CHAPTER TWELVE

BETWEEN SATELLITES
AND NAPOLEONITES

As we saw at the end of Chapter Ten, the winding-up of Ouvrard's business relationship with the French and Spanish governments on 10th May 1806 led to the formal transfer to Spain of the balance of the proceeds of the 1805 loan and also of the wool which Ouvrard had shipped to Baguenault and Hope.

After protracted negotiations with the Company, Michel Simons succeeded in obtaining for Spain an advance of one million francs on the sale of the wool. As the transfer of ownership to Spain had been effected to enable that country to pay off its debts to France, Labouchère instructed Baguenault & Co. to pay the million francs into the French Treasury on 30th June 1806.¹ The placing with the entrepreneurs of the balance of the bonds relating to the loan of 1805 had been accomplished sooner than had been expected, so that Hope & Co. were able to make further payments totalling 2,300,000 francs on 31st July and 25th August, for the purposes of which the attachments by Séguin, Michel the Younger and Fulchiron of the Vanlerberghe & Ouvrard funds held by Hope & Co. were suspended.²

Where payments for the benefit of Spain were concerned, however, the attachments, and also the Company's claims, were fully maintained. When Espinosa failed to remit the monies to cover the redemption, with interest due, of 1,000 bonds on 1st July 1806, a sum of more than 1,400,000 guilders was debited to Vanlerberghe & Ouvrard's account, and it was made clear that the entry would not be expunged until such time as an official notification was received from the Spanish government stating that the sum might be met from the sale of the wool. Thus, as far as the Company was concerned, Vanlerberghe & Ouvrard's guarantee of the payment due on 1st July remained fully in force, whatever had been stated in writing from Paris.³

Spain's continuing, acute shortage of finances necessitated searching for possible new sources in Holland. Simons's efforts to negotiate a loan of 30 million guilders with De Smeth having failed, Izquierdo made a formal approach to Hope & Co. at the end of August 1806. Labouchère's response was cool. Informal discussions had earlier been held with Simons
on this subject, but certain conditions put forward by him had thus far made it unlikely that the entrepreneurs would be greatly interested.

It was essential that the new loan should serve as a means for the conversion of the outstanding portions of all the previous Spanish loans obtained in Holland, with the exception of the one of 1805. Moreover, measures would have to be taken to put an end to the Spanish habit of reissuing bonds accepted upon conversion—and at lower price at that. This practice had caused more than enough trouble in connexion with the conversion loans issued by Croese.

Labouchère felt that it would be advisable to reduce the rate of interest from the 6% referred to in the royal warrant which Simons brought with him to 5½%, and to lower the premium from 5½ to 5%, thereby matching the conditions of the new negotiation to those of the loan of 1805 and protecting the entrepreneurs against losses on 1805 bonds which were still in their possession. He also proposed that the initial repayment should be deferred from the end of the first year to the end of the third, in order to avoid overloading Spain’s finances. He made it plain that there could be no question of limiting commission to bonds actually sold: in many instances, it was precisely the initial lots which demanded substantial sacrifices in the shape of reductions, etc. to secure placement. If the Spanish government refused to yield on this point, the loan was unlikely to get off the ground. Finally, it was for Labouchère a conditio sine qua non that as yet unhonoured drafts drawn by Croese on the Caja de Consolidacion should be met by way of the new loan in order that that house could resume normal business.¹

Fortunately for Hope & Co., time was not on Izquierdo’s side. The French continued to press the Spanish Court for prompt payment of the agreed 3 million francs per month, and the Négociants Réunis had protested the drafts for 5 million francs which had been given to Izquierdo on 10th May 1806, with the result that he was unable to fall back on this reserve. Moreover, Mollien had no intention of allowing Spain to share in the 50% discount on supplies to the army and navy which he had forced upon the Négociants Réunis for the benefit of the Treasury. Faced with this situation, Izquierdo temporarily sought refuge in chicanery—something which fitted in well with the policy of Godoy, who in the summer and early autumn of 1806 was considering breaking off relations with France.²

Following the great French military successes against the Prussians at Jena and Auerstädt, however, Godoy abandoned his plan and devoted himself to the task of getting back into Napoleon’s good books. The early