Thomas Spring Rice, Chancellor of the Exchequer 1835-39: Recession and Depression in early Nineteenth-Century Britain

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The early career of the noted Limerick politician and landowner is outlined and discussed. In particular his period as Chancellor of the Exchequer in the late 1830s is analysed and commented upon in the context of the domestic and international situation in which he operated.

Thomas Spring Rice was born in Limerick city on 8 February 1790. He was the only son of a wealthy lawyer and landowner, Stephen Edward Rice and his wife Catherine, the heiress daughter of Thomas Spring of Castlemaine, Co. Kerry who had brought a dowry of £50,000 to the marriage. Rice owned 5.500 acres around the village of Shanagolden as well as property in Kildare, Dublin and London. The country residence of the family was Mount Trenchard, a Georgian house, which still stands upon high ground, overlooking the Shannon near Foynes. Thomas was sent to Trinity College, Cambridge but never graduated and also studied law at Lincoln's Inn but was not called to the bar. On 11 July 1811 he married Lady Theodosia Pery, second daughter of the first earl of Limerick, whose family connections helped advance his aim of a political career.

Spring Rice stood as a Liberal candidate for Limerick city in the 1820 general election but he was defeated by the Conservative Major Vereker. He requested an investigation by the House of Commons. The Speaker of the House ordered that the election record books be brought to London for inspection, and the select committee of the Commons, which was given the task of looking into the matter, decided that all the votes of the non-resident freemen be declared invalid with the result that Spring Rice was declared elected.

The rise of Spring Rice to power took place over a relatively short space of time. He was promoted to the posts of Under-Secretary at the Home Department in 1828 and Secretary of the Treasury in 1830. He lost his seat in Limerick in the 1832 election but was immediately returned to the House of Commons for the borough of Cambridge, which he represented until 1839 when he was raised to the peerage. The antagonism between himself and Daniel O'Connell, especially upon the matter of repeal of the Union, meant that Spring Rice was unlikely to win a seat in Ireland.[1]

It seems strange that such an ambitious man was not pleased with his appointment to the prestigious position of Chancellor of the Exchequer in 1835. He wrote to the Prime Minister, Lord Melbourne, about the painful sacrifice of feeling it presented for him. He lamented about the difficulties of this new post:

[1] C.M. Murphy, 'The Life and Politics of Thomas Spring Rice, 1st Baron Monteagle of Brandon, 1790-1866', (unpublished MA thesis, University College, Cork, 1991).

> Decisions will be called for from me which a minister newly appointed might have postponed. These decisions will lead to awkward questions with both political friends as well as with political opponents. The Bank of Ireland and England, Joint Stock Banks, the postage question are examples. These and all other similar propositions will be discussed too with that season of personal hostility with which the Radicals know me.[2]

Clearly, he was intimidated by the economic problems and also by the troubles his political opponents would stir up for him in the Commons in relation to his decisions upon fiscal matters He was not an old man; he was in his mid-forties and might have been expected to display more energy. However, he seemed defeated by the enormity of the task before him. Certainly he was heading into very stormy waters with the British economy. The problems were not of his making and his inability to present the kingdom with solutions is not very surprising, in the complex circumstances of the 1830s.

Spring Rice presented his first budget in August 1835, which provided for a surplus of £450,000. John Hume, a radical MP, was very critical of the fact that the tax on newspapers had not been removed. In reply the Chancellor pointed out that the tax collected from newspapers, advertisements and paper itself would amount to £1,353,000, in the coming year. Therefore, it was impossible to remove these taxes when he had only £450,000, to cover the possible loss.[3] However, the taxes on newspapers had a much deeper significance than the amount of money going to the Treasury from taxes. The Reform Act of 1832 had stimulated and expanded the art of political journalism. As one historian expressed it 'reform called for benediction from Whigs and radicals and concerted attack from the Tory opposition. To this extent political literati were pulled into the centre of high-political discussion rather than permitted merely to bark around its edges. Newspaper editors enjoyed a similar promotion when politicians divined the need to communicate with publics they took to be dangerously enlarged.'[4] Politicians now saw the newspaper as a source of great influence, as well as a source of taxes. It was necessary to keep this power under control. Generally, the papers of the working-class avoided the official mail and thus the government's stamp duty. These publications enjoyed great influence through their denunciation of all that the Reform Act left undone. A radical working-class press, which could be distributed even more cheaply if government taxes of all kinds were removed, was not something that most of the aristocratic Whigs would see as desirable.

