

# THE GALWAY PACKET-BOAT CONTRACT AND THE POLITICS OF PUBLIC EXPENDITURE IN MID-VICTORIAN IRELAND\*

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**ABSTRACT.** *This article argues that political considerations, economic theory, attitudes toward public finance, and concerns about regional development all influenced contemporary responses to the Galway packet-boat contract of 1859–64. Though historians have conventionally depicted the dispute over the contract as an episode in Victorian high politics, it maintains that the controversy surrounding the agreement between the Galway Company and the state cannot be understood solely in terms of party manoeuvre at Westminster. In the context of the Union between Britain and Ireland, the Galway contract raised important questions about the role of the British government in fostering Irish economic development through public expenditure. Politicians and opinion-makers adopted a variety of ideologically informed positions when addressing this issue, resulting in diverse approaches to state intervention, often across party lines. While political calculation and pressure from interest groups certainly affected policy, the substantive debate on the contract helped to shape the late Victorian Irish policy of both British parties by clarifying contemporary ideas about the economic functions appropriate to the Union state.*

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On 21 April 1859, two days after parliament had been prorogued in anticipation of a general election, Lord Derby's Conservative government awarded a no-bid contract to the Atlantic Royal Mail Steam Navigation Company for the conveyance of mail and telegraphic messages between Galway and North America.<sup>1</sup> Until the collapse of the so-called 'Galway Company' five years later, the Galway packet-boat contract was the subject of recurrent controversy

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<sup>1</sup> *Hansard* (3rd ser., here and throughout), CLIII, 1898–9 (19 Apr. 1859); House of Commons Parliamentary Papers (HCPP) 1860 (328), *First report from the select committee on packet and telegraphic contracts: together with the proceedings of the committee, minutes of evidence, and appendix*, pp. 425–32.

in the House of Commons, taking a place among such perennial topics of Irish debate as the grant to the Catholic seminary at Maynooth, tenant right, and non-denominational education. Historians of British politics and Anglo-Irish relations, to the extent that they have noticed the dispute over the contract at all, have tended to depict it as a straightforward episode of high politics. According to the conventional interpretation, a desire to capture Irish votes during a period of parliamentary factionalism motivated the Conservatives to award a subsidy to the company while in office, and deterred the Liberals from rescinding it unconditionally after they returned to power.<sup>2</sup> This article, in contrast, maintains that the disagreement over the Galway packet-boat contract cannot be understood solely in terms of party manoeuvre at Westminster. Rather, it argues that political considerations, economic theory, attitudes toward public finance, and concerns about regional development all influenced contemporary responses to the subsidy. In the context of the Union between Britain and Ireland, the Galway contract raised important questions about the role of the British government in fostering Irish economic development through public expenditure. Politicians and opinion-makers adopted a variety of ideologically informed positions when addressing this issue, resulting in diverse approaches to state intervention, often across party lines. While political calculation and pressure from interest groups certainly affected policy, the substantive debate on the contract helped to shape the late Victorian Irish policy of both British parties by clarifying contemporary ideas about the economic functions appropriate to the Union state. Indeed, the general principles underpinning the decision to support – or withhold – state aid had significant implications for the continued political integration of Ireland into the United Kingdom.

## I

‘From the beginning’, Alvin Jackson has recently observed, ‘union appealed primarily...to a sense of individual, sectional, or national advantage, and not generally to any higher ideal’.<sup>3</sup> The British–Irish Act of Union (1800) was, of course, an economic and fiscal as well as a constitutional arrangement, with its sixth article facilitating the establishment of a free trade zone in the British Isles, and its seventh article providing for the amalgamation of British

<sup>2</sup> K. Theodore Hoppen, ‘Tories, Catholics, and the general election of 1859’, *Historical Journal*, 13 (1970), pp. 53, 65; Allen Warren, ‘Disraeli, the Conservatives, and the government of Ireland: part 1, 1837–1868’, *Parliamentary History*, 18 (1999), pp. 55–6; George L. Bernstein, ‘British Liberal politics and Irish liberalism after O’Connell’, in Stewart J. Brown and David W. Miller, eds., *Piety and power in Ireland, 1760–1960: essays in honour of Emmet Larkin* (Belfast, 2000), pp. 58–9; Angus Hawkins, *The forgotten prime minister: the 14th earl of Derby*, II: *Achievement, 1851–1869* (Oxford, 2008), pp. 181–2, 218.

