BOYD, Walter (1753?-1837)

Walter Boyd was probably born 18 November 1753 in the north of Scotland, though the names of his parents are unknown. Other than a brother, Archibald, it is not known if he had other siblings. Little is known of his early life. It is possible that he was educated abroad, in Amsterdam and Switzerland, and served as a merchant apprentice in France. Reliable records about his life start only in 1774, when he undertook the position of agent to manage farms in Lincolnshire. Having left this position in 1781 seeking better prospects, in 1782 he began a career as an assistant manager for a newly formed merchant bank in the Austrian Netherlands. This was the beginning of a merchant banking career that was to continue, in fits and starts, until his death. Boyd also served in Parliament, being elected MP for Shaftesbury (1796-1802) and Lymington (1823-1830). He died at Plaistow Lodge, near Bromley, Kent, on 16 September 1837.

In addition to being recognized for writing three significant pamphlets on financial matters, Boyd is also remembered for his activities as a merchant banker with close connections to Prime Minister William Pitt (1759-1806). Boyd rose to this position of influence by a circuitous route. Following three successful years managing the merchant bank in the Austrian Netherlands, Boyd entered a partnership with John William Ker, another manager at the bank, to form the banking firm of Boyd, Ker et Cie in Paris around the middle of 1785. The primary activities of Boyd, Ker et Cie involved performing banking services for well-to-do foreigners, dealing in securities and foreign exchange and making loans to French aristocrats. Included in client list of Boyd, Ker et Cie were Thomas Jefferson, Lord Bolingbroke and the Duc d'Orléans. By 1791, Boyd, Ker et Cie had risen to be one of the leading banking house in Paris with an extensive network of correspondents throughout France and elsewhere in Europe. These connections were to be valuable to Boyd following the rapid deterioration of the political situation in Paris associated with events surrounding the French Revolution.

Even though the storming of the Bastille occurred in July of 1789, it was still possible for foreign bankers to conduct a profitable banking business in Paris for some time thereafter. There was a gradual deterioration of both the political and economic situation, culminating in the 'Reign of Terror' that began in September of 1793. In October 1793, the National Convention decreed that all British subjects be arrested and their property confiscated. This had a direct impact on the firm of Boyd, Ker and Cie, where all property was seized, and on Boyd himself, who had considerable personal wealth tied up in the firm. In anticipation of such events, in September 1792 Boyd left Paris for London and set about establishing another merchant banking venture – Boyd, Benefield & Co. – with Paul Benefield, a notorious British nabob. Expelled from India in November 1788 with a substantial amount of wealth in tact, Benefield still faced considerable debts in England as a result of failed dealings in India. Benefield likely met Boyd while being sequestered on the Continent waiting to clear up his financial difficulties in England. Benefield was able to return to England in 1790, gaining protection from creditors by purchasing a safe seat in Parliament.

Though the roots of the partnership start in June 1792, the new firm was officially launched in March 1793, with Boyd as the senior partner responsible for banking activities. Boyd was almost certainly aware of Benefield's reputation and prior conduct. However, Boyd was badly in need of capital and Benefield was willing to provide that capital through the purchase of life annuities held

by Boyd, Ker et Cie. The firm was successful almost immediately. In addition to a rapid expansion in banking services, such as discounting bills of exchange, Boyd, Benefield & Co. were successful in securing the contract for the £4.6 million Austrian Imperial Loan of 1794. Loans to foreign governments in London were unusual and Boyd demonstrated considerable abilities in bringing the loan to market. In this transaction, Boyd had considerable contact with Prime Minister Pitt, who was anxious to provide support to a key ally in the war against France that had been declared in Feb. 1793. The success of the Austrian Loan led to Boyd being able to secure a substantial amount of additional contracting business for loans to the British government.

The period leading up to the suspension of cash payments (convertibility) by the Bank of England in February 1797 was characterized by severe financial difficulties for the British government. These difficulties were brought on largely by problems arising from the war with France. Pitt sought to pay for the war largely through increased borrowing. Having served the government successfully in arranging the Austrian Loan of 1794, Boyd, Benefield and Co. was asked by Pitt to play a lead role in the £18 million government loan of 1795-6 and a number of subsequent borrowings. Such loans were paid by installments and, while money was plentiful in the summer of 1795, at the end the year the Bank implemented a policy of restricting discounts. This action was precipitated by a number of factors including: the increasing demands on the Bank of England by the government for short-term accommodation bills; the large supply of short-term government paper in the market; and, a significant the drain on the Bank's specie reserves. This action by the Bank had a severe impact on Boyd, Benefield and Co. and, in combination with a number of other negative developments such as the failure of a major foreign correspondent, by the summer of 1796 the firm was in severe difficulties.

