *The American Historical Review*, 113/2 (Apr., 2008), 319-340; S. Desan, L. Hunt, W.M. Nelson (eds), *The French Revolution in Global Perspective* (Ithaca, NY : Cornell UP, 2013).

<sup>8</sup> Malcolm Crook, *Napoleon Comes to Power: Democracy and Dictatorship in Revolutionary France, 1795-1804* (Cardiff, 1998), 1-15.

<sup>9</sup> M. Broers, P. Hicks, A.G. Ravina (eds), *The Napoleonic Empire and the New European Political Culture* (Palgrave Macmillan, 2011).

<sup>10</sup> M. 't Hart, J. Jonker, J.L. van Zanden (eds), *A Financial History of The Netherlands* (Cambridge, 1997), 11-74; J.C. Riley, *International Government Finance and the Amsterdam Capital Market 1740-1815* (Cambridge, 1980), 28-200; L. Neal, *The Rise of Financial Capitalism. International Capital Markets in the Age of Reason* (Cambridge, 1990), 20-61, 118-179; Y. Cassis, *Capitals of Capital. A History of International Financial Centres, 1780-2005* (Cambridge, 2006), 9-15.

## Dutch Infrastructure for Capital Mobilisation



One of the defining characteristics of the Amsterdam capital market is the limited governmental interference. There were no national or centralising institutions. There was of course regulation, but in the decentralised Dutch Republic, this was devolved through the city of Amsterdam and the Amsterdam city council was made up of representatives of the mercantile community.

A key turning point in the relationship between Amsterdam high finance and the Dutch state is 1713, when the Dutch Republic withdraws from power politics at the Peace of Utrecht. No longer fighting expensive wars, the Dutch state now requires fewer loans, and so Amsterdam financiers start looking for other outlets for their capital. After dabbling in plantation loans in the West Indies, they opt for international government finance. This is a turning point because the profits of Amsterdam financiers become dependent on foreign governments. De facto this entails a separation of Dutch financial interests from Dutch national interests.

Amsterdam financiers successfully expanded the market until Amsterdam stood at the pinnacle of the international finance. By the end of the eighteenth century, Dutch investors had invested Hcf. 600 million domestically and Hcf. 1,500 million internationally.<sup>11</sup> Most Western states sought capital on the Amsterdam market. Major debtors were the USA, Russia, France, and Britain.

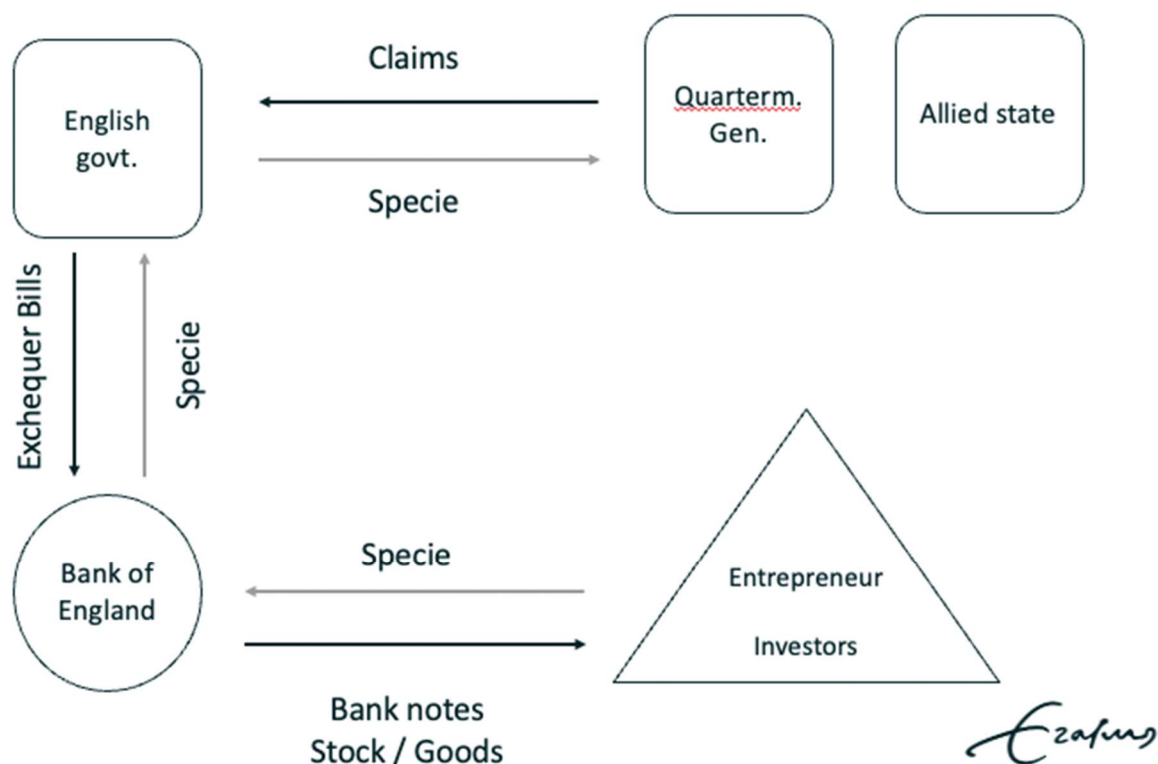
### The London Capital Market

The Amsterdam infrastructure for capital mobilisation is quite different to its great rival, London. In London, government lending was run through the Bank of England, who contracted a select number of banking houses to market their loans. In Britain the capital market was regulated nationally. British

<sup>11</sup> E.H.M. Dormans, *Het Tekort. De Staatsschuld in de Tijd der Republiek* (Amsterdam, 1991), 125; Buist, M.G., "The Sinews of War: The Role of Dutch Finance in European Politics (c. 1750-1815)," in *Britain and the Netherlands. Papers Delivered to the Sixth Anglo-Dutch Historical Conference. Volume VI: War and Society*, eds A.C. Duke and C.A. Tamse (The Hague: Martinus Nijhoff, 1977), 127-128.

financiers engaged in a lot of international lending, either for war financing of subsidy payments to allies, but this lending was run through the British government. This differs fundamentally from lending in Amsterdam. In Amsterdam, foreign governments dealt directly with Amsterdam high finance, in Britain, they dealt with the British government, who then dealt with British financiers. A good example is the War of the First Coalition, fought by the Habsburg Empire, Prussia, Britain, and the Dutch Republic. The coalition required financing, which both Britain and the Dutch Republic would provide. In the Dutch Republic, the Prussian and Habsburg emissaries went to Amsterdam to speak directly to bankers, in Britain they went to the Ministry of Foreign Affairs. So, in Britain, British financial interests were subordinate to British national interests.

## British Infrastructure for Capital Mobilisation



### The Historiography of Amsterdam in the Age of Atlantic Revolutions

The historiography presents the age of the Atlantic Revolutions as a catastrophe for the Amsterdam capital market. The Dutch Republic entered the Revolutionary Wars as a member of the anti-French coalition, but she was defeated and drawn into French orbit. As such, she came into direct conflict with her greatest maritime rival, Britain. Not before long Dutch commercial ties and ties to overseas territories were all but severed, and the Dutch carrying trade was dealt a final blow and with it Amsterdam's role as an entrepot declined. The dearth in commerce hampered the capital accumulation that was needed for finance.<sup>12</sup> Amsterdam financiers still had significant amounts of capital outstanding, about Hcf. 2100 million as mentioned above, but those funds were either inaccessible because of the war, or they were steadily degraded because of financial turmoil.<sup>13</sup>

<sup>12</sup> M. 't Hart, J. Jonker, J.L. van Zanden (eds), *A Financial History of The Netherlands*, 75-123; J. Jonker, *Merchants, Bankers and Middlemen. The Amsterdam Money Market during the First Half of the 19<sup>th</sup> Century* (Amsterdam, 1996); James C. Riley, *International Government Finance and the Amsterdam Capital Market 1740-1815* (Cambridge: Cambridge University Press, 1980), 201-249.

<sup>13</sup> J.M.F. Fritschy, *De Patriotten en de Financiën van de Bataafse Republiek. Hollands Kredit en de Smalle Marges voor een Nieuw Bestaan (1795-1801)* (The Hague: Stichting Hollandse Historische Reeks, 1988), 40; Riley, *International Government Finance*, 77; R. Liesker and W. Fritschy, *Gewestelijke financiën ten tijde van de Republiek der Verenigde Nederlanden. Vol. IV: Holland (1572-1795)* (The Hague, 2004), 238-240, 268-273, 458-464.

Because of the limited liquidity of the Amsterdam capital market, key functions moved abroad. Britain's role as financier of the anti-revolutionary and anti-Napoleonic coalitions meant that a great deal of the international financial lending that had occurred in Amsterdam was relocated to London. Amsterdam's role as clearing house for Europe declined, also due to the collapse of the Bank of Exchange. Insurance moved to Hamburg and London.<sup>14</sup>

Amsterdam financiers responded to the changing international circumstances in three ways. One, they relocated to other financial centres, such as London. A good example is Hope & Co. who opened a branch in London. Two, they liquidated their business. A good example of this is the Van Staphorst Bros. or Raymond & Theodoor de Smeth. Three, they consolidated their businesses. A good example of this is the intermarriage of the banking dynasties of Borski, Insinger, and Lestapis and Sillem (Hope). So, there was a reduction in the number of Amsterdam merchant-banking houses. I am not quite sure by how much. I am currently building a database on Amsterdam merchant-banking houses and my impression is that there was a 40-50% reduction in the number of houses. A lot of expertise and relationships were lost.

So, by the early nineteenth century, Amsterdam had been reduced to a national capital market of secondary importance.

This general picture is not contested. It is well researched, including by some of the brightest minds in the field, and there is consensus on it. But I feel there are two flaws with the historiographical representation. One, it is teleological. The starting point is always post-Napoleon (1814/1815/1818) and historians look back to explain Amsterdam's decline. Two, it is also Anglo-centric. Britain won the Revolutionary and Napoleonic Wars and London rose to overtake Amsterdam as the epicentre of international finance, but one does not follow logically from the other. It is not to say that the British financial model was destined to become superior, or that it was the only successful model.

### Case Study 1: the Dutch Indemnity

As mentioned, after the Dutch Republic was defeated by Revolutionary France, it was forced to conclude an unfavourable peace treaty, the Treaty of The Hague of 16 May 1795. This peace treaty repositioned Amsterdam in the European order and several financial opportunities arose from it. It shan't discuss all. Suffice it to give one example. Per Treaty of The Hague, the Dutch were forced to pay France an indemnity of Hcf. 100 million.<sup>15</sup> This sum was based on a thorough investigation of the economic resources of the Dutch Republic by Dominique-Vincent Ramel de Nogaret, the future French Minister of Finance.<sup>16</sup> He had discovered that about Hcf. 100 million in coin specie circulated in the Dutch Republic and he wanted all of this.<sup>17</sup> The Dutch accepted to pay an indemnity of Hcf. 100 million (Fr. 227 million), but they refused to transfer all coin specie to France, and so a financial operation had to be developed.

The terms of payment that were agreed at the Treaty of The Hague were as follows. The sum of Hcf. 100 million was divided into two tranches of Hcf. 50 million. The first Hcf. 50 million would be paid in five instalments.

18 June 1795:	Hcf. 10 million (in bills of exchange).
18 July 1795:	Hcf. 10 million (in bills of exchange).
18 September 1795:	Hcf. 10 million (in bills of exchange).
19 February 1796:	Hcf. 5 million (payment not specified).
19 May 1796:	Hcf. 15 million (payment not specified).

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<sup>14</sup> Neal, *The Rise of Financial Capitalism*; J.M. Sherwig, *Guineas and Gunpowder. British Foreign Aid in the Wars with France, 1793-1815* (Cambridge, MA, 1969); Cassis.

<sup>15</sup> FR-AN, 284AP, Archives Personnelles en Familiales, Fonds Sieyès, 10/6, Traité de paix et d'alliance entre la République française et a République des Provinces unies du 27 floréal, 3<sup>e</sup> année de la République; FR-AN, 284AP, Archives Personnelles en Familiales, Fonds Sieyès, 10/6, Articles séparés et secrets. Dutch original: NL-NA, 1.01.02, Staten-Generaal, 12597.281, Traité de paix et d'alliance entre la République française et a République des Provinces unies du 27 floréal, 3<sup>e</sup> année de la République; NL-NA, 3.01.29, Financie van Holland, 913, Articles séparés et secrets. An accessible copy is found in: Kerautret, *Documents diplomatiques*, I: 24-33.

<sup>16</sup> Robert, Adolphe, Edgar Bourlonton and Gaston Cougny (eds), *Dictionnaire des parlementaires français, comprenant tous les membres des Assemblées françaises et tous les ministres français depuis ... 1789 jusqu'au 1er mai, 1889*, 5 vols (Paris, 1889-1891), V: 80-81.

<sup>17</sup> FR-AE, CPH, 586, 'Memoire sur la hollande considérée sous la rapport de la fortune publique et privée à l'époque de l'entrée de l'armée française sur son territoire, 20 February 1795'.

At the negotiations in The Hague, the Dutch succeeded in having the Grand Requisition – the sum of requisitions done in the immediate aftermath of the French invasion of the Dutch Republic – deducted from the indemnity. This was a Pyrrhic Victory, for France had secured that the sum of the Grand Requisition would not exceed Hcf. 10 million. Rutger Jan Schimmelpenninck, the future Grand Pensionary of the Netherlands, put the total sum of French requisitions at Hcf. 21.5 million.<sup>18</sup> In any case, the Grand Requisition, to the sum of Hcf. 10 million, was deducted from the fifth instalment, meaning that last payment stood at Hcf. 5 million (and the sum to be transferred at Hcf. 90 million). The second Hcf. 50 million would be paid through providing France with credit on foreign merchants, or through the Dutch Republic taking on French foreign debt. This financial operation for paying French creditors was expected to take no longer than two years from the ratification of the treaty. The terms of payment require two observations. A first observation must be that, although the indemnity was divided into two tranches, payments to France occurred simultaneously and in a relatively short time span of a maximum of two years. Second, the indemnity was very high. It is approximately one third of Dutch national income and nearly thrice the annual fiscal revenue of the Dutch Republic, which was approximately Hcf. 32.8 million.<sup>19</sup>

Ideally, the payment of an instalment in the first Hcf. 50 million would proceed as follows. The coin specie would need to be physically transferred from a Dutch treasury to a French treasury. However, as this could take considerable time and could be risky, usually a French official, such as the representative-on-mission in the Dutch Republic or the French ambassador, was granted the authority to draw on this coin specie to make payments on the spot. The payment through bills of exchange was different still. Initially the Dutch government had hoped to fulfil this part of the indemnity in promissory notes – a written promise to pay France at a determined future date, but France refused because she feared that the promissory notes would not be easily convertible to coin specie, or only at a loss.<sup>20</sup> Instead France demanded bills of exchange on distinguished Dutch banking (or merchant) houses.

The French government did not engage in these transactions itself, but it awarded bankers, or banking houses, mandates to accept payment on its behalf. The mandates could be issued for any amount, but usually they were issued in fairly large denominations of multiple hundreds of thousands. These mandates had a termination date that was linked to an instalment in the first Hcf. 50 million. Any banking house with a good reputation and credit standing in France could qualify to obtain mandates. Naturally, there are a number of French, or French-speaking, bankers amongst the mandate holders. The Paris-based Jullien<sup>21</sup> for instance, obtained seven mandates worth Hcf. 2.8 million for the July instalment and nine mandates totalling Hcf. 5.2 million for the September instalment.<sup>22</sup> Walckiers de Vlieringhe, a banker from Brussels, obtained one mandate of Hcf. Hcf. 2 million in the first instalment.<sup>23</sup> As Dutch banking houses paid out the bills of exchange, the French government awarded a number of mandates directly to Dutch banking houses. For example, Hogguer & Co. became involved in the payment of the indemnity to France by accepting one mandate for Hcf. 1 million and one mandate for Hcf. 2 million in the first instalment and one mandate for Hcf. 1 million and one mandate for Hcf. 2 million for the instalment of 18 July.<sup>24</sup>

It is not difficult to understand why bankers and banking houses vied for French mandates. The mandate holders received a brokerage fee for their role as financial intermediaries, which, considering the sums involved, was considerable. More important perhaps was that a mandate holder had the opportunity to present his banking house as a reliable and professional financial intermediary between France and the Dutch Republic. In the light of the future indemnity payments to France, such a role could become highly lucrative.

French mandate holders who had a less than excellent reputation in Amsterdam sought Dutch financial intermediaries. Jullien's interests in the Dutch Republic were at least partly represented by the unknown partnership *Veuve, Beerenboer & Son*. Walckiers assigned half of his mandate to the *De Smeth Bros.*<sup>25</sup> The primary difference between mandate holders like Hogguer and financial intermediaries, like

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<sup>18</sup> Gerrit Schimmelpenninck, *Rutger Jan Schimmelpenninck, en eenige gebeurtenissen van zijnen tijd*, 2 vols (Amsterdam, 1845), II: 312-313.

<sup>19</sup> Fritschy, *Patriotten*, 78; Pfeil, *Tot Redding*, 122.

