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The South Sea Company's slaving activities

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Abstract

The South Sea Bubble of 1720 is often cited as an example of a fraud. It is often stated that the South Sea Company had not interest in, or aptitude for, the slave trade. It had been granted the monopoly right to ship slaves to the Spanish-held Americas. This paper uses shipping data to show that the company did approach the trade in earnest and also that it managed to continue with some degree of success. Therefore, investors in the company were not complete fools. The traditional explanations for the Bubble rest on the assumption that there was a mysterious gambling mania. However, this idea has been challenged by recent scholarship especially from the cliometrics literature. The South Sea Company was able to show that it did engage in trading activities and this is one rational reason why investors might have been attracted to the company.

Keywords: South Sea Bubble, slave trade, financial crash, cliometrics.
JEL: N23, N97, N96

Introduction

The South Sea Company is best known for lending its name to the South Sea Bubble of 1720. It was a joint-stock company which assisted in the restructuring of the National Debt. However, it was also a trading concern and its trade was in slaves. This aspect of its history is often overlooked. Traditionally, the South Sea Bubble has been viewed as a story of 'speculative mania' and fraud. Recently, a revisionist approach has been taken to the financial aspects of the story. This approach has sought to overturn the idea that speculative mania was responsible for the Bubble. However, little attention has been given to the company's trading activities. This paper aims to put forward a new interpretation of this aspect of the South Sea history using data for the company voyages. It argues that the South Sea Company was interested in pursuing the slave trade, and overcame obstacles to do

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so. It was also reasonably successful in this regard and was not incompetent as has been thought. The company's continuation of the trade after the Bubble is another reason to revise the traditional 'speculative mania' histories. The company, its investors, and the economy which supported it, cannot have been as devastated by the crash as is commonly believed. This evidence supplements the revisionist stance taken by economic historians regarding the financial side of the company's history.

Sources of data

The two sources used are Eltis *et al* and Sorsby. Eltis *et al* have compiled a database of over 27,000 slaving voyages from Europe to the Americas.[2] The British trade is described as "well-documented".[3] Using this database, the South Sea Company ships which sailed from London, via Africa, to the West Indies or directly to Spanish America were identified, 96 voyages in all. This selection excluded any sailings which had a different starting point, say in the West Indies to the mainland. Sorsby investigated the South Sea Company's trade in her unpublished Ph.D thesis.[4] However, her use of the sources can be misleading and some of her calculations do not appear to tally with the raw data. Therefore, the data presented here has been compiled directly from the lists of shipping which appear in Sorsby's appendices, rather than a repetition of her work itself. As the two sources were developed with different ends in view, care needs to be taken when making comparisons. Sorsby's lists of shipping mention the port from which the ship last sailed, but not the original port of departure, or the place of origin of the slaves.

Histories of the Bubble

The South Sea Bubble has long been used as a cautionary tale that folly will lead to disaster. Ascribing it to speculative mania argues that there was a widespread desire to gamble on stocks rather than invest for rational reasons. This phenomenon is often explained as part of a wider gambling culture within Georgian society.[5] Porter's vivid description is as follows: "England was gripped by gambling fever. Men bet on political events, births and deaths – any future happenings. For a few pounds challengers galloped against the clock, gulped down pints of gin or ate live cats".[6] It was also believed that the South Sea Company directors deliberately preyed on this nation of gamblers by defrauding them.[7] The traditional interpretations have stressed that the trading arm of the scheme would inevitably fail due to the directors' lack of real interest in it or their incompetence. It was only likely to produce, in the words of Carswell, "fairy gold".[8] However, there is a risk that the South Sea Company was condemned out of hand, with little attention being given to the opportunities which were open to it, or the similar difficulties faced by the East India Company. Most of the South Sea Company's own records were lost or destroyed some time in the nineteenth century. Historians therefore turn to the pamphlet literature which has a natural tendency to exaggeration. Writers such as Defoe were skilled at writing polemics, but not necessarily well-informed regarding the workings of the stock market. They have left an impression that the Bubble was a disaster for the economy which had lasting effects. Later writers have echoed these sentiments. For example, Carswell believed the crisis to be "both deep and pervasive".[9]

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[2] David Eltis, Stephen D. Behrendt, David Richardson and Herbert S. Klein, eds, *The Trans-Atlantic slave trade - a database on CD-Rom*, (Cambridge: Cambridge University Press, 1999) [on CD-ROM with booklet].