By March of 1797, the situation at Boyd, Benefield and Co. had deteriorated to the point where Boyd appealed to Pitt for assistance and was able to obtain a £100,000 advance for the firm. Such assistance was sufficient to permit the firm to continue temporarily. By April 1798, the position of the firm was still solid enough that Boyd was able to be the lead contractor on the £17 million government loan proposed at that time. However, the financial difficulties of the firm weighed heavily on the relationship between Boyd and Benefield. While still able to maintain a position as an important loan contractor, the deterioration of the overall business was such that the Boyd and Benefield were forced into bankruptcy in March 1800. Boyd was forced to dispose of his assets and was obliged to rely on the kindness of friends to sustain his much reduced lifestyle. This dire situation changed abruptly in March 1801 with the resignation of Pitt and the commencement of negotiations to end the war with France. This meant that the assets of Boyd, Ker and Cie, estimated by Boyd to be worth £600,000, were potentially eligible for recovery. However, negotiations between England and France dragged on throughout the year. Anxious to deal with the matter of recovering the assets of Boyd, Ker and Cie, Boyd left for Paris in the latter part of 1801.

Boyd's decision to travel to Paris was to be ill-fated as war between the two countries broke out again in May 1802. Boyd was detained and did not obtain a release until the fall of Napolean in 1814. Though the resulting peace provided for British citizens to recover seized assets, the process was slow. By the middle of 1816 payments on *rentes* still owned by Boyd, Ker and Cie were being received, though it was not until 1821 that sufficient funds had been obtained to settle the outstanding debts of Boyd, Benefield and Co., permitting Boyd to return to a relatively prosperous life in

England. Using the funds secured from the liquidation of Boyd, Ker and Cie, Boyd purchased Plaistow Lodge near Bromley, Kent in 1823 and sat as MP for Lymington from 1823-1830. It is estimated that the value of his estate at the time of his death exceeded £200,000, a significant recovery of someone who had faced bankruptcy and been forced to rely on the charity of friends for many years.

As an economist, Boyd is most remembered for the 'Letter to the Right Honourable William Pitt on the Influence of the Stoppage of Issues in Specie at the Bank of England on the Prices of Provisions and other Commodities' (1801). Though the importance of the 'Letter' in the history of economic thought has been superceded by other contributions to the bullionist controversy, such as Henry Thornton's *Paper Credit* (1802) and the *Report* of the Bullion Committee (1810), the 'Letter' does represent the first reasoned attempt to make a connection between commodity price inflation and the restriction of convertibility by the Bank of England. However, the argument is clouded by a hostility to the Bank that causes Boyd to make claims that could not be supported with the theoretical arguments that are proposed. The essence of the argument in the 'Letter' is that suspension of convertibility enabled the Bank to issue notes in excess of what would have been possible under a convertible note issue. This excess issue of notes was the primary cause of the rise in the price of commodities and the fall of the exchanges.

In the 'Letter', Boyd makes reference to "the great rise in the price of commodities and every species of exchangeable value" and attributes the principal cause to an increase of banknotes. This position was challenged by Sir Francis Baring in 'Observations on the Publication of Walter Boyd, Esq., M.P.' (1801). A number of key issues that were central to the later bullionist debates were raised in this exchange. In particular, Boyd argued for using specie convertibility as the appropriate basis for monetary circulation. Observing that the rise in commodity prices was considerably greater than the fall of the exchange in Hamburg and that there was no premium on guineas, Baring observed that there was an inconsistency in Boyd's position. The exchange between Baring and Boyd also raised the issue of the connection between depreciation of the exchanges and the level of domestic commodity prices, though this issue was not fully explored. Finally, there is the issue of determining the sources of exchange rate fluctuations. Boyd argued strongly that by causing the circulation of banknotes to be larger than would be the case under convertibility, the Bank was responsible for the depreciation of the exchanges.

Boyd's other two contributions both dealt with the sinking fund for retiring the outstanding debt of the British government. Boyd was a strong supporter of the principle of a sinking fund but found some shortcomings in implementation. 'Reflections on the Financial System of Great Britain, and particularly on the Sinking Fund: written in France in the summer of 1812' (1815) was composed while Boyd was in his tenth year of captivity in France and was not published until his return to England in 1815. In 'Reflections' Boyd argues that the sinking could impose a too heavy burden on the government budget and proposed a reduction in sinking fund payments. Written at the age of seventy-five, 'Observations on Lord Grenville's Essay on the Sinking Fund' (1828) is a sixteen page rejoinder to a pamphlet by Lord Grenville where the advantages a sinking fund not covered by a revenue surplus were questioned. Boyd questioned this position. He argued that even if expenditures exceeded revenues due, say, to war requirements and more debt was issued in a given year than was retired, sinking fund clauses in government loan contracts served to increase the confidence of

investors.

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Geoffrey Poitras