<sup>20</sup> Fritschy, *Patriotten*, 211-212.

<sup>21</sup> Louis Bergeron, *Banquiers, négociants et manufacturiers parisiens du Directoire à l'Empire* (Paris, 1978), 153.

<sup>22</sup> 'Listing of Mandates held by Jullien, 17 August 1795', NL-NA, 3.01.29, 913.

<sup>23</sup> 'Overview of payments', NL-NA, 3.01.29, 915.

<sup>24</sup> 'Report of the Committee of Finance, 19 June 1795', NL-NA, 3.01.29, 913.

<sup>25</sup> 'Overview of payments', NL-NA, 3.01.29, 915.

De Smeth, is that mandate holders acted as intermediaries between the French and Dutch authorities, whilst De Smeth's interaction was limited to between the Dutch government and the mandate holder on whose authority they acted. The financial intermediaries received a brokerage fee for their efforts, but since their responsibilities were more limited this was lower than the fee for mandate holders.

Theoretically France would transfer bills of exchange to the mandate holders, who could possibly further distribute the bills of exchange to financial intermediaries. After receiving the bills the mandate holders and financial intermediaries could await payment by the acceptors of the bills and use the funds to pay merchants delivering on France, or the mandate holders and financial intermediaries could use the bills to pay merchants delivering on France directly. In practice the transaction took place simultaneously: whilst awaiting the bills of exchange the mandate holders and financial intermediaries would allow merchants, delivering to France, to draw from their accounts, or they would use their own funds to make payments to merchants for deliveries to France.

Any merchant with a contract to deliver certain goods or resources to France could draw on these funds, though usually the mandate holders and financial intermediaries were specifically selected for their financial and commercial networks, and so the transactions occurred according to a set pattern. A good example of a merchant who took up this role was Balthasar Elias Abbema. Abbema traded in war material and naval supplies through his contact in the Baltic. He obtained two contracts of Hcf. 1 million apiece from Hogguer for the delivery of shipbuilding materials for the French navy.<sup>26</sup> The profit for merchants like Abbema would not differ from ordinary trade, though due to the large sums involved in the indemnity to France, there was much potential for continuing and expanding business.

As regards to the payments of the second Hcf. 50 million, the French national treasury was to provide the Dutch government with a list of creditors to be paid. The Dutch authorities would then contact the foreign creditor in question and make arrangements for the payment. Once the payment was made, the Dutch authorities informed their French counterparts of the details of the transaction so that the payment could be deducted from the Hcf. 50 million. The height of the sum as well as the fact that many different creditors were involved made the payment of this component of the indemnity a complex financial operation. On the other hand, because the Dutch authorities made arrangements directly with creditors it was in a position to influence the terms of the transaction.

#### *Holland Takes Ownership of the Indemnity*

No sooner had the ink of the Treaty of The Hague dried than problems with the payments occurred. The main problem was the Amsterdam high finance was unwilling to accept the obligation to pay the bills of exchange. If the bills of exchange remained unpaid, mandate holders and financial intermediaries would not have the funds to allow merchants to draw from their accounts to deliver to France. Or in other words, the refusal to accept the bills of exchange meant that France would not be paid a large part of the indemnity.<sup>27</sup> The refusal to accept the bills of exchange was not malicious or politically motivated, but it was based on the belief that the Dutch authorities could not raise the required capital to repay the acceptors of the bills of exchange.<sup>28</sup> This assumption was not far from the truth. Despite the comprehensive reconstruction of Dutch state institutions and the purging of the old regime political elites, the regime change of 1795 had not yet resulted in a change in the manner of fiscal revenue collection, nor had it resulted in a much-needed change in provincial fiscal mentality. The quota system of taxation, that proved so ineffective in the latter decades of the old regime, remained in use. The Dutch government had tried to anticipate the heavy fiscal demands by introducing a law with which inhabitants were obligated to hand in uncoined gold and silver, such as jewellery and decorative items, but the response was lacklustre. Only the provinces of Zeeland and Utrecht, and to a lesser extent Holland, followed it up.<sup>29</sup> On 11 June 1795, the province of Holland introduced a 5% voluntary loan, which was hoped to raise Hcf. 80 million, but the other provinces of the Dutch Republic showed little determination in raising their quotas. In particular Drenthe was accused of showing little activity.<sup>30</sup> The province of Zeeland even refused outright to contribute to the payment of the indemnity, citing that she already fulfilled her share in the commitments

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<sup>26</sup> 'Report of the Committee of Finance, 19 June 1795', NL-NA, 3.01.29, 913; 'L'agent Intermédiaire d'Abbema & Fils [Basmarein] to Directory, 26 November 1795', FR-NA, AF/III/114.

<sup>27</sup> Fritschy, *Patriotten*, 213.

<sup>28</sup> 'Report of the Committee of Finance, undated', NL-NA, 3.01.29, 913.

<sup>29</sup> Fritschy, *Patriotten*, 174, 280.

<sup>30</sup> 'Secret Resolutions of the States-General, 3 July 1795', NL-NA, 1.01.02, 4795.

to France by ceding part of her territory.<sup>31</sup> The refusal of the Dutch financial elites to accept the bills of exchange and the inability, or the unwillingness, of the provinces to raise taxes left the Dutch government scrambling to make the first payment of Hcf. 10 million.

In a last-minute effort to obtain the necessary funds, on 18 June 1795 – the day that the first payment was due – the States-General asked the provincial authorities of Holland to forward the entire Hcf. 10 million of the first instalment, adding that the sum in excess of Holland's quota could be deducted from future payments.<sup>32</sup> In response, Holland indicated that she was willing to transfer the Hcf. 1 million in coin specie to France, and that its treasury contained 3 million Lübeck Marks and 3 million Hamburg Marks, which could be used to repay financiers who conducted business in Northern Germany and the Baltics. But this was insufficient to fulfil Holland's quota, let alone to forward the quotas of the other provinces. By means of concession, Holland indicated that it could attempt to persuade Amsterdam high finance to accept the bills of exchange.<sup>33</sup> The hope was that if some Amsterdam financiers accepted the bills of exchange, others would follow suit.

With few alternatives to obtaining the required capital, the States-General agreed to the proposed course of action. For the mission to Amsterdam were chosen several members of the Holland Committee for Trade and Maritime Affairs and several members of the Financial Committee of Holland, which, like the Holland Committee for Foreign Affairs, was originally concerned with the financial affairs of the province of Holland but came to have an increasingly large voice in national affairs.<sup>34</sup> Nicolaas Van Staphorst would lead the delegation.

On 24 June the delegation under Van Staphorst met with Amsterdam high finance to entice them to accept the bills of exchange. The effort was in vain because the financiers refused the deal without much discussion, though the reasons for the refusal shed an interesting light on the collective political capital that the financial elite of Amsterdam could bring to bear on the Dutch government. First, Amsterdam high finance took the opportunity to remind the new authorities that, as part of the revolutionary effort to crack down on Orangists elements, a number of financiers and merchants had their assets confiscated. Out of solidarity Amsterdam high finance refused to enter into new financial arrangements with the new government until all assets were released. Second, the government was in arrears in their payments to members of the financial community. As a result, so the argument went, the financiers did not have the financial means to enter into new arrangements. However, if arrears were paid, capital might become available. Third, and most importantly, the financiers openly questioned the new government's credit standing. In a well-substantiated expose of Dutch finances, the financiers revealed that the incoming fiscal revenue was insufficient to repay the acceptors of the bills of exchange. Before financiers would consider accepting bills of exchange, they implored Holland to convert the 5% voluntary loan to a 6% forced levy, which was sure to raise more tax income.<sup>35</sup> With this unambiguous reply, Van Staphorst was left with little choice but to urge the Dutch authorities to draw up their response soon.<sup>36</sup>

With the failure to persuade high finance to accept the bills of exchange, inevitably the first payment was missed. It was not long before complaints started coming in. On 26 June, the representatives-on-mission in the Dutch Republic, Ramel and Richard, filed a formal complaint over the delay in payment to the States-General.<sup>37</sup> The States-General referred the matter to the Financial Committee of Holland. After deliberation the Committee decided to send a delegation, from the Financial Committee of Holland, to discuss the ongoing developments with Ramel and Richard. At the meeting the Dutch delegation tried to convince the representatives of their determination to fully pay the first instalment, but they failed to do so. Ramel and Richard insisted that the failure to meet the payment deadline meant that the terms of

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<sup>31</sup> 'Resolutions of the Provisional Representatives of the People of Zeeland, 16 May 1795', NL-NA, 1.01.02, 4795.

<sup>32</sup> 'Resolutions of the Financial Committee of Holland, 19 June 1795', NL-NA, 3.02.01, 236.

<sup>33</sup> 'Report of the Committee of Finance, 19 June 1795', NL-NA, 3.01.29, 913.

<sup>34</sup> 'The Representatives of the People of Amsterdam to the Provisional Representatives of the People of Holland, 24 June 1795', NL-NA, 3.01.29, 913

<sup>35</sup> 'The Representatives of the People of Amsterdam to the Provisional Representatives of the People of Holland, 24 June 1795', NL-NA, 3.01.29, 913; 'Resolutions of the Financial Committee of Holland, 30 June 1795', NL-NA, 3.02.01, 236.

<sup>36</sup> 'Van Staphorst to Financial Committee of Holland, 24 June 1795', NL-NA, 3.01.29, 913.

<sup>37</sup> 'Richard and Ramel to the President of the States-General, 26 June 1796', NL-NA, 1.01.02, 4556.



payment, as agreed upon in the Treaty of The Hague, were void, and they urged the commissioners to draw up new payment terms.<sup>38</sup>

A new draft was hastily drawn up and it reflected the course of action that Holland had undertaken on behalf of the Dutch authorities so far, namely to appeal to Amsterdam high finance to accept the bills of exchange in the hope that others would follow suit.<sup>39</sup> Nevertheless, because Ramel and Richard countersigned the draft, in effect it marked a first serious amendment to the Treaty of The Hague. No longer were the States-General responsible for the indemnity payments to France, but Holland had taken ownership of the indemnity. The States-General only became aware of the full implications of the new agreement several days later. It expressed great surprise, but no attempt was made to overrule the new arrangement.<sup>40</sup>

Having taken ownership of the indemnity meant that Holland, through the Financial Committee, accepted responsibility for the payments to France and took on a co-ordinating role. It did not mean that Holland would pay the entire indemnity, nor did it mean that Holland intended to forward the quotas of the other provinces. One of the first actions that Holland took was to urge her sister provinces to introduce the necessary fiscal measures.<sup>41</sup> Holland also took action to increase its fiscal revenue collection to be able to meet her share of the burden. Initially Holland was reluctant to take up Amsterdam high finance's suggestion to introduce forced measures.<sup>42</sup> But with the failure of the collection of uncoined gold and silver and the 5% voluntary loan, Holland was forced to take the unavoidable next step. On 17 July 1795, the Provisional Representatives of the People of Holland introduced a forced levy of 6% on assets, payable in three terms: 15 August 1795, 15 October 1795 and 20 December 1795 (which was later extended to 1 March 1796). The two unsuccessful levies – the collection of uncoined gold and silver and the 5% voluntary loan – were merged into this forced tax by accepting payment receipts for the forced tax.<sup>43</sup>

With the introduction of a forced fiscal levy, one of the primary obstacles for high finance to accept bills of exchange was removed. It also offered Dutch high finance an opportunity for profit. The 5% voluntary loan of 11 June offered subscribers ½% interest on their subscription. At the time of introduction this did not compare favourably to other bonds on market, which was the reason that it failed to attract subscribers. But the introduction of the forced levy altered the financial rationale for many. To start, financiers no longer had a choice of whether or not to pay this levy. Payment was mandatory. Second, the forced levy did not offer interest on payments. As compared to a forced non-interest-bearing levy, the interest-bearing voluntary loan, even though interest stood at ½%, was considerably more attractive. It was then not long before high finance exploited the possibility of paying taxes in the forced levy with receipts in the voluntary loan. After the announcement of the forced levy of 17 July, financiers started buying up receipts in the voluntary loan with the aim of drawing ½% interest before paying taxes, in these receipts, at the latest possible date. The Dutch authorities were obviously unhappy with this development, as it meant they received tax payments at the latest possible date and in receipts rather than in coin specie. To make matters worse, the Dutch authorities' interest payments on the receipts were drawn out for as long as possible. To counter such speculation Daniël Hooft, the receiver of the 'common means' (*gemene landsonvoanger*) at Amsterdam advised to limit the payment in receipts of the voluntary loan to the first term of the forced levy only. But as this would only lead to more bureaucratic red tape, the Financial Committee of Holland did not take up the advice, and Amsterdam high finance was granted its profit.<sup>44</sup> It would go too far to imply that Amsterdam high finance suggested the introduction of forced levies with an eye on exploiting a change in fiscal policy, but it certainly was convenient.

In addition to introducing forced measures, Holland set up a bank, the *Generale Beleenbank voor het Volk van Holland* (General Mortgage Bank for the People of Holland). The Provisional Representatives of the People of Holland had issued the founding charter of the bank on 14 May already, but due to not having found suitable accommodation and due to commissioners of the bank not yet having received their instructions, the bank was not yet in operation. After taking ownership of the indemnity to France,

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<sup>38</sup> 'Resolutions of the Financial Committee of Holland, 26 June 1795', NL-NA, 3.02.01, 236; 'Decrees of the Assembly of the Provisional Representatives of the People of Holland, 26 June 1795', NL-NA, 3.01.29, 913.

<sup>39</sup> 'Minutes of the Secret Resolutions of the States-General, 26 June 1795', NL-NA, 1.01.02, 4556.

<sup>40</sup> 'States-General to Provisional Representatives of the People of Holland, 29 June 1795', NL-NA, 1.01.02, 4556.

<sup>41</sup> 'Secret Resolutions of the States-General, 30 June 1795', NL-NA, 1.01.02, 4795.

<sup>42</sup> Fritschy, *Patriotten*, 213.

<sup>43</sup> V.V., II: No. 64.

<sup>44</sup> 'Hooft's reflections', NL-NA, 3.02.01, 240.

the setting up of the bank was pursued with more urgency. By the beginning of July a suitable accommodation was found, and the commissioners were sworn in. The reason for the setting up of the bank was that Holland realised that one of the main reasons that financiers were reluctant to pay taxes was that most of their wealth was tied up, either in trade credit, merchandise, or real estate. To obtain the funds to pay taxes the financiers needed to sell off assets. But if many people sold off assets in a relatively short period of time, the market conditions would deteriorate. And rather than sell assets on a buyer's market, and presumably at a loss, financiers postponed selling off assets, thereby also postponing to pay taxes.<sup>45</sup>

The Beleenbank allowed the inhabitants of Holland to mortgage their assets for a maximum period of three years (until 1 July 1798), for which they were charged 4% interest. Briefly, the Financial Committee of Holland contemplated making the failure to repay the mortgage punishable by death, but because Holland wanted the bank to be based on trust and patriotism, rather than on the threat of death, mortgagors were obliged to top up their security if it dropped too low. As proof of the mortgage loan, the mortgagors received Beleenbank Bills of 80% of the value of the mortgaged asset. These Bills could be used to pay taxes in the forced levy of 17 July. Once an asset was mortgaged at the Beleenbank, the Financial Committee of Holland was credited with the amount. This credit was referred to as Beleenbank Money. The Beleenbank Money was transferable credit, but it could be brought into circulation by awarding a payee an 'allocation', with which the Beleenbank Money could be transferred to the payee's account. The holders of Beleenbank Money received a 3% interest on their accounts, but more importantly Beleenbank Money could be used to pay taxes (not only in the 17 July forced levy, but all future taxes).<sup>46</sup>

The Beleenbank proved a mixed blessing. The advantages of the Beleenbank were that it helped Holland obtain much-needed revenue. By accepting Beleenbank Bills as payment in the forced levy, the Holland authorities could hope to pry open the wallets of the inhabitants of Holland. The Beleenbank Money, of course, amounted to nothing less than an advance on future taxes. Second, the Beleenbank was a means of introducing new money, Beleenbank Bills and Beleenbank Money, into the economy, which was much needed in times when large payments were made to France. The primary disadvantage was that the setting up of the Beleenbank stimulated money trade and speculation. In principle Beleenbank Bills could only be used for payment in the forced levy of 17 July, but because the Bills could be transferred to a third party they offered financiers an opportunity for profit. The Beleenbank was a relatively safe manner of obtaining liquid capital. If a financier needed liquid capital for other ends than paying his taxes in the forced levy, he could still mortgage assets at the Beleenbank and sell off the Beleenbank Bills on the market, where the Bills were sure to find a buyer. After all, if one purchased the Bills under nominal value and used the Bills to pay taxes at a nominal value, one gained discount on his taxes. The Holland authorities were not averse to such transactions, because it also stimulated monetary circulation. However, what the authorities did aim to avoid was speculation on Bills, which could potentially harm the credit standing of the Beleenbank. Despite that Beleenbank Bills were not permitted to change hands more than once, it does appear that Beleenbank Bills were speculated on. On 16 October, the Holland authorities limited the transferability of the Bills: a mortgagor could transfer only one third of his Beleenbank Bills, for which he was charged a fee. Shortly thereafter the interest in the Beleenbank dropped drastically, indicating that high finance was primarily interested in the Beleenbank due to the opportunity to profit through speculation.<sup>47</sup>

### *The Failure of the Treaty of The Hague*

The introduction of a forced levy in combination with the setting up of the Beleenbank ensured that the levy eventually raised nearly Hcf. 50 million. This was a considerable sum, but nevertheless well below the projected aim of Hcf. 80 million. What is more, the revenue from this levy could not exclusively be used for the indemnity. It also covered ordinary expenditure and extraordinary expenditure. And with high expenditure and the fiscal yield failing to meet projections, it was to be expected that problems with the payments in the indemnity would continue.