The question of the newspaper stamp continued to trouble the Cabinet even after the budget debates. Lord Howick, the Secretary at War, sent a memorandum to Spring Rice on the issue, in which he proposed a solution to the problem. According to the Stamp Office, Howick wrote, it was impossible to prevent the publication and sale of unstamped newspapers. It had been established that one of these publications had a circulation of 40,000 which was about five times that of *The Times*. Howick, believing that something should be done about this problem, decided to support the motion, proposed by Lytton Bulwer MP, for the repeal of this tax on newspapers, 'unless some means be found of effectually collecting it.'[5] In reply Spring Rice informed Howick that he had forwarded

[2] Spring Rice to Viscount Melbourne, 21 May 1835, Box 9/75, Melbourne MSS. Royal Archives, Windsor.

[3] *Freeman's Journal*, 18 August 1835.

[4] M. Bentley, *Politics without Democracy, 1815-1914* (London, 1984) p. 93.

[5] Memorandum from Lord Howick to Spring Rice, 12 August 1835, Papers of 2nd Earl Grey, University of Durham, University Archives and Special Collections.

the memorandum to Lord Melbourne but he himself could not accept the conclusion put forward. His reasons were the same as he had given during the budget debate. He believed that it would be unpardonable if he created a deficit. He also went on to remind Howick that as a Cabinet they must all act together, if the government of the country was to be carried on successfully.[6]

There was also a uniquely Irish dimension to this problem because the amount paid in newspaper tax was different in Great Britain and Ireland. When Spring Rice and the Cabinet agreed in 1836 to a reduction of the tax, the *Freeman's Journal* was quick to point out that Ireland was being discriminated against because it was getting a lower percentage of a reduction in the tax:

> It will be seen that the Chancellor of the Exchequer has determined at a meeting of the ministerial members of Parliament to reduce the English newspaper duty from 4d. to 1d. on each sheet and our private correspondent states that it is intended to fix the same amount of duty on Irish newspapers. In Ireland the duty is, at present, 1d. per sheet. If the duty be fixed at a penny there will be a lower percentage reduction in Ireland.[7]

Newspapers now passed through the post office at 1d. per sheet but this did not solve the political and social problems which the 1d. cost represented. A pamphlet issued at the time expressed in rousing prose, the main reasons which this tax was so resented. It was considered an attack on the freedom of the press and an attack on the newly awakened desire of the poor to be in touch with the world of politics, which had such a profound influence upon their lives. In his budget speech for 1836, Spring Rice gave the reasons why he reduced the cost of the stamp to 1d. He felt that it would help to put down the trade in unstamped newspapers. It would, he hoped, defeat combinations designed to circumvent the law; it would stop public prosecution for evasion of the stamp duty which brought both the law and the government into contempt and it would aid honest traders against the unlawful competition of unscrupulous rivals.[8]

In early May of 1836, Spring Rice introduced his second budget. The total income estimated for 1836-7, was £46,960,000. The expenditure, exclusive of the charges for the West India grant was £45,205,807, thus leaving a surplus of £1,774,193. The West India grant was money given by the government as compensation to the slave owners when the slaves were emancipated in 1834. The sum of £1,107,863, was needed for the grant, thereby reducing the surplus to £662,330. Thus, in spite of the reduction in the rate of the stamp on the newspapers the Chancellor still managed to have his all-important surplus for 1836.

However, other problems loomed in 1836. The Chancellor had been worried about joint stock banks before he went to the Exchequer and now his worst fears were about to be realized: 'It is well I am here, as I fear a crisis is impending which if it commences can scarcely fail to extend across the channel.'[9] Spring Rice had much to worry about when he wrote this letter from Dublin to the Prime Minister, Lord Melbourne. In his opinion, two of the worst kinds of joint stock banks were carrying on business in Ireland: these were the National Bank, and the Agricultural Bank. The National Bank, which he believed

[6] Spring Rice to Lord Howick, 13 August 1835, Papers of 2nd Earl Grey, University of Durham.

[7] *Freeman's Journal*, 4 March 1836, 1d. = one penny, three farthings.

[8] *Freeman's Journal*, 9-10 May 1836.