[3] Eltis, p.9.

[4] Victoria G. Sorsby, 'British Trade with Spanish America under the Asiento, 1713-1740' (unpublished doctoral thesis, University of London, 1975).

[5] According to Dickson, gambling was "fostered by the hard and uncertain conditions of life itself". P. G. M. Dickson, *The Financial Revolution in England: A Study in the Development of Public Credit, 1688-1756* (London: Macmillan, 1967), p.46.

[6] Roy Porter, *English Society in the Eighteenth Century* (Middlesex: Penguin, 1984), p.255.

[7] John G. Sperling, *The South Sea Company: An Historical Essay and Bibliographical Finding List*, The Kress Library of Business and Economics, 17 (Cambridge, MA: Harvard University Press, 1962), p.6.

[8] John Carswell, *The South Sea Bubble* (London: Cresset Press, 1960), p.195.

[9] Carswell, p.191.

Revisionist approaches to the South Sea Bubble have concentrated on the financial side of the story. Garber has searched for a rational bubble.[10] Neal has considered the role of contagion within the international financial structure, as the French and Dutch stock markets also crashed spectacularly at that time.[11] These researches have begun to chip away at the popular myths of the Bubble. However, they are concentrated in the financial history so there is a need for revision of other aspects of the South Sea's activities.

The South Sea Company's slave trade

The Spanish granted a monopoly contract, the *Asiento*, to supply Spanish America with African slaves. After the end of the War of the Spanish Succession, as part of the provisions of the Treaty of Utrecht (1713), the *Asiento* was granted to the South Sea Company. This was considered by contemporaries to be vital for entry into a highly protectionist area. Slaves were the key good which might enable the British to trade with and perhaps encroach upon Spain's American dominions. Spain itself was heavily dependent upon its American bullion shipments. Its own agricultural, manufacturing and defence industries were stagnating and it had suffered a prolonged fall in its population. This, coupled with a rigid and venal political system, meant that Spain was the weak core of a large empire. Spain was reliant on French ships, even for its bullion fleet. Therefore, it could be expected to supply its own empire with slaves. However, it had little alternative but to use imported African slave labour. The mining sector was of paramount importance at this period and it was highly labour intensive. It was almost impossible to encourage sufficient Europeans labourers to migrate given the relatively poor pay and conditions. It was also forbidden by the Spanish Crown to enslave Native Americans. The indigenous population had in any case suffered heavy losses due to the introduction of new diseases to which they had no immunity. African slaves appeared to be the only workable solution to the need for labour. Breeding African slaves in the New World was inefficient compared to importing them, therefore Spain relaxed its protectionist laws to allow these imports, but only under monopoly licence.

The South Sea Company was contracted, under the terms of the Asiento, to import 4800 *piezas de Indias* annually.[12] However, the company was not obliged to stick strictly to the quota. It was recognised in the terms of the *Asiento* that shipwrecks and mortality would interfere with supplies.[13] (Previous Assientists had not filled the quota.) The company was also allowed a limited amount of legal trade in other goods. It was clearly understood by contemporaries that the company would try to smuggle contraband goods in to Spanish American ports as well. Due to the nature of this trade, it is difficult to measure its magnitude. It is likely that it was profitable, as there would be a ready market. The colonies had restricted access to a wide range of goods and were prohibited from manufacturing import substitutes. Spain was supposed to supply this captive market. However, its own manufacturing base was faltering and, especially during war time, it could not provide the periphery. Therefore, the South Sea Company would be ideally placed to supply contraband on its slave ships. A rough approximation of the volume of contraband traffic might be inferred from the number of ships which docked in Spanish American ports (See Fig. 1, appendix.).