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<sup>45</sup> Fritschy, 'Generale Beleenbank', 112-116; V.V., I: no. 39; 'Van Staphorst to Financial Committee of Holland, 23 June 1795', NL-NA, 3.01.29, 913; 'Resolutions of the Financial Committee of Holland, 25 June 1795', NL-NA, 3.02.01, 236.

<sup>46</sup> Fritschy, 'Generale Beleenbank', 112-118; V.V., I: no. 39.

<sup>47</sup> Fritschy, 'De 'Generale Beleenbank', 116-117, 119, 121-123; V.V., I: no. 91.

The case of mandate holder Hogguer clearly illustrates the problems faced by Holland. It will be recalled that Hogguer had obtained six mandates for Hcf. 6 million in the first two instalments, part of which he forwarded to Abbema. From the archives it is clear that Hogguer fully paid out his six mandates, as well as the other mandates that he acquired. We need not follow all transactions involved with mandates. To gain an insight into the difficulties faced by Hogguer in being repaid, we may focus on the first instalments of the indemnity to France. For this period Hogguer had paid out Hcf. 1 million from his personal funds and he had allowed merchants to draw on him for a further 3 million Lübeck and Hamburg Marks, which converted to Hcf. 1,643,750.<sup>48</sup> It will be recalled that per Treaty of The Hague, these sums were to be paid by Dutch bankers (acceptors), who would be repaid by the Dutch authorities at a later date. But because too few bankers were willing to accept the bills of exchange, Holland had taken ownership of the indemnity and the responsibility for repayment thus lay with Holland. On 22 June – four days past the due date, Holland repaid Hogguer for the mandate of Hcf. 1 million.<sup>49</sup> On 29 June, Hogguer was informed that for the sum of Hcf. 1,643,750 he would receive uncoined silver (from the collection announced in March).<sup>50</sup> Hogguer was unpleasantly surprised by this suggestion, since uncoined silver was useless to him. Hogguer needed coin specie to make payments and he suggested that the Financial Committee of Holland mint the silver into the coins prior to paying him, and preferably as soon as possible.<sup>51</sup> With payment overdue for almost two weeks, the impatient Hogguer reiterated his request the next day, adding that if he was not paid soon, he could not make funds available to merchants and deliveries to France would soon come to a halt.<sup>52</sup> Whether or not as a response to Hogguer's implicit threat, the Financial Committee of Holland took up Hogguer's suggestion. The silver would be minted and Hogguer was given 17 ordinances – payment orders – (16 of Hcf. 100,000 and one for the remaining sum) for payment in coin specie on the treasury of Hooft in Amsterdam.<sup>53</sup> When Hogguer accepted this arrangement on 2 July, the affair seemed closed.<sup>54</sup> But when Hogguer tried to cash in the ordinances on 9 July, Hooft only paid out two ordinances for Hcf. 200,000, forcing Hogguer to renew his demands for swift and full payment.<sup>55</sup> Hogguer was told that Hooft could only pay out the ordinances after the silver was minted, which meant that Hogguer would be paid out successively.<sup>56</sup> By means of compromise Hogguer was offered 300,000 French and Brabant Crowns (*Écus*). Initially Hogguer rejected the Crowns, because the Dutch Republic had prohibited the export of coin specie, gold and silver, but after he was granted an exemption he accepted the Crowns.<sup>57</sup> For a second time it seemed as if the repayment of Hogguer might finally be concluded, but on 5 August Hogguer reneged on his decision to accept the Crowns, citing that merchants were unwilling to accept the currencies.<sup>58</sup> Van Staphorst, who had travelled to Amsterdam on other business, used his influence to persuade Hogguer to accept the Crowns, but Hogguer could not be swayed.<sup>59</sup> Some other manner of repaying Hogguer thus needed to be found. Hogguer's correspondence, as well as correspondence on Hogguer, portrays a picture of a short-tempered, quarrelsome and self-centred man, and so it is easy to blame the failure to swiftly conclude the payment on Hogguer. But nothing was further from the truth. Difficulties with the payments were widespread.

Whereas mandate holders, like Hogguer, placed relatively large amounts of their account at the disposal of one merchant, such as Abbema, and thus needed repayment for large sums at once, De Smeth allowed multiple merchants to draw from its accounts. De Smeth opened their account to merchants from Hamburg delivering grain to France and the French armed forces. Their correspondence reveals that they regularly submitted requests for repayment of relatively small amounts. It is unknown whether De Smeth did so because they were cautious and wanted to be repaid before making new funds available, or because

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<sup>48</sup> 'Overview of payments, 17 August 1795', NL-NA, 3.02.01, 240; 'Receipt for 3 million Marks', NL-NA, 3.01.29, 913.

<sup>49</sup> 'Resolutions of the Financial Committee of Holland, 22 June 1795', NL-NA, 3.02.01, 236.

<sup>50</sup> 'Resolutions of the Financial Committee of Holland, 29 June 1795', NL-NA, 3.02.01, 236.

<sup>51</sup> 'Hogguer to Financial Committee of Holland, 30 June 1795', NL-NA, 3.01.29, 913.

<sup>52</sup> 'Hogguer to Financial Committee of Holland, 1 July 1795', NL-NA, 3.01.29, 913.

<sup>53</sup> 'Financial Committee of Holland to Provisional Representatives of the People of Amsterdam, 1 July 1795', NL-NA, 3.02.01, 240;

'J.G. Luyken to the Financial Committee of Holland, 1 July 1795', NL-NA, 3.01.29, 913.

<sup>54</sup> 'Resolutions of the Financial Committee of Holland, 2 July 1795', NL-NA, 3.02.01, 236.

<sup>55</sup> 'Hogguer to Financial Committee of Holland, 9 July 1795', NL-NA, 3.01.29, 913.

<sup>56</sup> 'Financial Committee of Holland to Hooft, 11 July 1795', NL-NA, 3.02.01, 240.

<sup>57</sup> 'Resolutions of the Financial Committee of Holland, 14 July 1795', NL-NA, 3.02.01, 236; 'Financial Committee of Holland to Hogguer, 15 July 1795', NL-NA, 3.02.01, 240.

<sup>58</sup> 'Van Staphorst to Financial Committee of Holland, 5 August 1795', NL-NA, 3.01.29, 913.

<sup>59</sup> 'Van Staphorst to Financial Committee of Holland, 7 August 1795', NL-NA, 3.01.29, 913.

they lacked sufficient liquid capital to forward more or larger sums. In either case, De Smeth's capital had a higher turnover rate and therefore it was essential that they be repaid on time. De Smeth received a first payment of Hcf. 175,000 in the second week of July: one ordinance for Hcf. 60,000 from the treasury at Rotterdam, one ordinance for Hcf. 65,000 from the treasury at Leiden and one ordinance for Hcf. 50,000 from the treasury at Schiedam.<sup>60</sup> However, this was only partial payment for the request that De Smeth had submitted and so three days later they submitted a new request for payment.<sup>61</sup> This seems to have been ignored by the Holland authorities. On 20 August, De Smeth resubmitted the request, which they reinforced by subtly adding that if they did not get paid, they would be forced to inform Walckiers de Vlieringhe, who could then contact the French authorities to complain about Dutch reluctance to honour the Treaty of The Hague.<sup>62</sup> The threat could not be left unanswered. Holland's response reveals a lack of funds, as well as a deficient administration. The Financial Committee of Holland bluntly informed De Smeth that they were in no position to pay them, but that they would do their utmost to fulfil their obligations as soon as possible. In this light, it helped if De Smeth could send the Financial Committee a list of outstanding claims thereby adding the latest date at which payments could be made.<sup>63</sup> With little hope of being paid any time soon, though so as not to be blamed for holding up the transaction, De Smeth dutifully supplied the list.<sup>64</sup>

By the end of July, the financial situation was bleaker than ever before. The provinces of the Dutch Republic had failed to raise their quotas in the indemnity to France and Amsterdam high finance was reluctant to accept the bills of exchange. Holland had stepped up to ensure that indemnity payments continued, but the forced levy, in combination with the Beleenbank, provided insufficient capital. In these dire times, Holland reverted back to the tried and tested manner of raising revenue by turning to Amsterdam high finance. Through the municipal government of Amsterdam, the Financial Committee of Holland asked Amsterdam high finance for a short-term loan of Hcf. 3-5 million. Testament to the desperation of Holland was that the Financial Committee was willing to allow the authorities of Amsterdam and high finance set the terms of the loan.<sup>65</sup> Van Staphorst, who was a member of the Financial Committee of Holland as well as a member of the municipal government of Amsterdam, was sent post-haste to Amsterdam to obtain the required loan. Van Staphorst arrived in Amsterdam on 27 July and immediately the municipal government was convened to discuss the request. After careful deliberation, however, it was decided not to ask the financial elite of Amsterdam for a loan. The reasons for the decision are not difficult to comprehend. In essence Holland would ask Amsterdam high finance, which included the likes of Hogguer and De Smeth, to provide it with capital to pay, amongst others, mandate holders, like Hogguer, and financial intermediaries, like De Smeth. Of course a credit request was not uncommon, and Hogguer and De Smeth could decline to participate in the loan, but one can imagine that the request would raise doubts over Holland's finances. More important, perhaps, was that the loan, which most likely would be concluded on lucrative terms, would impede the acceptance the bills of exchange.<sup>66</sup>

So rather than request a loan, it was decided to redouble the efforts to persuade financiers to accept the bills of exchange. It will be recalled that Amsterdam high finance put forward three conditions to accepting the bills of exchange: 1) the release of confiscated assets, 2) the conversion of the voluntary loan to a forced levy and 3) the elimination of arrears. Since the refusal of June, Holland had made considerable concessions. Per decree of 15 July all confiscated assets of private citizens were released, and, as we have seen, on 17 July a forced levy was introduced.<sup>67</sup> However, the arrears in payments to Amsterdam financiers had not yet been eliminated. In fact, by failing to pay mandate holders and financial intermediaries, Holland had accumulated even more arrears. To alleviate fears of non-payment, the yield of the second term of the forced levy was deposited in a special treasury in Amsterdam, which was co-managed by members of the Amsterdam financial elite and deputies of the States-General, from which

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<sup>60</sup> 'Financial Committee of Holland to De Smeth, 11 July 1795', NL-NA, 3.02.01, 240.

<sup>61</sup> 'De Smeth to Financial Committee of Holland, 14 July 1795', NL-NA, 3.01.29, 913.

<sup>62</sup> 'De Smeth to Financial Committee of Holland, 20 July 1795', NL-NA, 3.01.29, 913.

<sup>63</sup> 'Financial Committee of Holland to De Smeth, 21 July 1795', NL-NA, 3.02.01, 240.

<sup>64</sup> 'De Smeth to Financial Committee of Holland, 22 July 1795', NL-NA, 3.01.29, 913.

<sup>65</sup> 'Financial Committee of Holland to Provisional Representatives of Amsterdam, 27 July 1795', NL-NA, 3.02.01, 240.

<sup>66</sup> 'Van Staphorst to Financial Committee of Holland, 27 July 1795', NL-NA, 3.01.29, 913; 'Van Staphorst to Financial Committee of Holland, 28 July 1795', NL-NA, 3.01.29, 913; 'Representatives of the People of Amsterdam to Financial Committee of Holland, 29 July 1795', NL-NA, 3.01.29, 913.

<sup>67</sup> 'Report by the Financial Committee of Holland, undated', NL-NA, 3.01.29, 913.

acceptors would be repaid.<sup>68</sup> Despite the extra security, Van Staphorst recognised that accepting a bill of exchange required a leap of faith. So rather than appeal to individual financiers to accept a bill outright, Van Staphorst appealed to Amsterdam high finance in its entirety to preregister to accept the bills of exchange. In this manner it was hoped that the risk could be shared. Furthermore, if members of the financial elite of Amsterdam preregistered to accept bills of exchange, this was hoped to inspire less established bankers and provincial financiers to follow suit.<sup>69</sup>

The negotiations that followed were difficult. On 30 July Van Staphorst spent the entire day seeking a compromise with Amsterdam high finance, but every time a compromise seemed near, some financier demanded new concessions that made a compromise impossible. It was around this time that Van Staphorst, who until then had negotiated as a fellow member of the financial elite of Amsterdam, reverted back to his role as politician. Van Staphorst identified a clique of Amsterdam bankers, which included Hogguer and De Smeth, who actively advocated resistance to accepting the bills of exchange. During a meeting of the Provisional Representatives of Amsterdam on 31 July, Van Staphorst publicly denounced who he believed to be the ringleader of the of the obstructionist clique, the banking house Muilman & Sons. As a result, Muilman was summoned before the assembly to account for his 'obstructionist' behaviour. It is unknown how Muilman defended himself, but shortly after the closure of the meeting, he preregistered to the bills of exchange for Hcf. 400,000. With the most vocal of obstructionists won over Amsterdam high finance slowly but surely subscribed to the loan.<sup>70</sup> By 5 August, Amsterdam high finance had preregistered for almost Hcf. 6 million.<sup>71</sup> Preregistration continued at a steady pace over the following weeks, but the initial Hcf. 6 million was sufficient to cover most urgent payments. It was from these preregistered acceptations that Hogguer was paid.<sup>72</sup> De Smeth too were paid the remaining Hcf. 825,000 of their mandate from the preregistered acceptations.<sup>73</sup>

The success of persuading Amsterdam high finance to accept bills of exchange was not to say that all problems with the financial transaction resulting from the indemnity to France were resolved. For merchants like Abbema the delay in acceptance of the bills of exchange caused considerable problems. Abbema had dispatched no fewer than 42 shiploads of naval materials to France, all of which, except for one, arrived safely. Abbema made his payments by drawing Marks in Hamburg from the two mandates with Hogguer. But because Dutch high finance was slow to accept the bills of exchange, Hogguer's funds dried up and he was no longer able to allow Abbema to draw from him in Hamburg. As Abbema still had payments to make, he was obliged to send an agent to collect the funds in Amsterdam. If this were not trouble enough, the bills were not yet due and so Abbema's agent was forced to exchange them on the market. At the time the exchange rate for Hamburg Marks on the Amsterdam currency market was unfavourable, leaving Abbema with a deficit, which converted, to Hcf. 72,246.<sup>74</sup> As both Holland and Hogguer could argue to have lived up to their obligations, Abbema was left to claim compensation from the French authorities.<sup>75</sup> After a thorough verification of the entire financial transaction, Abbema was awarded his compensation, but one can imagine that the French authorities were unhappy to bear the burden.<sup>76</sup>

Despite the fact that the preregistration of acceptations released much-needed liquidity into the market it remained a short-term solution that could not conceal that Holland could not cope with the frequency and height of the indemnity payments to France.<sup>77</sup> On 17 August the Financial Committee of Holland submitted a letter to the Committee for the French Alliance, notifying it that it was no longer able to meet outstanding payments and asking the Committee to urge other provinces to pay their quotas.<sup>78</sup>

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<sup>68</sup> 'Decrees of the Assembly of the Provisional Representatives of the People of Holland, 6 August 1795', NL-NA, 3.01.29, 913.

<sup>69</sup> 'Financial Committee of Holland to Van Staphorst, 29 July 1795', NL-NA, 3.02.01, 240.

<sup>70</sup> 'Van Staphorst to Financial Committee of Holland, 31 July 1795', NL-NA, 3.01.29, 913; 'Van Staphorst to Financial Committee of Holland 1 August 1795', NL-NA, 3.01.29, 913; 'Van Staphorst to Van Swinden, 2 August 1795', NL-NA, 2.21.187, 21.

<sup>71</sup> 'Van Staphorst to Financial Committee of Holland, 5 August 1795', NL-NA, 3.01.29, 913.

<sup>72</sup> 'Van Staphorst to Financial Committee of Holland, 9 August 1795', NL-NA, 3.01.29, 913; 'Financial Committee of Holland to Hooft, 12 August 1795', NL-NA, 3.02.01, 240.

<sup>73</sup> 'Overview of payments of the province of Holland, 17 August 1795', NL-NA, 3.02.01, 240.

<sup>74</sup> 'Rapport concernant une Réclamation de 72,264 Marcks sur Hambourg, 10 November 1795', FR-NA, AF/III/114.

<sup>75</sup> L'agent Intermédiaire d'Abbema & Fils [Basmarein] to Directory, 26 November 1795', FR-NA, AF/III/114.

<sup>76</sup> 'Delessert to Lombard Lachaux, 16 December 1795', FR-NA, AF/III/114; 'Rapport sur le Maison Abbema & Fils, 21 December 1795', FR-NA, AF/III/114; 'Délibérations du Directoire Exécutif, 21 December 1795', FR-NA, AF/III/114.