[9] Spring Rice to Lord Melbourne, 6 November 1836. Box 9/87, Melbourne MSS Windsor.

was the better of the two, had Daniel O'Connell as a director and it enjoyed the strong support of Irish people who backed repeal of the Union. The National and Agricultural banks had branches in almost every village in Ireland. The result was an extended circulation of paper money and the granting of large amounts of credit. Spring Rice had cautioned the Bank of Ireland in relation to this worrying state of affairs and had asked it to follow the pattern of restraint shown by the Bank of England. Instead of following this advice, the Bank of Ireland continued with a lower rate of discount than it paid in London. The result was that English bills were sent to Ireland for discount and gold was taken in return. The rate of discount was finally raised, but this move caused more trouble because the National and Agricultural banks could, consequently, only meet demands on them for gold with great difficulty. 'How they can open tomorrow I know not – or how they can continue to pay their balances,'[10] wrote the Chancellor to the Prime Minister. If either bank stopped payment then the other one would go to the wall also; their deposits were very large and consequently many individuals would be ruined. However, not all of Ireland's joint stock banks were in trouble. The Provincial Bank was well prepared for the crisis. It had an agreement with the government to keep one-fifth of its assets in gold but in fact it had almost one half of them in gold. Its circulation of notes was small because it had a legal liability to pay on demand gold to the value of the bank notes presented.

In December of 1836 Spring Rice submitted a paper to the Cabinet in which he pointed out many of the faults of joint stock banks. He posed the question as to whether or not a bill should be introduced in the Commons to regulate their activities. The evidence was that these banks were increasing rapidly and were swallowing-up private banks.

> No regulation exists against commencing business till all the shares are subscribed for. No regulation exists with respect to any given amount of paid up capital. No regulation exists to prevent the indefinite multiplication of shares of a trifle amount, secured by deposits merely nominal. A bank may now be created with a nominal capital of one million, in shares of £5 with £1 or 1/- only paid up.[11]

The joint stock banks did not have to invest any of their money in public securities; publicity of accounts was not enforced; the proprietors had no right to see a balance sheet before the declaration of a dividend and there was no strictly enforced obligation upon these banks to back the issue of their notes with gold. Spring Rice believed that all of these problems should be dealt with by an act of Parliament. This memorandum to Cabinet demonstrates that he was not reluctant to deal with the financial problems he faced and he that also had the knowledge to suggest various practical solutions.

However, solving the problems of the joint stock banks would not solve the deep financial crisis of the time. An historian writing about this economic downturn made the following analysis of the causes: '... a sudden rise in the demand for 'cash' against paper or book assets – of either domestic or foreign origin – severe pressure on banking liquidity, a consequent contraction of credit and a downturn in general economic activity – the extent of the latter being very variable and open to attribution to 'real' factors, stock levels, investments, savings, harvest yields etc, raising analytic issues.'[12] All through 1837 Great Britain suffered from this financial crisis and as it deepened there was a

[10] Ibid.

[11] Memorandum on Joint Stock Banks, Box 9/94B, Melbourne MSS Windsor.

[12] B. Murphy, *A History of the British Economy, 1086-1970* (London, 1973) p. 612.

constant contraction of the credit necessary to maintain speculative dealings. This contraction originated with the Bank of England's attempt to protect its gold reserves. These were being subjected to an external drain caused by the United States purchasing vast amounts of gold in order to enable it to return to a gold-based currency. Carless Davis has written the following comment on the Whig financial policy at this time: 'The narrowness of the Whig intellect is nowhere more evident than in the field of economics and finance. Between 1830 and 1841 the policy of the Exchequer was tame and halting.'[13] This seems to be a sweeping generalization; it would have been impossible for Spring Rice to deal with a financial crisis which had its origins in the United States when all proposed solutions were rejected by the Cabinet. His predecessor, Lord Althorp recommended the re-introduction of income tax but it was not accepted; he proposed a system of duties on the transfer of land but this was also not accepted.[14]

King William IV became very ill during the summer of 1837, so ill in fact that his death was expected at any moment. In this context Spring Rice wrote to the Prime Minister requesting that his name be put forward for the position of speaker of the Commons. This had long been his aim and he had unsuccessfully sought it in 1835. However it is clear from his letter that he was also deeply unhappy in his important Cabinet post:

> Were I ambitious ambition would have been more than gratified. But I am not ambitious. I neither asked for nor sought this appointment [chancellor] and more than once I have shrunk from the weight of the responsibility and the sense of my own inadequacy.'[15]

But the position of speaker did not become vacant and Spring Rice continued as chancellor under the new sovereign, Queen Victoria.