A proxy measure for the efficiency of the company in slave trading might be slave mortality. Variance in mortality of slaves shipped across the Atlantic was high. Large differences in crossing times and also in the incidence of epidemics contributed to this.[14] However, if the company was truly uninterested in the slave trade, it might be expected that mortality rates for company slaves would be consistently high. From the data compiled by Eltis *et al*, some elementary calculations imply that the

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[10] Peter M. Garber, 'Famous First Bubbles', *Journal of Economic Perspectives*, 4 (1990), pp.35-54.

[11] Larry Neal, The Rise of Financial Capitalism: International Capital Markets in the Age of Reason (Cambridge: Cambridge University Press, 1990).

[12] A *pieza de India* was a male slave with no defects who was at least 58 inches tall. Other slaves would be considered as less than one *pieza*. For instance, women were generally 0.8 of a *pieza*. Eltis, p.10.

[13] Elizabeth Donnan, *The Eighteenth Century*, Documents Illustrative of the History of the Slave Trade to America, 2, (Washington, DC: Carnegie Institute of Washington, 1931), pp.17-20.

[14] Robert Paul Thomas and Richard Nelson Bean, 'The Fishers of Men: The Profits of the Slave Trade', *Journal of Economic History*, 34 (1974) pp885-914, (pp.896-7).

company transported just over 34,000 slaves on these voyages and managed to disembark just under 30,000. Therefore, its average mortality rate for the Middle Passage was around 15 percent. (See Figs. 2 and 3, appendix.) This compares well with competitors' rates. Manning wrote that crude mortality rates for the Middle Passage averaged *circa* 15 percent per voyage.[15] Eltis *et al* discovered that slave mortality in the Middle Passage (the Atlantic passage) tended to decline after 1700, largely due to technical, institutional and organisational changes.[16] Steckel and Jensen's detailed study of surgeons' logs from the 1790s allows an estimate of 11.5 percent.[17] Slaves were ideal candidates to catch communicable diseases, and occasional outbreaks occurred.[18] However, from the data available, this was not a common occurrence on South Sea ships. The company instructed its factors in Havana to take "speciall care" (sic) of slaves and to "releive them all you can in time of Sickness"(sic).[19] Indeed, slaves on South Sea ships were told to complain if they were 'mistreated', and were unshackled during the day and allowed up on deck.[20]

Fig. 4 (appendix) shows the company's transatlantic voyages commencing in London. It shows the number of slaves put on the ships in Africa, and the number landed in the West Indies or Spanish America. The differences are assumed to be what was euphemistically termed 'dead freight' – slaves who died on board from illness or suicide. The chart has been constructed with data taken from Eltis *et al's* database. They were unable to provide the departure date for two of the voyages undertaken, but they arrived in the West Indies in 1717 and in 1737 in the spring. The seasonal nature of sailings for the coasts of Africa and South America, and the return journeys to Britain needed to be taken into account. Just as the agricultural year did not match the calendar year, the sailings did not necessarily fit the official year. Typically voyages would leave Europe in December and arrive in the West Indies in the spring. Therefore, for the two omissions, the year before has been used as a departure date. The data shows that the *Asiento* was only filled in one year, but as has been mentioned this was not unusual, or even a cause for concern. What is noticeable is that some of their greatest cargoes occurred after the Bubble burst. Therefore, the idea that the company gave up on the trade is false. When Britain clashed again with Spain in 1726, the company's trade apparently came to a halt. However, they soon returned to the trade. However, no ships sailed in 1731, and the company operated on a minor scale after that before giving up the trade before the *Asiento* term ran out. The Treaty of Aix-la-Chapelle which ended the War of Jenkin's Ear provided the company with another four years of the *Asiento*, but it was "in no position to resume the trade". The *Asiento* was terminated in 1750 with £100,000 compensation to cover losses.[21]