<sup>77</sup> 'Secret Resolutions of the States-General, 10 August 1795', NL-NA, 1.01.02, 4795.

<sup>78</sup> 'Financial Committee of Holland to Committee for the French Alliance, 17 August 1795', NL-NA, 3.02.01, 240.

One week later, Holland demanded an investigation into Holland's tax contributions, which was a subtle manner of implying that Holland believed she had overpaid her share and thus would not (need to) contribute in the near future.<sup>79</sup> With Holland's de facto acknowledgement of insolvency, the fragile financial infrastructure that Holland built up to continue payments to France came tumbling down. Amsterdam high finance stopped preregistering to the acceptations, meaning that mandate holders and financial intermediaries could no longer be assured of funds. By the end of August, the payments in the indemnity to France had stopped.

#### *The Search for New Payment Terms*

The interruption of the payments in the indemnity could not but have consequences for Franco-Dutch relations. On 28 August, the States-General were informed that the representatives-on-mission Ramel and Thibault would travel to the Dutch Republic to get the payments back on track.<sup>80</sup> Upon their arrival the Dutch authorities nominated a committee to confer with the French representatives.<sup>81</sup> Little is known about the conferences that followed, but according to a letter from the Financial Committee of Holland to Van Staphorst, who headed the committee, Ramel and Thibault did not arrive 'in a collaborative spirit'.<sup>82</sup> Whether or not through the arrival of their discontented French allies, the Dutch authorities soon swung into action. First, an overview was drawn up of the payments to date. The report revealed that the Dutch Republic had only paid Hcf. 11,442,986, or 38.1%, of the first three instalments – a figure that may explain the French mood. The conclusions of the report are given in table 3.3.

Table [3.3] *Summary of payments in first and first three instalments in Hcf.*<sup>83</sup>

	<i>Instalment 1</i>	<i>Instalm. 1-3</i>	<i>Paid</i>	<i>Pending</i>
Gelderland	638,750	1,916,250	238,203	(1),678,047
Holland	6,559,167	19,677,500	10,225,500	9,452,000
Zeeland	401,667	1,205,000	40,167	1,164,833
Utrecht	475,883	1,427,500	247,383	1,180,117
Friesland	988,333	2,965,000	691,733	2,273,267
Overijssel	367,083	1,101,250	0	110,1250
Groningen	569,166	1,707,500	0	1,707,500
<i>Total</i>	10,000,000	30,000,000	11,442,986	18,557,015
Drenthe	100,000	300,000	?	?

Second, on the insistence of the States-General, the provisional administration of Holland sent yet another delegation to Amsterdam to revive the acceptance of the bills of exchange.<sup>84</sup> Holland's failure to continue payments in August ensured the chances for success were slim from the start. The Financial Committee of Holland attempted to mediate by offering Amsterdam high finance greater security for their acceptations, such as by allowing acceptors to postpone paying part of their taxes in the forced levy until they were repaid and by suggesting that acceptors be repaid in Beleenbank Money. But the mediation was to no avail.<sup>85</sup> To all intents and purposes the bill of exchange scheme was dead and little else remained but to come to new terms with France.

<sup>79</sup> 'Financial Committee of Holland to Committee of Vivres, 24 August 1795', NL-NA, 3.02.01, 240.

<sup>80</sup> 'States-General circular of 28 August 1795', NL-NA, 1.01.02, 11085B.

<sup>81</sup> 'States-General circular of 8 September 1795', NL-NA, 1.01.02, 11085B.

<sup>82</sup> 'Financial Committee of Holland to Van Staphorst, 29 September 1795', NL-NA, 3.02.01, 241.

<sup>83</sup> 'State of the Debts', NL-NA, 3.01.29, 915.

<sup>84</sup> 'Decrees of the Assembly of the Provisional Representatives of the People of Holland, 7 October 1795', NL-NA, 3.01.29, 913.

<sup>85</sup> 'Advice of the Financial Committee of Holland, 9 October 1795', NL-NA, 3.01.29, 913.

In true Dutch tradition, on 21 October 1795 a committee, headed by Van Staphorst, was nominated to enter into negotiations with Ramel and Thibault over the indemnity to France. On the morning of 23 October the Dutch delegation met with the French representatives and the discussion soon centred on the outstanding sum in the first three instalments. The Dutch suggested paying the outstanding Hcf. 18.5 million in interest-bearing promissory notes on future Dutch tax revenue. The promissory notes would be redeemed at a rate of Hcf. 2 million per month, starting on 15 January 1796. Ramel and Thibault declined the offer, citing the same reasons that caused them to refuse payment in promissory notes before, namely that France required liquid capital for her payments and promissory notes are not easily convertible to coin specie, or only at a loss. The French refusal forced the Dutch delegation to return to the bills of exchange scheme. That same evening a meeting was planned with selected members of the financial elite of Amsterdam, but due to several prominent members being indisposed, the meeting was postponed to 26 October. During the meeting the Amsterdam financiers clearly indicated their refusal to accept the bills of exchange unless the authorities offered greater security for repayment. The dire state of Holland finances offered little possibility for setting aside sums for the security of the acceptors. In fact, only the Beleenbank Money – the transferable credit that the Financial Committee of Holland received for each mortgage at the Beleenbank – was available. Amsterdam high finance had refused to accept this because the Money had not yet been widely circulated, which meant that it was difficult to do payments with.<sup>86</sup> It was at these crossroads in the payments of the indemnity to France that the financier-politician Van Staphorst stepped up to bring Amsterdam high finance and the Dutch authorities together through a financial operation of his own. Rather than trying to persuade his fellow financiers to accept the Beleenbank Money, in which they had no confidence, as security for their acceptations, Van Staphorst himself accepted Hcf. 3.5 million of Beleenbank Money as security for a loan from his private funds, on which he undoubtedly received a handsome interest. The funds from this loan could then be used to repay acceptors, as well as pay the interest of ½% that was offered for accepting these funds. To alleviate fear of devaluation of the Money, only a maximum of 80% of these funds were made available, meaning that the acceptors had coverage of 125%. Of course the funds obtained by the scheme were limited and by the end of the year the fund was depleted. But by that time Beleenbank Money circulated and was accepted widely. So rather than having to loan the Beleenbank Money to Van Staphorst once more, the Financial Committee of Holland could now dispose of the Money by selling it on the market and using the proceeds to repay acceptors. The Beleenbank Money-scheme reveals how inventive the Dutch authorities were in making use of the Beleenbank, but of course such inventiveness came at a price. For the Beleenbank Money to find a market it would need to be sold under nominal value, so as to allow financiers, who wanted to use the money to pay their taxes, to realise a discount. Fortunately, the losses were not too great. The Beleenbank Money usually hovered between 98% and 99¼%. A greater cost was the fee of ½% that cashiers charged the Financial Committee of Holland to market the money. Between September 1795 and October 1796, Holland paid fees of more than Hcf. 100,000. So it seems that not only the Dutch authorities were inventive in making use of the Beleenbank.<sup>87</sup>

The financial operation involving the Beleenbank Money proved sufficient to persuade high finance to resume acceptations. Van Staphorst (the politician) presented Amsterdam high finance with the above terms on 2 November and immediately several financiers pledged Hcf. 7.5 million, with more acceptations expected to follow in the next days. Some notable members of Amsterdam high finance participated in the scheme. Gogel, who was a commissioner of the Beleenbank at this time as well as a partner in the firm Gogel, Pluvinet & Gildemeester, which delivered arms to the French armed forces, signed up for Hcf. 50,000.<sup>88</sup> With good hope of securing acceptations for the outstanding sum in the first three instalments, the Dutch delegation re-convened with Ramel and Thibault with the aim of renegotiating the payment terms of the indemnity of the second tranche of Hcf. 50 million. Per Treaty of The Hague France should have provided the Dutch authorities with a list of creditors. Six months later, France still had not provided the list, leaving the Dutch authorities with only 18 months to raise and pay Hcf. 50 million, which, the Dutch delegation argued, was impossible. Tough negotiations followed in

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<sup>86</sup> 'Van Staphorst to Financial Committee of Holland, 5 August 1795', NL-NA, 3.01.29, 913.

<sup>87</sup> 'Financial Committee of Holland to Van Staphorst, 30 October 1795', NL-NA, 3.02.01, 241; 'Financial Committee of Holland to Van Staphorst, 9 November 1795', NL-NA, 3.02.01, 241; Frischy, Beleenbank, 127-131.

<sup>88</sup> E.J. Vles, *Alexander Gogel (1765-1821). Financier van de staat in tijden van revolutie* (Amsterdam, 2009), 20-23; 'Bills of exchange made out to I.J.A. Gogel, 14 November 1795', NL-NA, 2.21.005.39, 2; 'Bills of exchange made out to I.J.A. Gogel, 18 November 1795', NL-NA, 2.21.005.39, 2.

which both parties put forward suggestions, but by 10 November new terms for payment were agreed upon.<sup>89</sup>

The new terms stipulated that the Dutch Republic would take on a loan of Hcf. 2.5 million that France had floated on behalf of the United States, but had not paid out.<sup>90</sup> The remaining sum, Hcf. 47.5 million, would be paid in Rescriptions with interest coupons attached at a rate of Hcf. 3 million per year in times of war and Hcf. 6 million in times of peace, commencing on 22 September 1796 with an annual interest of 3% on the outstanding sum. During the negotiations, the Dutch furthermore managed to secure the right to redeem the Rescriptions with assignats.<sup>91</sup> This was highly beneficial because it allowed the Dutch government to dispose of rapidly devaluating assignats, though to keep this financial operation within reasonable limits, the exchange rate was fixed at a predetermined rate.<sup>92</sup> The attached secret articles somewhat contradicted the aim to limit the assignat exchange scheme by allowing the Dutch Republic to float an assignat-denominated loan in France to obtain additional assignats for redeeming Rescriptions.<sup>93</sup> The new terms were drawn up by the Dutch delegation and sent to Ramel and Thibault for ratification.<sup>94</sup> The French representatives acknowledged receipt, but added that as a new government had been formed in France, the Directory, they wanted to run the draft treaty by Paris before signing, adding that they did not foresee difficulty.<sup>95</sup>

Ramel and Thibault were wise to tread a cautious path. When the Directory was installed on 2 November 1795, France's finances were in a pitiful state. Tax receipts had fallen due to tax evasion and those taxes that were paid were paid in near worthless assignats. The Ministry of Finance had tried to find new sources of income by introducing a forced loan, but its introduction was postponed due to heavy political resistance and when it was finally introduced, its yield was very disappointing.<sup>96</sup> In other words, the Directory could not afford to grant the Dutch Republic more lenient terms of payment. Regardless of the financial rationale for refusing to ratify the new treaty, the Directory was wise to dismiss the draft. The new terms may have led to more regular payments to France, but the clause allowing the Dutch Republic to redeem Rescriptions with assignats could potentially have negative consequences for the willingness to accept the Rescriptions. More importantly, the draft treaty was unclear on a part of the indemnity. The draft was based on the assumption that the first Hcf. 30 million would be paid swiftly and it dealt with how the second tranche of Hcf. 50 million would be paid. Taking into account that Hcf. 10 million was to be deducted for past requisitions, the payment of the remaining Hcf. 10 million thus needed to be clarified.

By the end of December Thibault had returned to The Hague to present the Dutch authorities with a counterproposal.<sup>97</sup> As before the Dutch Republic was to take on a French American loan, though the amount was more detailed and slightly lower, leaving a total of Hcf. 47,842,888. This sum would be paid off at a rate of Hcf. 4 million annually in years of war, or Hcf. 8 million annually in years of peace. Payments would commence on 22 September 1796 and continue until the entire sum was paid off. An interest of 4% would be charged over the outstanding sum. Payments would be made in transferable interest-bearing Rescriptions or bonds with interest coupons attached, the redemption of which occurred at regular intervals. No mention was made of the Dutch government redeeming the Rescriptions with assignats. Neither did the French proposal mention how the remaining Hcf. 10 million were to be paid, though it seems that France expected these to be paid off on the same basis as the first Hcf. 30 million.<sup>98</sup>

Thibault met his Dutch counterpart Van Staphorst on 31 December, when he presented the French counterproposal. Van Staphorst taken aback by the French response, as it differed greatly from the earlier draft. In particular he was disappointed to see the assignat exchange scheme rejected by France. Van

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<sup>89</sup> 'Report by Van der Hoop, Van Staphorst, Grasveld, De Sitter and Fontein, submitted to the States-General, 12 November 1795', NL-NA, 1.01.02, 4795.

<sup>90</sup> Riley, *International Government Finance*, 180, 186.

<sup>91</sup> 'Acte d'Accord pour le payement des cinquante [...], 10 November 1795', NL-NA, 1.01.02, 4795.

<sup>92</sup> 'Tableau des prix', NL-NA, 1.01.02, 4795.

<sup>93</sup> 'Articles secrets pour l'exécution de l'acte d'accord pour le payement des cinquante millions de Florins [...], 10 November 1795', NL-NA, 1.01.02, 4795.

<sup>94</sup> The Commissioners of the States-General to Ramel and Thibault', NL-NA, 3.01.29, 913

<sup>95</sup> 'Ramel and Thibault to Van der Hoop Gijsbertsz, Van Staphorst, Van Grasveld, 10 November 1795', NL-NA, 3.01.29, 913.

<sup>96</sup> Marcel Marion, *Histoire financière de la France depuis 1715*, 5 vols (Paris, 1927-1931), III: 384-448; P.L. Sciout, *Le Directoire*, 4 vols (Paris, 1895-97), I: 449, 455-456, 461-474; Crouzet, *grande inflation*, 346-353; A. Goodwin, 'The French Executive Directory. A Revaluation,' *History* (1937), 206-207.

<sup>97</sup> 'Extract of the deliberations of the Directory', NL-NA, 1.01.02, 4795.

<sup>98</sup> 'Projet D'accord', NL-NA, 1.01.02, 4795.



Staphorts asked to retire to contemplate their response. That evening the conference reconvened and Van Staphorst gave his answer.<sup>99</sup> The response was short and strongly worded and it was presented as an ultimatum. It stated that the high expenditure on defence as well as the indemnity to France had left the Dutch treasuries empty. Therefore, the Dutch Republic could pay off no more than Hcf. 3 million annually in times of war and Hcf. 7 million in times of peace and with an interest of 3.5%, rather than 4% on the outstanding sum. Only if Thibault agreed, would the Dutch Republic pay off the first Hcf. 30 million by January 1796. The Hcf. 10 million that, per original treaty, were due in February 1796 and May 1796, could not be paid and thus it must be added to the second tranche.<sup>100</sup>

This strong statement got the negotiations under way and on 1 January 1796 a compromise was reached. The Dutch had their way as regards to the remaining Hcf. 10 million of the first tranche and the rate of payment: the Hcf. 10 million was added to the second Hcf. 50 million and paid off at a rate of that Hcf. 3 million annually in times of war and Hcf. 7 million annually in times of peace. Furthermore, to allow the Dutch Republic to pay off the pending Hcf. 30 million the first payment of the second tranche was deferred until 22 September 1797, though the Dutch would make an interest payment on 22 September 1796. Thibault's success lay in the maintaining the interest rate at 4% and the definitive dismissal of the assignat exchange scheme. The new treaty would go into effect upon ratification, which was to occur no later than 16 January.<sup>101</sup> The new draft was a fair balance between French and Dutch interests. France had gained more secure terms of payment and interest on the outstanding sum of the indemnity, which it had not per original treaty. The Dutch Republic could spread the payments out over an estimated period of eight and a half years, rather than eighteen months.<sup>102</sup>

Whilst awaiting the French ratification, Van Staphorst exerted himself to obtain the capital to pay off the first Hcf. 30 million. His efforts were in vain, for on 25 January the French Minister Plenipotentiary at The Hague, François-Joseph-Michel Noël, informed the States-General that the Directory had refused to ratify the treaty for a second time and that he was charged to negotiate new terms. Moreover, for the meantime the Directory demanded Hcf. 6 million in credit from reputed Amsterdam houses.<sup>103</sup> The Dutch government took a firm line in response to the apparent effort to extract more concessions. It ceased to continue to persuade high finance to accept bills of exchange in the first Hcf. 30 million until new terms of payment were agreed upon. Moreover, the Dutch seemingly purposefully dragged out the negotiations: only two meetings were held in the first week, with the Dutch actively contributing little if at all.<sup>104</sup>

This unhappy stalemate was only broken on 13 February 1796, when Ramel, who had a good understanding of the Dutch Republic and its finances from his earlier missions, was promoted to Minister of Finance.<sup>105</sup> One of Ramel's first actions was to grant Noël the authority to re-open negotiations on the basis of the 1 January proposal and granting Noël the authority to conclude the treaty without further ratification by Paris.<sup>106</sup> The Dutch authorities were equally keen to conclude an agreement and so Van Staphorst was granted powers equal to that of Noël. But when the delegations convened to sign the treaty, Noël unexpectedly put forward two demands, namely 1) that the first Hcf. 30 million be paid off by the end of February 1796 and 2) that the Dutch government committed to fulfilling the first interest payment no later than 22 September 1796. Noël's demands were reasonable and in line with the spirit of the 1 January proposals, but as the conditions were not explicitly mentioned in the 1 January proposals, Van Staphorst felt obliged to obtain written approval from the States-General.<sup>107</sup>

Van Staphorst approached the Dutch government at a time of transformation. Since the ousting of the old regime, many Dutch revolutionaries were keen to finalise the revolution by replacing the States-General with a National Assembly. After drawn-out political wrangling the date for the convening of the First National Assembly – and the dissolution of the States-General – was set for on 1 February 1796, only

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<sup>99</sup> 'Van der Hoop and Van Staphorst to States-General, 2 January 1796', NL-NA, 1.01.02, 4795.