In 1838 the general financial situation continued to deteriorate. In his budget speech the Chancellor pointed out that in 1836-7 government income had been £48,340,000, while in 1837-8 it was £45,808,000 and he accounted for the fall in returns in the following way: 'The operation of the commercial crisis to which I have referred – the diminution of demand for our manufactures and exports and the diminished employment of hands to a certain extent, has of course shown itself in the diminished receipts for the year.[16] He went on to say that there would be a deficit of approximately, £300,000, or £400,000. If, however, there had been no revolt in Canada or if there was no need for the West India slavery loan, than there would have been a surplus. He concluded by moving, through a resolution, that the sum of £13,000,000, be raised by exchequer bills, so that he could provide for government expenditure in 1838.[17]

The budget speech, delivered in July 1839, repeated the picture of gloom drawn in the previous few years. The estimated receipts were £47,271,803, while the actual receipts were £47,883,118. There was a surplus of £611,315.[18] However, this was not as cheerful a result as it first appeared and Spring Rice explained the reasons in his speech. The political unrest in British North America put a further strain upon the finances and the excess of expenditure above the estimated was £785,556.[19]

[13] Carless Davis, *The Age of Grey and Peel* (Oxford, 1929) p. 274.
[14] Ibid.
[15] Spring Rice to Lord Melbourne, 15 June 1837. Box 9/99, Melbourne MSS Windsor.
[16] *Freeman's Journal,* 21 May 1838.
[17] Ibid.
[18] Ibid., 8 July 1839.
[19] Ibid.

While the budget speech for 1839 repeated the picture of gloom drawn during the previous four years, there was one very interesting statement by Spring Rice. He indicated that he would introduce a Penny Post Bill, if Parliament undertook to make up any deficit which would result. Rowland Hill, whose idea this was, when giving evidence to the Committee looking into the matter, stated that the loss to the Exchequer would probably be in the region of £400,000.[20]

Spring Rice could justifiably blame political events in British North America for the deficit in the government's finances. As has already been shown the real underlying reasons for the economic crisis in which the United Kingdom was mired seemed to originate in the United States. As Brian Murphy has shown the crisis of 1839 had American origins:

> The specific triggering factor was perhaps as in 1847 a gold outflow occasioned by unusually heavy grain imports; but the points of vulnerability to the consequent curbing of the Bank's [of England] discounts were not, on this occasion, occupied by British speculation but by American ones – in chief one particular American speculator, the Bank of the U.S., which had been attempting since 1836 to hold a gigantic corner in Liverpool consigned cotton by discounting its own bills and other American securities, in London.[21]

On top of all of his worries about the economic problems of the United Kingdom, Spring Rice was deeply troubled about his wife's declining health. In July 1839, he wrote to Lord Melbourne, the Prime Minister: 'Pennington [her doctor] has been down here [Tonbridge Wells] today to visit L.[ady] Th.[eodosia] and his report is so very gloomy as very nearly to break down my spirits & hopes altogether.'[22] The budget speech had been delivered to the House of Commons therefore Spring Rice felt that he could virtually demand liberation from his chancellorship. Melbourne complied and on 5 September 1839 Spring Rice was created Baron Monteagle of Brandon, and on his resignation from the Cabinet was given the lucrative position of comptroller of the Exchequer, His wife died on 10 December of the same year. He played no major role in British public life thereafter. In Ireland he concentrated on managing his estate, strongly criticised the government's handling of the Famine crisis and promoted assisted emigration. He married again in 1841 and died at Mount Trenchard on 7 February 1866.

The great writer, historian and politician, Thomas Babington Macaulay indicated the level of talent he believed Spring Rice possessed when he wrote, 'I see no man among the Whigs so well qualified as yourself by talent for business and talent for debate combined to lead the House of Commons, or in other words, to rule the empire.'[23] In spite of such high praise it is true that Spring Rice could do little to save the United Kingdom from its severe recession of the 1830s. The main source of the problem was the hunger for gold in the banks of the United States. This was something that was not amenable to any effective actions on the part of the British Exchequer. Gold was the ultimate security upon which banks based their credibility; when gold reserves were threatened, as they were in the 1830s, a devastating recession was the result.

[20] Ibid.

[21] Murphy, *History of the British Economy*, p. 613.

[22] Spring Rice to Melbourne, 14 July 1839, Box 10/25, Melbourne MSS.

[23] Thomas B. Macaulay to Spring Rice, 11 August 1835. English MS 1187/1, John Rylands University Library, Manchester.