Out of the 96 voyages listed by Eltis *et al*, only seven met with serious difficulty. In 1717, the Spanish captured one ship after the slaves had disembarked. In the years 1718 and 1719, four vessels ran into problems with privateers. African pirates removed slaves from two ships, but they continued with their journeys and most of their cargo still aboard. Two ships were captured by the French and the Spanish after they had unloaded their slaves. The only other cases were two ships shipwrecked in 1726. The company was either very fortunate, or had good crews and the benefit of the Royal Navy. It is notable that the privateers and confiscations occurred when there was international unrest leading up to and during Britain's war with Spain in 1718. Even though trade was suspended after the commencement of these hostilities, ten ships finished the Middle Passage in 1719. Most docked

[15] Patrick Manning, 'Migrations of Africans to the Americas: The Impact on Africans, Africa, and the New World', in *Slave Trades, 1500-1800: Globalization of Forced Labour*, ed. by Patrick Manning (Aldershot: Variorum, 1996), pp. 65-82 (p.69).

[16] Eltis, p.31.

[17] Richard H. Steckel and Richard A. Jensen, 'New Evidence on the Causes of Slave and Crew Mortality in the Atlantic Slave Trade', *Journal of Economic History*, 46 (1986) pp.57-77 (p.62) table 3. Note that the passage of time would tend to allow improvements in medical care and the design of ships to bring down mortality rates.

[18] For instance, on arrival in Buenos Aires in 1717, the George was put into quarantine due to smallpox on board. The ship had brought 243 slaves to shore, but only sold 95 of them. Sorsby, pp.282-3.

[19] Donnan, *Eighteenth Century*, p.239.

[20] Sorsby, p.52.

[21] Sorsby, p.1.

in the West Indies, but interestingly two docked in Spanish-held territory at Buenos Aires and Porto Bello.[22] It should be remembered that the colonials often had a different outlook to their Spanish masters and were also open to bribery.

Conclusion

The results show that the South Sea Company pursued its trade even after two stoppages when hostilities broke out between Britain and Spain. The volume of traffic shows that the company directors were interested in the trade. A comparison of mortality rates with other periods shows that the company had a relatively low mortality rate on the Middle Crossing. This implies that the company was at least competent in this area of its work. Most interesting of all, is the evidence that the company successfully continued its trade after the Bubble burst. Large numbers of slaves were introduced to Spanish America after 1720. This evidence shows that the company was sufficiently well-organised to maintain its trade even after the upheaval of the Bubble period. It also implies that the Bubble itself was not as destructive to the economy as is sometimes thought. If the investors in the South Sea Company had been ruined by the crash, then there seems little reason why the company itself would have been able to continue. Its large-scale operations and the length of time it took to complete a trading cycle could only have been maintained if the home economy was able to support it.

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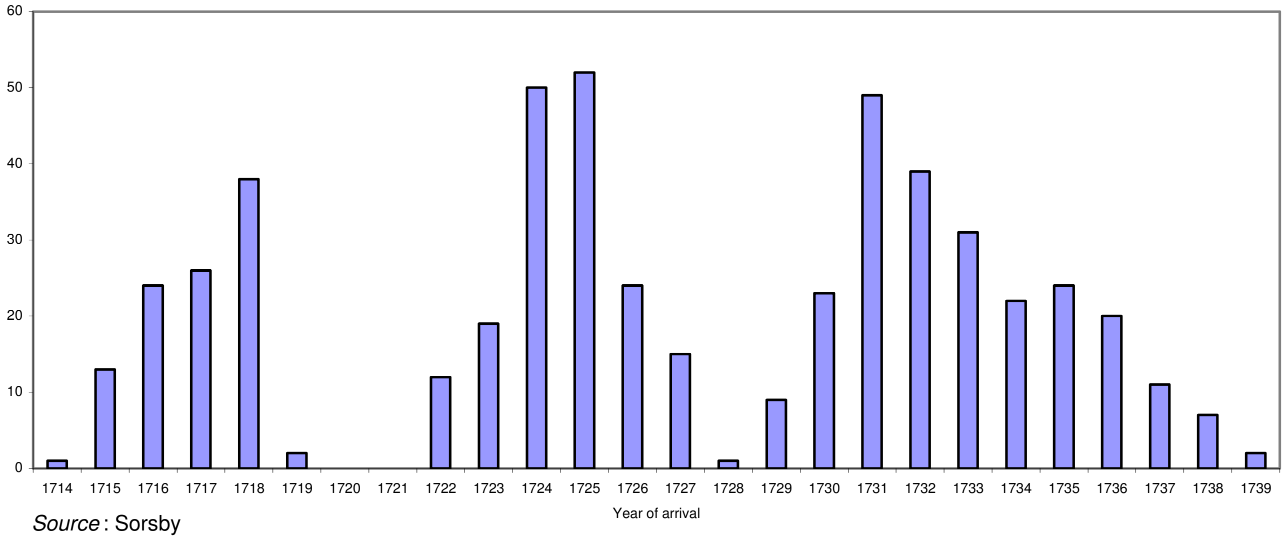
[22] Eltis, CD Rom, Voyage ID, 77052 and 75682.