<sup>100</sup> 'Untitled [Dutch Ultimatum, MH], 31 December 1795', NL-NA, 1.01.02, 4795.

<sup>101</sup> 'Acte et Accord [...], 1 January 1795', NL-NA, 1.01.02, 4795.

<sup>102</sup> 'Van der Hoop and Van Staphorst to States-General, 2 January 1796', NL-NA, 1.01.02, 4795.

<sup>103</sup> 'Secret Resolutions of the States-General, 25 January 1796', NL-NA, 1.01.02, 4795; 'States-General to Thibault, 25 January 1796', NL-NA, 1.01.02, 11085B; Manger, *Recherches*, 122.

<sup>104</sup> 'Financial Committee of Holland to Van Staphorst, 1 February 1796', NL-NA, 3.02.01, 242.

<sup>105</sup> Sciout, *Directoire*, I: 532-539; Martyn Lyons, *France under the Directory* (Cambridge, 1975), 174.

<sup>106</sup> 'Secret Resolutions of the States-General, 19 February 1796', NL-NA, 1.01.02, 4795.

<sup>107</sup> 'Secret Resolutions of the States-General, 22 February 1796', NL-NA, 1.01.02, 4795.

for Dutch political bickering to postpone the convening, first to 18 February and later to 1 March.<sup>108</sup> Van Staphorst's request thus reached the States-General at a time when it had effectively stopped functioning in anticipation of its dissolution. Fortunately, the holdup was only temporary. By 3 May 1796, Van Staphorst had received the approval to accept Noël's demands. The final treaty is similar to the 1 January 1796 draft, though with two amendments. One, the treaty deals exclusively with the second tranche of Hcf. 50 million. No mention is made of the outstanding Hcf. 10 million of the first tranche. Two, the rate of payments in years of peace was lowered from Hcf. 7 million annually, to Hcf. 6 million annually.<sup>109</sup> Crouzet and Manger argue that France received the first Hcf. 30 million by February 1796. Neither has provided references and so it has not been possible to verify the date, but it is quite plausible.<sup>110</sup> In any case, it is sufficient to know that the first Hcf. 30 million were paid off, which is confirmed by a financial overview of the Financial Committee of Holland.<sup>111</sup> Uncertainty still surrounds the Hcf. 10 million of the first tranche. Manger states that this was paid through deliveries in kind to the French Army of the Sambre and the Meuse.<sup>112</sup> There is reason to treat this statement with caution. The archives do indeed contain numerous references of deliveries to the Army of the Sambre and the Meuse, but it is difficult to establish a direct link between a specific delivery and the Hcf. 10 million of the first tranche. The province of Zeeland, for instance, had arranged with France that her quota in the coin specie of the first Hcf. 30 million could be paid in deliveries of grain to the French army, in which case a delivery to the Army of the Sambre and the Meuse should not be counted towards the Hcf. 10 million instalment, but the Hcf. 30 million instalment.<sup>113</sup> On the other hand, there is also evidence to support Manger's assertion. An updated overview of the indemnity of 6 December 1800 can be found in the archives of the executive branch of the Dutch government. Unfortunately, the overview does not seem to have progressed beyond a first draft, and therefore it too must be treated with caution. What it does reveal, however, is that the Hcf. 10 million of the first tranche seems to have been treated as a sort of running account by the French and Dutch governments. The draft states that indeed deliveries to French armed forces were made to the sum of Hcf. 2,372,506. Interestingly the draft overview furthermore states that 'Promissory Notes' to the sum of Hcf. 3,540,000 were issued. This could be an entirely separate transaction, but as no trace of such a transaction has been found it is more likely that the Dutch authorities created the specified amount of promissory notes to pay for deliveries to French armed forces. This brings the total sum for deliveries to the French armed forces up to Hcf. 5,912,506. The outstanding amount was used to fund a French expedition to the East Indies to the sum of Hcf. 3 million for a French expedition to the Cape, plus some minor expenses.<sup>114</sup> This leaves a deficit, in the Hcf. 10 million of the first tranche, of approximately Hcf. 1 million, which was used to settle outstanding financial claims.

The second tranche of Hcf. 50 million (minus the American loan) was paid to France shortly after the signing of the 3 May 1796 treaty, in what has become known as Batavian Rescriptions. The Rescriptions are best understood as written, or printed, payment orders: the commitment by the Dutch Republic to pay the holder of the Rescription at a future date. The Rescriptions were interest-bearing (4%) and had interest coupons attached for 16 years, which was the maximum amount of time it could take to pay off the second tranche. Initially, the redemption of the Rescriptions and interest payments were to start on 22 September 1797 and proceed annually at a rate of Hcf. 3 million in times of war and Hcf. 6 million in times of peace – as per 3 May 1796 treaty. To facilitate what was undeniably a complex financial operation, in practice the payments were spread out over the year. Payments started with the redemption of Rescriptions on starting 22 September annually and at a rate of Hcf. 400,000 per week. Only after the Hcf. 3 million was paid off – after seven and a half months – did interest payments commence. This arrangement was drawn up under the assumption that war would continue. If peace were concluded, additional arrangements would be made for the repayment of the extra Hcf. 3 million. The Rescriptions were numbered and those due for

<sup>108</sup> V.V., III: 122; Schama, *Patriots*, 236-244; Joris Oddens, *Pioniers in Schaduwbeeld. Het eerste parlement van Nederland 1796-1798* (Nijmegen, 2012), 73-103; H. Boels, 'Stad en Lande van Groningen en het reglement voor de Nationale Vergadering in Den Haag 1795-1796', in *Nederland en het Noorden*, eds K. van Berkel et al. (Assen, 1991), 56-70.

<sup>109</sup> 'Acte D'accord [...], 3 May', NL-NA, 2.21.005.03, 1.

<sup>110</sup> Manger, *Recherches*, 123-124; Crouzet, 'Aspects financiers', 54.

<sup>111</sup> 'Financial statement on the 30 million', NL-NA, 3.01.29, 915.

<sup>112</sup> Manger, *Recherches*, 124.

<sup>113</sup> 'Financial statement on the 30 million', NL-NA, 3.01.29, 915.

<sup>114</sup> 'Tableau General des paiements, 6 December 1799', NL-NA 2.01.01.04, 484.

repayment were drawn by lottery. Prior to the first payment in 1797, the Dutch authorities decided to pay the holders of Rescriptions in coin specie for one quarter and for the remainder in Beleenbank Money.<sup>115</sup>

France, who was the beneficiary of the payments, could retain the Rescriptions until the Dutch authorities paid them off. The reality was, despite that French finances had improved since Ramel took office, France's financial problems were far from over. So rather than hold on to the Rescriptions, France brought them into circulation by making payments, or by selling them to obtain coin specie. In this manner the Batavian Rescriptions entered the market and became de facto paper currency.<sup>116</sup>

On the market, the Batavian Rescription was exposed to a number of factors that determined its value. First and foremost was of course demand and supply. But because the Batavian Rescriptions were paid off largely in Beleenbank Money, the exchange rate of Beleenbank Money influenced the rate of the Batavian Rescription. Third, the perceived credit standing of the Dutch regime affected the rate of the Rescriptions. Fourth, the possibility that political circumstances such as regime change in the Netherlands or France, may lead to the Dutch Republic discontinuing the payment of the indemnity to France influenced the rate of the Rescriptions.<sup>117</sup> For example, in August 1799 the Anglo-Russian invasion of North Holland gave rise to the possibility of a restoration of the Orangist regime. This caused the rate of the Batavian Rescriptions to drop from 93% in August to 42% in September. Generally, the Batavian Rescriptions traded considerably below nominal value, with the rate rising towards payment dates.<sup>118</sup>

It was soon clear that such a heavily fluctuating Batavian Rescriptions offered great opportunity for profit. The simplest way of profiting from the Batavian Rescriptions was to purchase at a devalued rate and await repayment by the Dutch authorities. The difference between the exchange rate at which the Batavian Rescription was purchased and the nominal value was pure profit. Whilst awaiting payment, the holder of the Rescription also received yearly interest payments. In August 1800 Gogel, on his private account, together with the financier Tetterode purchased Batavian Rescriptions for Hcf. 51,000 at a rate of approximately 94%. When the Rescriptions were redeemed ten months later, Gogel and Tetterode had made Hcf. 2,847, plus interest payments totalling Hcf. 2,040.<sup>119</sup> Such profits might seem small, but in the finely tuned Dutch capital market, it was a good margin.

Dutch high finance had also more ingenious ways of profiting from the Rescriptions, as an example of the bankers Gülcher & Mulder may illustrate. On 10 February 1797 Gülcher & Mulder floated a lottery loan of Hcf. 440,000, which matured on 1 December 1804. Gülcher & Mulder used the capital of this loan to purchase Hcf. 1,200,000 worth of Batavian Rescriptions, also due in 1804. At the time of purchase the exchange rate stood at 28%, meaning that Gülcher & Mulder only paid Hcf. 336,000 for the Rescriptions. To attract subscribers Gülcher & Mulder issued shares of Hcf. 100 apiece at lucrative terms. To start, shareholders were paid over the nominal value on their Hcf. 100 shares: in 1798 shareholders were paid Hcf. 110 for their shares, after which the payments increased with Hcf. 5 per year until reaching Hcf. 135 in 1803. Second, the shareholders had a chance on one of yearly premiums (prizes) of Hcf. 400 in the lottery. Third, Gülcher & Mulder paid out 4% interest on the loan, which stood at Hcf. 17,600 initially, but declined steadily as shares were redeemed. For the duration of the loan Gülcher & Mulder made payments for a sum of Hcf. 1,443,180. These costs were considerable, but earnings on the Batavian Rescriptions more than compensated them. Gülcher & Mulder received an annual interest of Hcf. 48,000 on the Batavian Rescriptions, or Hcf. 326,680 for the duration of the loan, to which was added Hcf. 1,200,000 for the Batavian Rescriptions that were due in 1804. In total Gülcher & Mulder made a profit of Hcf. 83,500 on the loan, plus another Hcf. 104,000 for the purchasing of Batavian Rescriptions at a discount (Hcf. 440,000–Hcf. 336,00), making a total of Hcf. 187,500.<sup>120</sup> With such profits to be made, it is not surprising that of all the bonds and paper currencies that were created after the Batavian revolution, it was the Batavian Rescriptions that were most desired by Dutch high finance.<sup>121</sup>

The Dutch authorities too were well-aware of the opportunities offered by the Rescriptions. At several occasions Gogel, now Dutch Agent of Finance, used governmental funds to buy up Batavian Rescriptions. In this manner the Dutch government need not pay out at nominal value, but it pocketed the

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<sup>115</sup> Manger, *Recherches*, 128-129.

<sup>116</sup> Crouzet, *grande inflation*, 443; Branda, *Le Prix*, 184.

<sup>117</sup> Manger, *Recherches*, 132-134.

<sup>118</sup> *Ibidem*, annex 3.

<sup>119</sup> 'Account of acquisition and sale of Batavian Rescriptions', NL-NA, 2.21.005.39, 2.

<sup>120</sup> Manger, *Recherches*, 137-138.

<sup>121</sup> *Ibidem*, 132.

difference between purchase rate and nominal value itself, thus effectively obtaining a discount on the instalments. Fritschy has shown that the entire indemnity instalment (Hcf. 3 million) for the year 1799 was purchased at a rate of 47-48%. So with a few well-directed purchases the Dutch authorities succeeded in halving their indemnity instalment.<sup>122</sup> Despite the potential of such financial operations, the limited references to such transaction suggest that they did not occur frequently. Quite possibly the Dutch authorities lacked the liquid capital for such operations.

Dutch finance's profits, and to a lesser extent that of the Dutch authorities, came at the expense of France. Nevertheless, it was not ignorance of financial affairs that forced France to accept losses on Batavian Rescriptions. At several times France attempted to limit the damage. Talleyrand notoriously tried to sell Hcf. 32 million worth of Batavian Rescriptions to the United States at nominal value, even though they traded considerably under par. Talleyrand argued his case by underlining that whatever the market value of the Rescriptions, the Dutch authorities redeemed at nominal value, and so the United States would not lose out. The Americans refused to take the bait but under heavy political pressure from Paris the cities of Hamburg and Bremen did accept Hcf. 4 million and Hcf. 2 million of Batavian Rescriptions respectively.<sup>123</sup> Ultimately, France's ability to limit losses on the Batavian Rescriptions depended on whether France had the patience to await redemption. The fact was that France's financial situation did not permit patience.

It is difficult to quantify France's losses, for it depends on which date France brought the Rescriptions onto the market. If the Rescriptions were sold soon after the Dutch transferred them the exchange rate would have ensured that France would not have obtained more than Hcf. 15-16 million. However, evidence points to France bringing the Rescriptions onto the market successively and through various means. Without the details of all transactions it is impossible to put a definitive figure on French losses and so we must do with an estimate. Manger suggests that France sold the Batavian Rescriptions at an average rate of 50%, meaning that of the second Hcf. 50 million, France only received Hcf. 25 million. If one adds the Hcf. 10 million of the Grand Requisition, which was deducted from the indemnity, the Hcf. 30 million that were paid off prior to September 1796 and the running account of Hcf. 10 million, which was drawn to the sum of Hcf. 9 million, it means that of the Hcf. 100 million indemnity that the Dutch Republic was forced to accept, France only received Hcf. 74 million with Hcf. 1 million of the running account still outstanding.<sup>124</sup>

#### *Case conclusions*

So what does the case of the Dutch indemnity to France show about the way that Amsterdam responded to the changing economic circumstances? Amsterdam high finance refused to become party to the financial operations following from the indemnity until they saw profits to be made. This is reflective of the Amsterdam financier's attitude to finance: they did not passively accept decline or being outcompeted. Rather, they adapted to the new economic realities, and they remained cognizant of their influence and power, and they used it to their benefit.

The new economic reality was that traditional outlets for capital were blocked off. However, simultaneously, France's wars unleashed a current of new capital flows across Europe. France did not have the infrastructure to transfer the funds to Paris. Amsterdam did. Once Amsterdam high finance's demands for predictable and reliable financial transaction were met, they stepped up to provide this service.

#### **The Financing of the Sale and Purchase of Louisiana**

The second case study is the financing of the sale and purchase of Louisiana. Napoleon had held onto it with the hope of rebuilding a French empire in the Americas, but when war with the conservative coalitions loomed once more, he decided to dispose of it to top up his war chest. In the historiography the sale of Louisiana to the US is often presented as a British financial operation, set up by Alexander Baring of Baring Bros..<sup>125</sup> This is only partially true. The financial operation was set up by a consortium of bankers,

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<sup>122</sup> Fritschy, *Patriotten*, 185-186; Manger, *Recherches*, 139-140.

<sup>123</sup> Crouzet, *grande inflation*, 500-501.

<sup>124</sup> Manger, *Recherches*, 141-142.

<sup>125</sup> R.W. Hidy, *The House of Baring in American Trade and Finance. English Merchant Bankers at Work, 1763-1861* (Cambridge, MA: Harvard University Press, 1949), 33-52; David Tearle, *Merchants of War. Barings Bank and William Bingham. Revolutionary Bankers from the War of Independence to the Louisiana Purchase* (Incorporated History Press: Modbury, 2017); Philip Ziegler, *The Sixth Great*

Hope and Co. of Amsterdam and Baring Bros. of London, whereby Hope was the senior partner, taking between  $\frac{2}{3}$  and  $\frac{3}{4}$  of the profits, which reflected their position. And the assumption that Alexander Baring was a Baring man is not correct either. If anything, he was a Hope man. Francis Baring did not have a high opinion of his second son. He considered him immature, slow and impatient. Moreover, he disliked Alexander's tendency towards leisurely pursuits rather than work. He was not too keen to accept him into the business. But Alexander was keen to pursue a career in finance and so he sought out an apprenticeship in what was the most dynamic capital market, Amsterdam. He was taken on board at Hope & Co. He stayed there until he was sent to the US as a Hope agent, in 1795. By 1803, the relationship between Hope & Baring had grown very close and Alexander represented both Hope & Baring.

The Louisiana Territory was sold for Fr. 80 million. Fr. 20 million would be settled through the United States taking on French debts to US merchants. For the remaining Fr. 60 million (\$11.25 million, Hcf 28.13 million) a financial operation would need to be developed.<sup>126</sup> The financial operation consisted of a series of financial transactions. The United States did not possess the means to pay for Louisiana outright, and so the American government was forced to resort to deferred payment in the form of American governmental bonds worth \$11,250,000 (Fr. 60 million). The bonds bore 6% interest, payable in Amsterdam, London or Paris<sup>127</sup>, and would be redeemed in four instalments starting in 1818. Theoretically, France could have accepted the American bonds as payment. In fact the terms were not so bad. The payment of principal may have been postponed for fifteen years, but the substantial interest rate meant that France would receive \$675,000/Fr. 3,600,000 in interest payments per annum, with interest declining as the principle was redeemed. The interest payments are often overlooked in secondary literature, but of course they should be included in the price that America paid for Louisiana.<sup>128</sup> When taken together, the American interest payments amounted to no less than \$11,070,000/Fr. 59,040,000, which means that the price America paid for Louisiana, excluding the adopted claims at \$3,750,000, is nearly double (\$22,320,000) of what is currently accepted (\$11,250,000).<sup>129</sup> Notwithstanding the beneficial payment terms, France preferred immediate payment. Therefore the American bonds were transferred to Hope-Baring for a sum of Fr. 52 million, in return for which Hope-Baring made an initial payment of Fr. 6 million within one month of Hope-Baring having received the American bonds and subsequent payments of Fr. 2 million monthly (in four instalments), with the last payment falling in month 24.

Although Hope-Baring mediated the financial transaction, it is important to emphasise that they mediated for both the United States and France. Hope-Baring acted as the drawing house to the United States: they accepted deferred payment by the United States in the form of American bonds, irredeemable

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*Power. A History of One of the Greatest of All Banking Families, the House of Barings, 1762-1929* (New York: Alfred A. Knopf, 1988), 71-76; Peter E. Austin, *Baring Brothers and the Birth of Modern Finance* (London: Pickering & Chatto, 2007), 17-19.

<sup>126</sup> "Traité Entre les Etats-Unis d'Amérique et la République Française, Paris, 30 April 1803", USA-NA, RG 11, P[erfect]ed] T[reaties], TS 86 AO; "Première convention financière annexée, 30 April 1803", NL-AMA, 735, 1911; French copy: ibidem, FR-NA, AF/IV/1681/A; "Seconde convention financière annexée, 30 April 1803", NL-AMA, 735, 1911. Readily accessible through: Michel Kerautret, *Documents diplomatiques du Consulat et de l'Empire* (Paris: Nouvean Monde Éditions / Fondation Napoléon, 2002), I: 278-289. Additionally a payment schedule was concluded: "Exécution de la convention conclue entre la République française et les Etats-unis d'Amérique le 10 Floréal an XI [30 April 1803]", FR-NA, AF/IV/1681/A.

<sup>127</sup> After war broke out between Britain and France, it was considered too risky to pay out in Paris and interest was only paid out in Amsterdam and London.

<sup>128</sup> Interest payments overlooked. R.W. Hidy, *The House of Baring in American Trade and Finance. English Merchant Bankers at Work 1763-1861* (Cambridge, MA: Harvard University Press, 1949), 33; Philip Ziegler, *The Sixth Great Power. A History of One of the Greatest of All Banking Families, the House of Barings, 1762-1929* (New York: Alfred A. Knopf, 1988), 70; Peter E. Austin, *Baring Brothers and the Birth of Modern Finance* (London: Pickering & Chatto, 2007), 206, n42; Merrill D. Peterson, *Thomas Jefferson and the New Nation: a Biography* (Oxford et al.: Oxford University Press, 1975), 760; Pierre Branda, *Le Prix de la Gloire. Napoléon et l'Argent* (Paris: Fayard, 2007), 256; Roger G. Kennedy, *Mr. Jefferson's Lost Cause. Land, Farmers, Slavery, and the Louisiana Purchase* (Oxford: Oxford University Press, 2003), 183; E. Wilson Lyon, *The Man Who Sold Louisiana. The Career of François Barbé-Marbois* (Norman, OK: Oklahoma University Press, 1942), 121; Thomas K. McGraw, *The Founders and Finance. How hamilton, Gallatin, and Other Immigrants Forged a New Economy* (Cambridge, Ma et al.: Belknap Press of Harvard University Press, 2012), 241-243; John Orbell, *Baring Brothers & Co., Limited. A Hisotry to 1939* (London: Baring Brothers & Co., Limited, 1985), 15; David Tearle, *Barings Bank, William Bingham and the Rise of the American Nation. A Transatlntic Relationship form the Revolutionary War through the Louisiana Purchase* (London and Jefferson, NC: McFarland & Co., 2010), 160; Bradford Perkins, "England and the Louisiana Question," *Huntington Library Quarterly* 81, no. 3 (May, 1955), 293-294. Bush has included the interest payments: Robert D. Bush, *The Louisiana Purchase. A Global Context* (New York and London: Routledge), 68.

<sup>129</sup> "Exécution de la convention conclue entre la République française et les Etats-unis d'Amérique le 10 Floréal an XI [30 April 1803]", FR-NA, AF/IV/1681/A.

for fifteen years. And Hope-Baring acted as accepting house to France: they paid out France in yet-to-be-determined currencies (coin specie or current bills, bonds or papers) within two years.

In mediating the Franco-American transaction, Hope-Baring accepted considerable financial liabilities: in a period of just two years, Hope-Baring would have to pay out Fr. 52 million, whilst they would not be repaid by the American government for fifteen years. Hope and Baring were strong financially, but not even they possessed the capital to make such large and frequent payments to France. To meet their liabilities, Hope-Baring thus would need to raise capital on the market, which entailed setting up a financial operation separate from the Franco-American transaction. Most likely, such an operation involved the repackaging or reselling of American bonds through their financial networks.

The financial contract was a good balance of interests. France started receiving payments of principal within one month of Hope-Baring having received the American funds, and would receive full payment within two years. The American government had the benefit of deferring payment for fifteen years, whilst already taking possession of Louisiana. The risk of the financial operation was borne by Hope-Baring. One risk was the collapse of the political agreement ceding Louisiana to the United States, either through one contracting party backtracking or through the intervention of an outside power. If the political agreement collapsed, the financial transaction could not but be affected also. During the negotiations Hope-Baring successfully prevented political complications from influencing the financial operation by separating the two financial treaties obliging the United States to pay France (and the consequent financial contract) from the Franco-American political treaty for the cession of Louisiana. De jure there existed no relationship between the Franco-American treaty of cession and the financial contract, though of course it would remain to be seen if this cosmetic measure could withstand the determined will of an aggrieved party. A second risk was that one of the parties reneged on its financial obligations, in which case Hope-Baring could find itself with financial liabilities without the financial compensation to match. Hope-Baring safeguarded against over-exposure by accepting the American funds on their terms, which were as follows. Alexander Baring would travel to the United States to personally receive a first tranche of American bonds.<sup>130</sup> The remaining two tranches would be dispatched to Europe and deposited with Robert Livingston, the American Minister Plenipotentiary at Paris. Only after Hope-Baring received confirmation of Alexander having the first tranche of American bonds in his possession would payments to France commence. Once the first tranche was disbursed, Hope-Baring received the second tranche of American funds from Livingston. After this was paid out, the final tranche was released. By insisting on these terms Hope-Baring minimised their exposure to at maximum one tranche of the American funds. Furthermore, by placing the undisbursed tranches in the hands of the American ambassador in the French capital Hope-Baring hoped to give both the French government and the American government a stake in the success of the financial operation.

If the risks remained with Hope-Baring, then the compensation for accepting the risk was theirs also, and by all accounts Hope-Baring negotiated generous compensation. The benefit for Hope and Baring was, first, the discount at which they purchased the American bonds. The United States paid for Louisiana with bonds worth Fr. 60 million, which France sold to Hope-Baring Fr. 52 million. The difference of Fr. 8 million was for Hope-Baring. Second, as Hope-Baring possessed the American funds, they, rather than France, received the interest, which amounted to Fr. 59.04 million. This is not to imply that Hope-Baring made a profit of approximately Fr. 67 million. As mentioned, to meet their liabilities, Hope-Baring would raise capital through marketing the American bonds. To make the American funds appealing to investors, they were required to offer interest and, depending on the marketability, a discount on the bonds. Furthermore, Hope-Baring could be expected to pay intermediaries, who marketed the bonds, a commission fee. Alexander Baring did not foresee payment to France being made before December 1803, or otherwise January 1804, which left Hope-Baring nine to ten months to devise a financial operation to acquire the capital.<sup>131</sup>

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<sup>130</sup> "Barbé-Marbois to Gallatin, Paris, 7 June 1803", USA-LoC, *Louisiana Miscellany*, 15.

<sup>131</sup> "Engagement souscrit par Mr Alex. Baring fondé de pouvoir de Maisons Franc[is] Baring & co. de Londres, et Hope & co. d'Amsterdam, relativement à la négociation d'un fonds américain, montant à 11,250,000 Piastres [Dollars]", NL-AMA, 735, 1911; *ibidem*, USA-LoC, *Louisiana Miscellany*, 15; "Analysis of the engagement made by A[lexander] B[aring] at Paris in the name of F[rancis] B[aring] & Co. and Hope & Co. with the Treasury with the concurrence & by desire of the American Ministers, 1803", NL-AMA, 735, 1909; "Barbé-Marbois to Livingston and Monroe, Paris, 4 May 1803", USA-LoC, *Louisiana Miscellany*, 15; "Livingston and Monroe to Barbé-Marbois, Paris, 28 May 1803", USA-LoC, *Louisiana Miscellany*, 15.

No sooner had the financial contract been concluded than problems arose. Within three weeks of signing the treaties Franco-British relations broke down and hostilities resumed.<sup>132</sup> The renewal of hostilities put pressure on the French role in the sale of Louisiana. On the one hand, the war with Britain was sure to test France to her limits. All the nation's resources would need to be harnessed to emerge victorious, including financial resources. In this light the payments for Louisiana would be welcome sooner rather than later. On the other hand, the possibility that Britain undertook an expedition to conquer Louisiana could not be ignored. If Britain succeeded in dispatching an expedition to Louisiana, the chances were great that the whole agreement with the United States would unravel, and France would be left without her payment. So with the aim of concluding the transfer of Louisiana to the United States as soon as possible and getting the payments to France started, on 22 May 1803, Bonaparte ratified the treaty ceding Louisiana to the United States.<sup>133</sup>

However, if Bonaparte hoped for an equally swift execution on the part of the United States, he was to be disappointed. The United States would need to take a number of steps before Hope-Baring would start its payments to France. First, the Franco-American treaty ceding Louisiana to the United States would need to be debated in, and ratified by, the United States Congress. Subsequently, the Louisiana Territory would need to be taken possession of and the American funds, with which Louisiana was paid, would need to be created and placed at the disposal of Hope-Baring. Only after Hope-Baring had received confirmation of the reception of the funds, would payments to France commence.

The treaties did not arrive in America until 14 July 1803, and in the lively political democracy that was the United States a plethora of objections was put forward by politicians from across the political spectrum. To start, there was opposition from those who believed that the price was too high and feared for the consequences for American public finances. Second, the annexation was opposed due to the ramifications it had for American regional interests. One of the aims of acquiring Louisiana, in particular the port of New Orleans, was to grant the Western Territories a commercial outlet and thereby thwart any possibility of an independent state being established in North America outside the United States. No one doubted that this aim was achieved in the treaty of 30 April, but the Louisiana Territory also included a vast territory west of the Mississippi – the trans-Mississippi West – that was certain to attract American colonists, thereby once more giving rise to the possibility of uncontrolled, and uncontrollable, state-formation outside the United States. Or, in other words, the problem of the possibility of an independent state emerging on the fringes of the United States was not resolved, but merely moved further west. A second issue regarded the Floridas. The American government had hoped to acquire all territory east of the Mississippi, including the Floridas, which it believed had been, or would be, ceded to France. However, Spain retained the Floridas. Some in the opposition now argued that, as a result, the port of New Orleans was vulnerable to foreign attack from the Floridas. The two issues above combined, when voices went up for the trans-Mississippi West to be exchanged with Spain for the Floridas. Finally, the treaty of 30 April 1803 was opposed from a constitutional viewpoint. The American constitution did not contain provisions for the acquisition of territory, nor was there any precedent. And so it was wholly unclear if the United States could annex the territory, and if so, how the new territory would be governed. Moreover, there was the question of whether the Louisianans should be given a say in their future, or whether their liberty could be subjected to the needs and interests of the United States. This is not the place to elaborate on American domestic debate on the Louisiana treaty. Suffice it to say that, not in the least due to President Jefferson's efforts, by and large the American political leadership recognised the potential of the acquisition of Louisiana, and they were confident enough that any problem that may arise from the acquisition of the territory could be dealt with satisfactorily, with no additional territorial exchanges.

On 20 October 1803 Jefferson submitted the Franco-American treaties to the Senate, where they were approved with 24 votes to 7. The next day, President Jefferson formally ratified the treaties. The Franco-American political agreement was now concluded, but in order to create the funds to pay for Louisiana, an Act of Congress was needed, which required the consent of the House of Representatives.<sup>134</sup>

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<sup>132</sup> Christopher D. Hall, *British Strategy in the Napoleonic War 1803-15* (Manchester University Press, 1992), 102-103.

<sup>133</sup> [F.] Barbé-Marbois, *Histoire de la Louisiane et de la cession de cette colonie par la France aux États-Unis de l'Amérique Septentrionale; précédée d'un discours sur la constitution et le gouvernement des États-Unis* (Paris: Firmin Didot, 1829), 335-339.

<sup>134</sup> Robert D. Bush, *The Louisiana Purchase. A Global Context* (New York and London: Routledge), 72-79; [F.] Barbé-Marbois, *Histoire de la Louisiane et de la cession de cette colonie par la France aux États-Unis de l'Amérique Septentrionale; précédée d'un discours sur la*

What should have been a straightforward procedure became problematic when the House of Representatives would only agree to take the necessary steps once the United States had formally taken possession of Louisiana. France had neglected to send an expedition to take possession of Louisiana after Spain retroceded the territory at Aranjuez on 21 March 1801, which meant that the territory was still under Spanish administration. And Spain refused to recognize the cession of Louisiana, ostensibly because France had agreed not to cede the Louisiana Territory to any other nation than Spain. There is no mention of any such obligation in any of the Franco-Spanish treaties, so it is difficult to determine if France made any such commitment or not. It could also be that Spain seized on the transfer of Louisiana to the United States to advance her European interests. Spain wanted the international recognition of the Italian possession she acquired per Treaty of Aranjuez, and to her mind, France had not exerted herself satisfactorily to help gain that recognition.<sup>135</sup>

The American delay in the creation of the American funds placed Hope-Baring in a difficult position. France was in dire need of funds, and repeatedly requested for payments to get started, but it was unwise to start the payments to France without having first received the American funds. However, if payments to France were held off for too long, the international circumstances might cause the Franco-American deal to collapse altogether, rendering all Hope-Baring's efforts for nothing. With the deal at risk, Hope-Baring decided to take action. First, they granted France an advance payment of Fr. 2 million.<sup>136</sup> By doing so, Hope-Baring clearly hoped to reduce the chances of one of the parties withdrawing prematurely, but nonetheless, the advance payment entailed considerable risk. If the deal fell through, it would be hard to see how Hope-Baring would be repaid.<sup>137</sup> Second, Alexander Baring was dispatched to America. His primary task was to receive the first tranche of American bonds, but it may also be assumed that Alexander was to open a direct line of communication with the American government and, where possible, close the deal as soon as possible.<sup>138</sup>

The advance payment of Fr. 2 million of course only went so far, and it was not long before France pressed Hope-Baring for additional anticipation payments. Hope-Baring deemed it unwise to commit further funds before the transfer of Louisiana was sealed, unless, that was, the United States could be drawn into committing to the transaction by releasing some funds.<sup>139</sup> To ensure the financial transaction, and by extension the transfer of Louisiana to the United States, James Monroe, the American Minister Plenipotentiary to the Court of St. James's, was quite willing to transfer a substantial sum to Hope-Baring. However, the ever-cautious Livingston blocked any transfer of funds to Hope-Baring because he felt the affair must be run past Washington first.<sup>140</sup> It was not until mid-November that Monroe received an Act of Congress that authorised him to place a sum of 2 million dollars at the disposal of Hope-Baring. Needless to say, Monroe immediately notified Hope-Baring of the development, as well as of his intention to transfer the funds.<sup>141</sup> Upon reception of the news, Hope dispatched their trusted broker, Labouchère, to Paris to negotiate an advance payment for France. The terms of payment that were agreed on were as follows. In return for the payment of 2 million dollars by the United States, Hope paid France Fr. 10 million. This sum included the Fr. 2 million that had been paid in July 1803. Of the remaining Fr. 8 million, 3.5 million would be released through allowing the French government to draw on prominent Paris bankers – 2.5 million on Charles Joseph Baguenault de Puchesse and 1 million on Perregaux, almost 4 million could be drawn on Hope & Co. or authorised intermediaries and the remainder would be paid in

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*constitution et le gouvernement des États-Unis* (Paris: Firmin Didot, 1829), 344, 346-350; Everett Somerville Brown, *The Constitutional History of the Louisiana Purchase 1803-1812* (New York: Cosimo, 2005), 14-146.