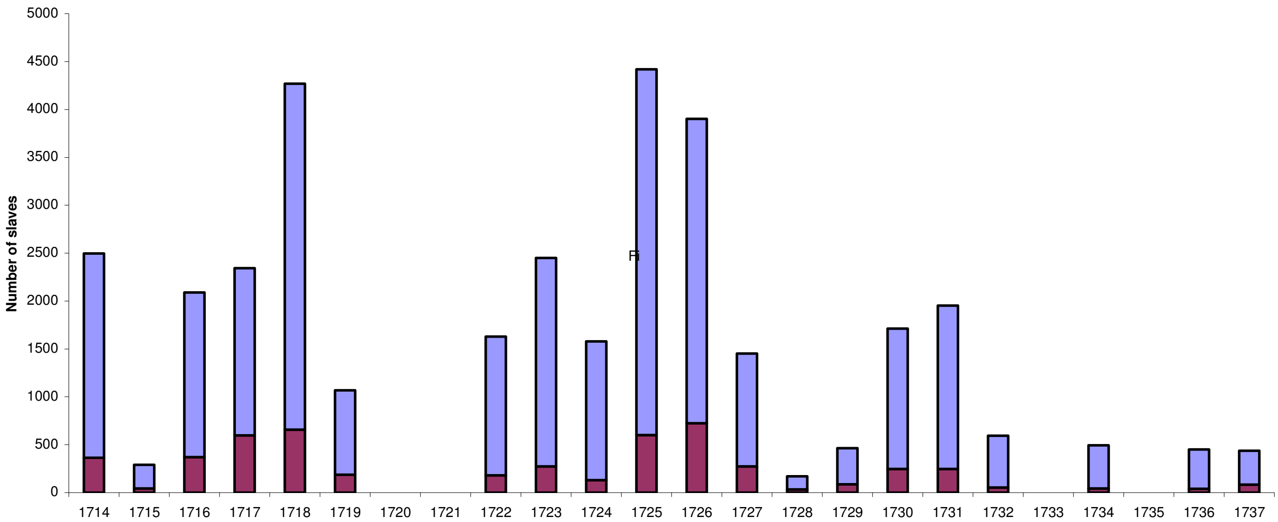
Appendix

Fig. 1 The number of ships arriving in Spanish America carrying South Sea Company slaves