<sup>135</sup> "Alexander Baring to Francis Baring, Washington, 21 October 1803", UK-BA, NP1.A, 4: 19; [F.] Barbé-Marbois, *Histoire de la Louisiane et de la cession de cette colonie par la France aux États-Unis de l'Amérique Septentrionale; précédée d'un discours sur la constitution et le gouvernement des États-Unis* (Paris: Firmin Didot, 1829), 345-346.

<sup>136</sup> "Propositions faites au Ministre du Trésor public par Mr. Alexandre Baring, fondé de pouvoir de la maison Hope d'Amsterdam [30 July 1803]", NL-AMA, 735, 1911. The sum was not paid out in Europe, but made available to France in the United States through a credit line in Philadelphia via Willing & Francis: "Alexander Baring to Francis Baring, Philadelphia, 26 November 1803", UK-BA, NP1.A, 4: 26. Austin erroneously believes Willing & Francis played a role in remitting the entire payment to France: Peter E. Austin, *Baring Brothers and the Birth of Modern Finance* (London: Pickering & Chatto, 2007), 18.

<sup>137</sup> "Labouchère to Alexander Baring, Amsterdam, [end of July 1803]", UK-BA, NP1.A, 4: 14.

<sup>138</sup> "Hope & Co. grant Alexander Baring power of attorney, Amsterdam 20 July 1803", USA-LoC, *Louisiana Miscellany*, 15; "Francis Baring & Co. grant Alexander Baring power of attorney, 12 August 1803", USA-LoC, *Louisiana Miscellany*, 15.

<sup>139</sup> "Labouchère to Barbé-Marbois, 1 September 1803", NL-AMA, 735, 5.

<sup>140</sup> "Unknown to Francis Baring, 12 September 1803", UK-BA, NP1.A, 4: 69.

<sup>141</sup> "Labouchère to Barbé-Marbois, 14 November 1803", NL-AMA, 735, 5.



current French bills, bonds or papers. The commission fee for Hope-Baring was a not inconsiderable ½% (Fr. 50,000/Hcf. 23,753/\$9,381).<sup>142</sup> In the following days, the American Minister Plenipotentiary provided his mandatory consent to the financial transaction, and a contract was drawn up to reverse the financial transaction in case the United States did not ratify Franco-American treaty of 30 April, thus finalising the transaction.<sup>143</sup>

The financial operation designed to deliver France an advance payment was a considerable step towards concluding the sale and transfer of Louisiana. The release of funds by the United States was the clearest sign yet that the American government was committed to bringing the affair to a conclusion. By accepting an advance through the mediation of Hope-Baring, France too was firmly involved in the transaction. The recommitment by both the United States and France reassured Hope-Baring, and the American funds ensured that, even if the Franco-American treaty fell through, Hope-Baring would not be left with financial losses.

But just when the financial operation for the sale and transfer of Louisiana seems back on track, the politics of international affairs once threatened to bring down the entire financial operation. This time the British government intervened. Since war with France had resumed, the British government was uneasy about the sale of Louisiana, and not because of the transfer of such a large territory to the United States, but because a British banking house participated in remitting the payments from the United States to France. Since its inception Francis Baring had kept the British government dutifully informed on the financial operation, and from a short note by Francis Baring it appears that Henry Addington, the British Prime Minister, was supportive of Baring's role in the transaction.<sup>144</sup> However, by the beginning of November 1803, the British government re-assessed the wisdom of allowing a British banking house to remit payments to a British enemy, and Francis Baring was called in to give an update on the affair. In a letter of 12 November 1803, Francis Baring set out the role of his banking house in the financial operation devised to transfer Louisiana to the United States. The letter accurately described the financial operation, but it understated Baring's role therein.<sup>145</sup> Quite possibly Francis Baring realised that he may have stretched the truth a bit too far, for three days later he followed up his first letter with a second letter that contained more precise details, which Francis claimed he did not have handy during the writing of his first letter.<sup>146</sup> Whether or not due to the revelation of the true extent of Baring's involvement, the British government now ordered Baring to cease remitting payments to France. Baring could do little but oblige. In a letter of 22 November 1803, Francis informed Hope of his suspending of remittances to France.<sup>147</sup> This letter has puzzled historians. To pull out of the operation at this stage was certain to burden both houses with crippling losses, which was something renown banker like Francis Baring was unlikely to do. Therefore the letter is interpreted as a token protest only, and consequently disregarded.<sup>148</sup> In fact, Francis Baring was quite serious.

On 6 December 1803, Hope & Co., from Amsterdam, responded that they had no issue with Baring's withdrawal whatsoever. The casualness with which such a fundamental revision of the financial operation was accepted becomes clear from the remainder of the letter, which detailed how Baring's capital on the continent would be diverted away from payments to France and towards other financial operations, whilst Hope's capital would be diverted away from those other operations and towards the payments to France.<sup>149</sup> In these times, when Hope's capital and Baring's capital was so intertwined, Hope's

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<sup>142</sup> "Propositions faites au ministre de Trésor public, par Mr. Labouchère, associé de la maison Hope & Co., d'Amsterdam, 1 December 1804", NL-AMA, 735, 1911; *ibidem*, UK-BA, NP1.A, 4: 35.

<sup>143</sup> "Livingston to Barbé-Marbois, 2 December 1803", UK-BA, NP1.A, 4: 34; "Labouchère to Livingston, Paris, 7 December 1803", NL-AMA, 735, 6; "Livingston to Labouchère, 9 December 1803", UK-BA, NP1.A, 4: 34; "Labouchère to Livingston, Paris, 9 December 1803", NL-AMA, 735, 6.

<sup>144</sup> "Account of events by Francis Baring, 19-30 June", UK-BA, NP1.A, 4: 13; Bradford Perkins, "England and the Louisiana Question," *Huntington Library Quarterly* 81, no. 3 (May, 1955), 294.

<sup>145</sup> "Francis Baring to Addington, 12 November 1803", UK-BA, NP1.A, 4: 22.

<sup>146</sup> "Francis Baring to Addington, 15 November 1803", UK-BA, NP1.A, 4: 24.

<sup>147</sup> "Francis Baring to Hope & Co., 22 November 1803", UK-BA, NP1.A, 4: 25.

<sup>148</sup> Disregarded: R.W. Hidy, *The House of Baring in American Trade and Finance. English Merchant Bankers at Work 1763-1861* (Cambridge, MA: Harvard University Press, 1949), 34; Philip Ziegler, *The Sixth Great Power. A History of One of the Greatest of All Banking Families, the House of Barings, 1762-1929* (New York: Alfred A. Knopf, 1988), 71-72; David Tearle, *Barings Bank, William Bingham and the Rise of the American Nation. A Transatlantic Relationship from the Revolutionary War through the Louisiana Purchase* (London and Jefferson, NC: McFarland & Co., 2010), 161.

<sup>149</sup> "Hope & Co. to Francis Baring, Amsterdam, 6 December", UK-BA, NP1.A, 4: 31.

proposal entailed little change. Baring's capital would still be co-managed on the continent by the same banking house that made payments to France. In any case, the British government was not fooled. On 16 December, Addington wrote a second letter to Francis Baring, requesting, not only that payments to France be suspended, but also that all Baring's capital be withdrawn from the continent. Baring had little option but to comply.<sup>150</sup> In a letter of 19 December 1803, Francis conveyed the news to Hope.<sup>151</sup> Not having received acknowledgement of his writing, Francis reiterated his intention to fully withdraw from the continent in a second letter.<sup>152</sup> Hope's reply came on 26 December 1803. In the letter, Hope expressed genuine surprise at the determination of the British government to prevent Baring from making payments to France. There was also disappointment at Francis Baring not anticipating the issue, for Hope declared they would have gladly executed the whole operation independently, rather than co-operate with Baring, only to be abandoned halfway through the operation. Ultimately, Hope could not but return Baring's funds, but Hope was quick to add that any cost involved in diverting the funds would be borne by Baring alone.<sup>153</sup> Henceforth, both Hope and Baring continued to mediate for the American government, but Hope became the sole accepting house. All payments to France would be made by Hope: Hope devised and executed the separate contracted payments to France, and Hope bore the risk of failing to adhere to the terms of payment. Or, more plainly, after Francis Baring was forced to withdraw his funds from the continent, the financial operation devised to transfer Louisiana to the United States became a Hope operation, more than a Baring operation, or a Hope-Baring operation.

Whilst France was provided with an advance payment, and whilst Baring withdrew from the broader financial operation, the political stalemate over the cession of Louisiana to the United States was resolved. After being presented with the relevant treaties and documentation Spain withdrew her opposition to the transfer of Louisiana. The United States Congress passed the act to create the American bonds, which was signed into law by President Jefferson on 10 November 1803.<sup>154</sup> The bonds were now finally created, but they were not to be released until Jefferson received confirmation that Louisiana was in American hands. On 30 November the Spanish governor of Louisiana retroceded the Louisiana Territory to France.<sup>155</sup> On 20 December 1803, France formally ceded Louisiana to the United States.<sup>156</sup> However, it was not until 16 January 1804 that Jefferson was informed of this.<sup>157</sup> Only now did Jefferson release the funds.<sup>158</sup> As per agreement Alexander Baring was handed the first tranche, whilst the remaining two tranches would be transported to Livingston in Paris.<sup>159</sup> Once confirmation was received in Europe of Alexander Baring having the first tranche at his disposal, Hope could commence payments to France per original contract.

By mid-December, news of the American ratification reached Europe.<sup>160</sup> It was not long before France requested Hope for the payments to be started per original contract, i.e. Fr. 2 million per month.<sup>161</sup> Hope, of course, refused. First, because the original contract stated that payments would start, not after confirmation of the American ratification was received, but after Hope received confirmation of the first

<sup>150</sup> "Addington to Francis Baring, Downing Street, 16 December 1803", UK-BA, NP1.A, 4: 28.

<sup>151</sup> "Francis Baring to Hope & Co., 19 December 1803", UK-BA, NP1.A, 4: 37.

<sup>152</sup> "Francis Baring to Hope & Co., 23 December 1803", UK-BA, NP1.A, 4: 38.

<sup>153</sup> "Hope & Co. to Francis Baring, Amsterdam, 26 December 1803", UK-BA, NP1.A, 4: 40.

<sup>154</sup> "An act authorising the creation of a stock, to the amount of \$11,250,000 for the purpose of carrying into effect the convention of the 30<sup>th</sup> April 1803 [...] between the United States of America and the French Republic [...], Washington, 10 November 1803", NL-AMA, 735, 1912.

<sup>155</sup> "Pichon [French chargé d'affaires at Washington D.C.] to Barbé-Marbois, Georgetown, 19 December 1803", FR-NA, AF/IV/1681/A.

<sup>156</sup> Robert D. Bush, *The Louisiana Purchase. A Global Context* (New York and London: Routledge), 79-91; [F.] Barbé-Marbois, *Histoire de la Louisiane et de la cession de cette colonie par la France aux États-Unis de l'Amérique Septentrionale; précédée d'un discours sur la constitution et le gouvernement des États-Unis* (Paris: Firmin Didot, 1829), 352-359.

<sup>157</sup> "Message from President Jefferson to Congress, 16 January", USA-NA, RG 4.

<sup>158</sup> "Jefferson to Gallatin, Washington 16 January 1803", USA-LoC, *Louisiana Miscellany*, 15.

<sup>159</sup> "Gallatin to Joseph Nourse [American Registrar of the Treasury], 16 January 1804", USA-LoC, *Louisiana Miscellany*, 15; "Alexander Baring to Gallatin, Washington, 16 January 1804", USA-LoC, *Louisiana Miscellany*, 15; "Gallatin to Pichon, Washington, 20 January 1804", USA-LoC, *Louisiana Miscellany*, 15; "Pichon to Gallatin", Georgetown, 20 January 1804", USA-LoC, *Louisiana Miscellany*, 15; "James Leonard to [...], 13 February 1803", USA-LoC, *Louisiana Miscellany*, 15.

<sup>160</sup> 'Hope & Co. to Dan Parker [Hope-Baring's agent in Paris], 15 December 1803', NL-AMA, 735, 6; 'Hope & Co. to Barbé-Marbois, 15 December 1803', NL-AMA, 735, 6; 'Barbé-Marbois to Bonaparte, Paris, 19 December 1803', FR-NA, AF/IV/1681/A; 'Hope & Co. to Barbé-Marbois, 22 December 1803', NL-AMA, 735, 6.

<sup>161</sup> 'Hope & Co. to Barbé-Marbois, 2 January 1804', NL-AMA, 735, 6.

tranche of American bonds being in the hands of Alexander Baring, which had not yet occurred.<sup>162</sup> More importantly, Hope refused to commence payments because it did not yet have the liquid capital. As mentioned, Hope-Baring was to acquire at least part of the capital for payments to France on the market. Now that Baring had pulled out, Hope was forced to raise the funds to repay France alone. Despite that Baring did not participate in paying France, he still possessed the American bonds, which he chose to dispose of. Due to the delays in America, the setting up of any financial operation to obtain the funds was postponed. But now that confirmation of American ratification was received the wheels could be set in motion.

To liquidate the American bonds, two financial operations were set up. The American bonds (at \$11,250,000) were divided into two portions: \$6,250,000 (\$5,000,000 for Henry Hope & co. of London and \$1,250,000 for Baring Bros. of London) was to be domiciled in London and marketed on the London capital market, the remainder, \$5,000,000 was domiciled in Amsterdam, and disposed of on the Amsterdam market. Baring devised and managed the London operation, whilst Hope did so for the Amsterdam operation. This is, however, not to imply that Baring had a greater stake in the American bonds than did Hope. As mentioned, Hope had two offices, one in Amsterdam and one in London, and Hope had a stake in both the London and the Amsterdam operation. Baring had a stake in the Amsterdam operation too.<sup>163</sup> From a financial perspective it makes sense to have a stake in both operations. It was difficult to determine which operation would be more successful, and neither of the bankers would want to lose out on the most profitable operation, or be burdened with the least profitable operation. The division of American bonds merely reflects where Hope and Baring believed most capital could be raised, London.

The Amsterdam operation was quite complex. To start, Hope felt necessitated to include two other Amsterdam banking houses in the operation, De Smeth and W. & J. Willink.<sup>164</sup> By doing so, Hope not only hoped to make use of their respective financial networks, and thus increase the chance of success, but Hope also aimed to spread the risk, which otherwise lay wholly with Hope after Baring pulled out as accepting house to France. This consortium of Amsterdam bankers used the American bonds to create a new capital stock of Hcf. 12.5 million. The shares of this stock, at Hcf. 1,000 apiece, would be offered to the public at 5½% interest, payable in Amsterdam. The difference between the 6% interest that the American bonds yielded and the 5½% interest that the consortium paid out – ½% interest – was deposited in a special reserve fund. This fund was used to buy up any shares of the Amsterdam stock that may have found their way to the market. In this manner the consortium hoped to prevent the shares from devaluating too much or too quickly. The Amsterdam stock was irredeemable for fifteen years, after which the principal was paid out in three instalments.<sup>165</sup> In this regard, the Amsterdam operation thus deviated slightly from the redemption dates of the American bonds. The Amsterdam operation was a huge success. It drew many investors. Besides Hope, De Smeth and Willink, the French Minister of the Public Treasury, Barbé-Marbois, purchased two shares on his private account.<sup>166</sup> Over the years, not many shares were sold on the market. Only 1,340 shares were purchased from the reserve fund. After the stock was fully redeemed, the reserve fund was liquidated, and the shareholders received an additional Hcf. 55,75 per share.<sup>167</sup>

Baring's London operation was different from Hope's Amsterdam operation. Not much is known about the London operation, which is probably because no effort was made to repackage the American bonds for the London market. From the few snippets of information that have survived it is clear that the American bonds, which bore 6% interest, were simply resold in London. The purchaser of the bond would receive the annual interest payments and would be repaid the principal once the bond became due starting

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<sup>162</sup> 'Labouchère to Barbé-Marbois, 29 December 1803', NL-AMA, 735, 6; 'Hope & Co. to Barbé-Marbois, 29 December 1803', NL-AMA, 735, 6; 'Hope & Co. to Barbé-Marbois, 2 January 1804', NL-AMA, 735, 6.

<sup>163</sup> 'Alexander Baring to Gallatin, 21 December 1803', USA-LoC, *Louisiana Miscellany*, 15. Confirm, Marten G. Buist, *At Spes non Fracta. Hope & Co. 1770-1815. Merchant Bankers and Diplomats at Work* (The Hague, 1974), 58.

<sup>164</sup> 'Contract Hope & Co., R. & Th. de Smeth and W. & J. Willink, 7 January 1804', NL-AMA, 735, 1911

<sup>165</sup> 'Plan of Participation of a Property in Original American Stock undated [7 January 1804]', UK-BA, NP1.A, 4: 30; *ibidem*, FR-NA, AF/IV/1681/A.

<sup>166</sup> 'Note de achat de deux Portions dans al Participation dans une Proprieté commun de fonds Américain, 15 December 1803', NL-AMA, 735, 6.

<sup>167</sup> Marten G. Buist, *At Spes non Fracta. Hope & Co. 1770-1815. Merchant Bankers and Diplomats at Work* (The Hague, 1974), 60; P.J. van Winter, *Het aandeel van den Amsterdamschen handel aan den opbouw van het Amerikaansche Gemeenebest*, 2 vols. (The Hague: Martinus Nijhoff, 1927-1933), II: 388.

in 1819 (one year later than planned due to the delay in America).<sup>168</sup> According to Francis Baring the American bonds were in high demand. Some were sold on as much as five or six times.<sup>169</sup>

It is difficult to say which of the two operations was more successful. It appears that Baring sold, or was willing to sell, some of the American bonds below par.<sup>170</sup> The Amsterdam derivatives of the American bonds, on the other hand, usually traded above par.<sup>171</sup> Then again, with a 6% annual interest, Baring could afford to sell several percentage points below par and still make a profit. Moreover, a quick sale meant the capital would be freed for new financial operations. The Amsterdam consortium would have made a good profit on the interest they accrued, but their capital was effectively frozen and could not be utilised for other, potentially more profitable, operations. One might say that the respective operations reflect the business attitudes and ambitions of their designers. Hope's Amsterdam operation was designed to provide a relatively low risk steady income through annual interest payments. Baring was willing to compromise on profit to free up his capital for new investment opportunities. Hope's operation was that of a cautious established banker. Baring's operation was that of an ambitious banker seeking to make a name for himself by setting up high-profile and successful international financial operations in quick succession.

Once a financial operation was devised, and the prospectus was published, investors normally had about 5-7 days to register their subscriptions. So by mid-January 1804, Hope would have known that their efforts to raise capital for payments to France were successful. It was not until mid-March 1804 that Hope finally received confirmation of Alexander Baring having in his possession the first tranche of American bonds.<sup>172</sup> Nevertheless, encouraged by the success of raising capital on the market, on most likely on the urging of France, Hope commenced payments to France. The first instalment to France amounted to Fr. 17.5 million. Of this sum, Fr. 10 million had already been paid out in the advance payment of July 1803. Of the remainder, Fr. 4 million would be paid the French banking house of Baguenault.<sup>173</sup> France drew the final 3.5 million on Hope in the Baltic ports of Hamburg, Bremen and St. Petersburg.<sup>174</sup> By the third week of April 1804, the payments of the first tranche to France were concluded. This was slightly sooner than per original contract, and so Hope insisted on a commission fee of ½%, which they were duly awarded.<sup>175</sup>

Meanwhile, on 25 April 1804, Livingston received the second and third tranches of American bonds in Paris.<sup>176</sup> Per original terms of payment the outstanding amount, of Fr. 34.5 million was to be paid out at a rate of 2 million per month. However, as usual France was in dire need of capital and, on the suggestion of Bonaparte, Barbé-Marbois approached Hope with a proposal to speed up payments.<sup>177</sup> Hope was not disinclined to do so, because, after Baring had pulled out, the workload was quite heavy. In early April 1804, Labouchère travelled to Paris to hammer out the details with Barbé-Marbois.<sup>178</sup> By 21 April 1804 new terms of payment for the outstanding Fr. 34.5 million were agreed, which were as follows. First, a sum of Fr. 15 million would be paid out, presumably in trade credit: 5 million in September 1804 and 10 million in October 1804. Second, a sum of 12 million would be made available in credit on houses in the Baltic ports at a rate of 1.5 million per month, backdated to March 1804 and ending in November 1804.<sup>179</sup> Third, 5,825,000 would be paid out in Paris in currencies at a rate of 1 million per month starting in August 1804. Thus, by November 1804, a mere year and a half after ratifying the Franco-American treaty, France would have received full payment for the cession of Louisiana to the United States. But France paid a hefty price

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<sup>168</sup> 'Prospectus for the Louisiana 6% Loan, London undated [before 1 January 1804]', UK-BA, NP1.A, 17: 2; UK-BA, NP1.A, 4: 45.

<sup>169</sup> 'List of American Stock', UK-BA, NP1.A, 4: 64.

<sup>170</sup> 'Rough calculations', UK-BA, NP1.A, 4: 44.

<sup>171</sup> 'Hope & Co. to Baguenault, 15 March 1804', NL-AMA, 735, 6; 'Hope & Co. to Parker, 19 March 1804', NL-AMA, 735, 6.

<sup>172</sup> "Hope & Co. to Livingston, 15 March 1804", NL-AMA, 735, 6; "Hope & Co. to Baguenault, 15 March 1804", NL-AMA, 735, 6.

<sup>173</sup> "Hope & Co. to Baguenault, 2 February 1804", NL-AMA, 735, 6; "Hope & Co. to Barbé-Marbois, 16 February 1804", NL-AMA, 735, 6; "Hope & Co. to Baguenault, 1 March 1804", NL-AMA, 735, 6.

<sup>174</sup> "Hope & Co. to Barbé-Marbois, 15 March 1804", NL-AMA, 735, 6.

<sup>175</sup> "Réglement de compte arrêté le 20 Avril 1804 entre le Trésor Public at la Maison Hope", NL-AMA, 735, 1911; "Liquidation du 1er tiers des lettres de change fournie par les maisons Baring et Hope, pour prix du fonds Américain", FR-NA, AF/IV/1681/A.

<sup>176</sup> "Confirmation of receipt by Livingston, 25 April 1803", USA-LoC, *Louisiana Miscellany*, 15.

<sup>177</sup> "Barbé-Marbois to Bonaparte, Paris, 3 January 1804", FR-NA, AF/IV/1681/A; "Hope & Co. to Barbé-Marbois, 15 March 1804", NL-AMA, 735, 6.

<sup>178</sup> "Hope & Co. to Barbé-Marbois, 2 April 1804", NL-AMA, 735, 6.

<sup>179</sup> See also: Marten G. Buist, *At Spes non Fracta. Hope & Co. 1770-1815. Merchant Bankers and Diplomats at Work* (The Hague, 1974), 187-198.

for the accelerated payments, namely a commission fee of Fr. 1,625,000.<sup>180</sup> In the following days, the new contract was put before Bonaparte, who was quick to sign off on it.<sup>181</sup> After the American Minister Plenipotentiary consented to the new contract, Hope was discharged from their obligations vis-à-vis France.<sup>182</sup>

In the following months the payments to France were made timely and without problems. The United States, too, dutifully kept to their payments, even in the 1810s, when it became increasingly difficult to pay out the interests in the Napoleonic Netherlands. The punctual payments by the American government played an important role in establishing American credit.<sup>183</sup>

### *Case Conclusions*

The financing of the sale and purchase of the Louisiana Territory is revealing about how Amsterdam responded to the changing Atlantic economic. First, it shows that Amsterdam bankers, not London bankers played the senior role in the transactions, in particular after Baring withdrew from the French operation. This challenges the idea of linear decline setting in on the Amsterdam market and London rising to overtake Amsterdam. Second, this is the moment when Amsterdam high finance and the Napoleon regime started to develop a mutually beneficial relationship. Amsterdam financiers recognised the benefits and profits of collaborating with the Napoleonic regime and Napoleon, needing money transferred across the globe promptly, acknowledges the usefulness of bankers.

### **Beyond Louisiana**

The relationship between Amsterdam high finance and the Napoleonic regime did not end here. In fact, if anything it grew closer. In 1805, there was the imperial financial crisis brought on by Gabriel Ouvrard, who gained a monopoly on the import of a range of colonial produce, which he used as collateral to borrow large sums of money from a consortium of French financiers, headed by himself, which he lent to the bankers of the court of Spain, which he was himself, so that they could pay a subsidy of war to Napoleon, which was mediated by himself. This came undone because the colonial imports stalled. This caused a financial crisis which nearly collapsed Napoleonic finances at a most unfortunate time of war. Financial collapse was only resolved when Hope & Co. stepped in to take over the remittance of the Spanish war subsidy.<sup>184</sup> If Louisiana was the moment when Amsterdam bankers established a working relationship with the Napoleonic regime, the imperial financial crisis is when they became to be seen as indispensable. From this point onwards, Amsterdam financiers become bankers to Napoleon. You see them mediating all important financial transactions:

- 1804: Portugal: annual subsidy of Fr. 16 million.
- 1805: Habsburg indemnity (Fr. 40 mil) party remitted through Amsterdam.
- 1806-1810: King Louis' Loans: Hcf. 60 million / Fr. 150 million.

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<sup>180</sup> "Propositions faites au Ministre du Trésor public par Mr Labouchère, associé de la maison Hope & Co. d'Amsterdam, 21 Avril 1804", NL-AMA, 735, 1911; *ibidem*, FR-NA, AF/IV/1681/A; "Annexe au Traité [...] pour régler définitivement le mode de paiement des deux derniers tires du fonds américain, crée pour la cession de la Louisiane", NL-AMA, 735, 1911; "Annexe au Traité [...] pour régler définitivement le mode de paiement des deux derniers tires du fonds américain, crée pour la cession de la Louisiane", NL-AMA, 735, 1911; *ibidem*, FR-NA, AF/IV/1681/A; "Annexe au Traité: Compte d'intérêts réciproques de l'Operation relative aux deux derniers tires du fonds américain [...]", NL-AMA, 735, 1911.

<sup>181</sup> "Barbé-Marbois to Bonaparte, Paris, 25 April 1804", FR-NA, AF/IV/1681/A; "Barbé-Marbois to Bonaparte, Paris, 27 April 1804", FR-NA, AF/IV/1681/A.

<sup>182</sup> "Barbé-Marbois and Labouchère to Livingston, Paris, 27 April 1804", NL-AMA, 735, 1911; "Récépissé - Trésor Public - Caisse des Recettes, no. 576, 28 April 1804", NL-AMA, 735, 1911.

<sup>183</sup> P.J. van Winter, *Het aandeel van den Amsterdamschen handel aan den opbouw van het Amerikaansche Gemeenebest*, 2 vols. (The Hague: Martinus Nijhoff, 1927-1933), II: 390-391.

<sup>184</sup> R. Herr, *Rural Change and Royal Finances in Spain at the End of the Old Regime* (Berkeley, 1989), 141; Bordo and White, *British and French Finance*, 32; C. Marichal, *Bankruptcy of Empire. Mexican Silver and the Wars between Spain, Britain and France, 1760-1810* (Cambridge, 2007), 14, 155-156; A. Fugier, *Napoleon et l'Espagne 1799-1808*, 2 vols (Paris, 1930), I: 186-245, 259-284, II: 8-22, 52-60, 175-184 ; J.A. Barbier and H.S. Klein, 'Revolutionary wars and public finances: the Madrid Treasury, 1784-1807', *Journal of Economic History* 41 (1981), 315-39; J. Cuenca Esteban, 'Ingresos netos del Estado Español, 1788-1820', *Hacienda Pública Española* 69 (1981), 183-208; L. Prados de la Escosure, 'The Loss of Colonial Empire and its economic Impact on Spain', in E. Aerts and F. Crouzet (eds), *Economic Effects of the French revolutionary and Napoleonic Wars* (Leuven, 1990), 79-85; Gabillard, 'Le Financement des Guerres Napoléoniennes', 560; R. Bonney, 'The Eighteenth Century. II. The Struggle for Great Power Status and the End of the Old Fiscal Regime', in R. Bonney (ed.), *Economic Systems and State Finance* (Oxford, 1995), 357; S. Woolf, *Napoleon's Integration of Europe* (London, 1991), 172; Ellis, 'War and the French Economy', 8; De la Rupelle, 'Les finances de la guerre de 1796 à 1815', 57; M. Marion, *Histoire financière*, IV: 270, 317-318.

- 1806: Prussia floated loans on the Amsterdam market to pay indemnity (Fr. 120 mil) to Napoleon.
- 1809: Habsburg indemnity (Fr. 85 milion) party remitted through Amsterdam.

In 1814, Napoleon was defeated. And with his defeat the lucrative business of managing imperial finances came to an end.

### Conclusion & Historiographical Relevance

So how did Amsterdam financiers respond to the crises of the Atlantic Revolution? Amsterdam financiers did not withdraw from international finance because the economic circumstances changed: they did not allow Amsterdam to decline unchallenged. Instead, they adapted and sought new outlets for their capital through seizing the opportunities provided by the wars unleashed by France. France's wars in the age of the Atlantic Revolutions unleashed a myriad of resources transfers across Europe, and beyond. These resources needed to be remitted to Paris, but France lacked the infrastructure to do so. Only Amsterdam high finance could provide this service and they stepped up to do so. The result was a convergence of Amsterdam financial interests and French geopolitical interests. Financing France's geopolitical ambitions infused much capital into Amsterdam financial networks, leading to a small boom. However, in financing France's wars, Amsterdam financiers bet on the wrong horse. Napoleon was defeated and with his defeat, Amsterdam high finance lost their patron and a substantial part of their outstanding capital. But this period, this boom, was nonetheless important. As the political borders of France expanded, the Amsterdam infrastructure for capital mobilisation was expanded too, leading to the diffusion of Amsterdam networks, standards, methods, and practices, and to European financial integration. There are two good examples of this.

One, the Paris capital market. Before the Revolution, France had a dysfunctional capital market. France was very wealthy, but she lacked an integrated infrastructure for capital mobilisation. There was an experienced and well-connected high finance, and there was a large market of lenders and borrowers who were brought together through notaries. But France lacked either middlemen, like the entrepreneurs and brokers of Amsterdam, or central institutions, like in Britain. The Atlantic Revolutions were a tumultuous period for the French capital market, but post-Napoleon a mature an integrated capital market suddenly emerges. Two explanations are given for this. The international literature sees British financiers providing the catalyst for French financial integration. After Napoleon was defeated for a second time, the allies imposed a hefty financial penalty amounting to Fr. 1.86 billion. Not being able to pay the financial penalties imposed after Waterloo, British financiers floated two loans for France. The loan floatations were a great success, incentivising French entrepreneurs to emulate this success. So, you could say that British financiers provided the missing link initially that laid the foundation of a mature French capital market.<sup>185</sup> The second explanation sees the origins in what Pierre-Cyrille Hautcoeur refers to as *La coulisse* - an informal grassroots capital network, possibly rooted in the notarial networks of the 18<sup>th</sup> century. Other works support the notion of a dynamic grassroots capital market that provided ample funds when needed.<sup>186</sup> There is merit in both explanations, but I would argue that the missing link is to be found in Amsterdam. Rather than see the emergence of the French capital market as the result of a shock, I feel it should be understood as the result of a longer learning experience, the 15/25 years of European financial integration resulting from the alignment of Amsterdam financial interests with French geopolitical interests.

The second example is London. It is known that London replaced Amsterdam as epicentre of international finance. However, I feel that there is too little investigation into how this happened. From my case studies, based on work in the Hope and Baring archives, I feel there must be more recognition of the Dutch roots of London's rise to prominence. A good example is the lending activity of Baring Bros.,

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<sup>185</sup> C. Haynes, *Our Friends, the Enemies. The Occupation of France after Napoleon* (Cambridge, MA, 2018); K. Oosterlinck, L. Ureche-Rangau & J.-M. Vaslin, 'Waterloo: a Godsend for French Public Finances?' *EHES Working Papers in Economic History* 41 (July 2013); E.N. White, 'Making the French Pay. The Costs and Consequences of the Napoleonic Reparations', *European Review of Economic History* 5/3 (Dec., 2001); Z. Xiaolan, 'La Crise économique française de 1816 à 1817: La dernière crise d'Ancien régime?', *Revue française d'histoire économique* 2/2 (2014); J. Greenfield, 'Financing a New Order: The Payment of Reparations by Restoration France, 1817-1818', *French History* 30/3 (2016); A. Nicolle, *Comment la France a payé après Waterloo* (Paris, 1929); Michel Bruguière, *La première Restauration et son budget* (Paris, 1969); Y. Cassis, *Capital of Capital. A History of International Financial Centres, 1780-2005* (Cambridge, 2006), 24-30.

<sup>186</sup> Philip T. Hoffman, Gilles Postel-Vinay, Jean-Laurent Rosenthal, *Priceless Markets*

the first amongst British banks and often referred to as the Sixth Great Power. Before the Atlantic Revolutions, they were a relatively small firm. They started to grow rapidly and internationally only after 1795, when Hope opened a branch in London and when the fortunes of the two firms became intertwined. Baring's international lending activity only starts in 1818, when they float two loans on behalf of France. There are two interesting aspects about these loans. First, just a few years before, Baring had acquired Hope & Co.. When Baring sought underwriters for the French loans, did they appeal to British financiers? No. They used Hope's network. Second, Baring structured the loans, not in the British fashion – running them through the government, but in the Amsterdam fashion: the loans were negotiated directly with the French government.<sup>187</sup> These are two clear points of evidence of how the practices of the Amsterdam capital market diffused to London.

### **Limitations and Future Research**

The research project still has several limitations and flaws. First, if the current historiography is teleological, my research is consequentialist. It is skewed towards the early years, the period after 1803 remains to be studied in depth. Second, it is Batavo-centric. In studying the financial integration of Europe, I have focused on Amsterdam, because I feel there is where the key lies, but it may well be that other financial centres that were drawn into the Napoleonic empire were also important. Further research would need to stretch the temporal and geographical limitations of this research.

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<sup>187</sup> See note 185.