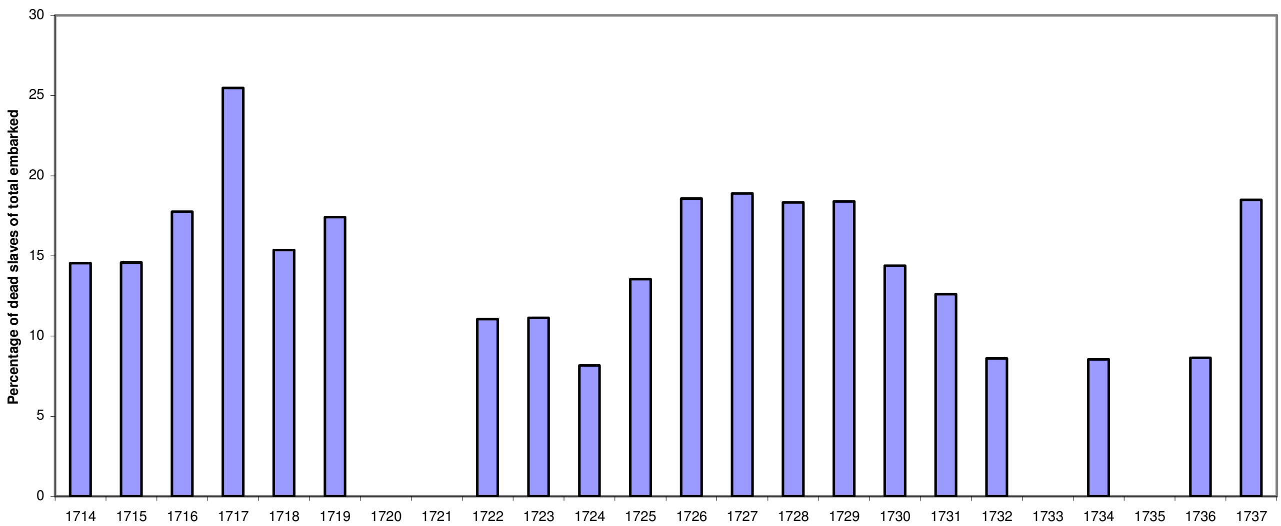
Source: Sorsby

Fig. 2. Mortality of slaves related to South Sea Company embarkations



Source: Eltis *et al*

Fig. 3 Mortality of slaves on South Sea ships during Middle Passage

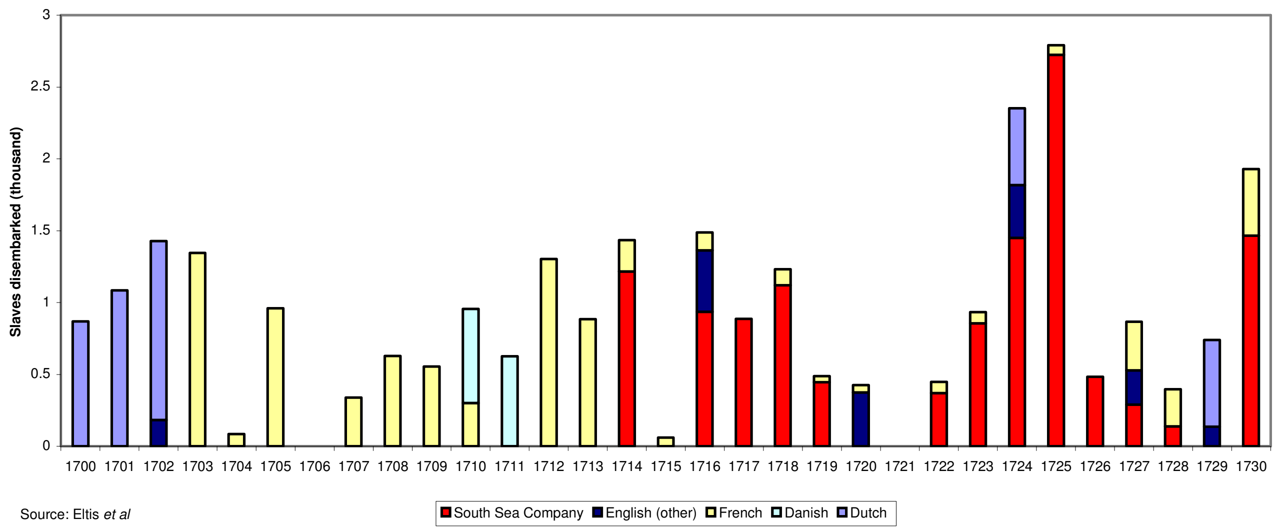


Source: Eltis *et al*

Fig. 4 The South Sea Company's voyages starting in London and the number of slaves carried

Source: Eltis *et al*

Fig. 5 Direct slave trade to Spanish America



Source: Eltis *et al*