<sup>3</sup> Alvin Jackson, *The two Unions: Ireland, Scotland, and the survival of the United Kingdom, 1707–2007* (Oxford, 2012), p. 341.

and Irish finances.<sup>4</sup> Proponents of the Union had, during the debates on its passage in 1799–1800, courted Irish support by emphasizing the economic benefits that Ireland could expect to realize from the measure, in terms of the introduction of capital and industry, the increase of trade, and the gradual diffusion of British prosperity to the western island.<sup>5</sup> The association of political integration with economic development, particularly in Belfast and its environs, remained a tenet of Unionist faith into the early twentieth century. Irish nationalists, in contrast, came to identify incorporation with economic decline.<sup>6</sup> Not surprisingly, historians have contended that the reality was more complex than these politicized assessments allowed, as the Union impacted different sectors of the economy in different ways at different times, with positive as well as negative repercussions.<sup>7</sup>

Curiously, however, few studies have examined the role of politicians and civil servants in formulating Irish economic policy during the first eight decades of the Union.<sup>8</sup> The absence of scholarly interest in this subject is, perhaps, explicable with reference to the master narrative of the nineteenth-century state. Over the last quarter century, historians have stressed the commitment of late Hanoverian politicians, as well as their early and mid-Victorian successors, to *laissez-faire* economics. The British preference for a minimal state derived from a providential belief in the divine operation of the market, along with a prudential desire to dismantle—and prevent the subsequent revival of—the expensive and unpopular eighteenth-century war machine.<sup>9</sup> True, after 1830, successive governments intervened—albeit sporadically and with uneven results—in many aspects of society, and parliament laid the foundations of

<sup>4</sup> Trevor McCavery, 'Politics, public finance and the British–Irish Act of Union of 1801', *Transactions of the Royal Historical Society*, 6th ser., 10 (2000), pp. 354–62.

<sup>5</sup> Douglas Kanter, *The making of British Unionism, 1740–1848: politics, government and the Anglo-Irish constitutional relationship* (Dublin, 2009), pp. 101–2.

<sup>6</sup> Philip Ollerenshaw, 'Business and industry', in Alvin Jackson, ed., *The Oxford handbook of modern Irish history* (Oxford, 2014), pp. 148, 156–8.

<sup>7</sup> David S. Johnson and Liam Kennedy, 'Nationalist historiography and the decline of the Irish economy: George O'Brien revisited', in Seán Hutton and Paul Stewart, eds., *Ireland's histories: aspects of state, society and ideology* (London, 1991), pp. 17–28; Cormac Ó Gráda, *Ireland: a new economic history, 1780–1939* (Oxford, 1994), pp. 44–6, 306–13; Frank Geary, 'The Act of Union, British–Irish trade, and pre-Famine deindustrialization', *Economic History Review*, n.s., 48 (1995), pp. 86–7; Liam Kennedy and David S. Johnson, 'The Union of Ireland and Britain, 1801–1921', in D. George Boyce and Alan O'Day, eds., *The making of modern Irish history: revisionism and the revisionist controversy* (London, 1996), pp. 62–3.

<sup>8</sup> For two notable exceptions to this generalization, see R. D. Collison Black, *Economic thought and the Irish question, 1817–1870* (Cambridge, 1960), chs. 5–6; Anna Gambles, 'Free trade and state formation: the political economy of fisheries policy in Britain and the United Kingdom, circa 1780–1850', *Journal of British Studies*, 39 (2000), pp. 288–316.

<sup>9</sup> Boyd Hilton, *The age of atonement: the influence of evangelicalism on social and economic thought, 1785–1865* (Oxford, 1986), pp. 13–16, 218–36; Philip Harling and Peter Mandler, 'From "fiscal-military" state to laissez-faire state, 1760–1850', *Journal of British Studies*, 32 (1993), pp. 66–9; Martin Daunton, *Trusting leviathan: the politics of taxation in Britain, 1799–1914* (Oxford, 2001), pp. 47–57, 63–76.

modern British capitalism by passing bankruptcy, labour, and company legislation.<sup>10</sup> But politicians also sought to remove the state from the economy through the maintenance of the gold standard, the imposition of free trade, the pursuit of balanced budgets, and the adoption of apparently neutral tax policies.<sup>11</sup> Thus, the state established society's basic economic mechanisms, and then withdrew. In Ireland, the British commitment to free markets and low public expenditure was demonstrated, with devastating effect, by the official response to the Great Famine.<sup>12</sup> The upshot was that, to borrow H. C. G. Matthew's oft-quoted dictum, 'No industrial economy can have existed in which the State played a smaller role than that of the United Kingdom in the 1860s.'<sup>13</sup>

This article does not mount a critique of the scholarly consensus that has crystallized concerning the emergence and operation of the *laissez-faire* state. Rather, it examines an anomalous area of the mid-Victorian economy, in which government remained an active presence, and which consequently became a locus of contrasting ideas about the responsibility of the Union state for Irish economic development. In the middle decades of the nineteenth century, the state invested what was, by its restricted standards, a considerable sum of money in privately owned steamship companies, through the provision of subsidies for the conveyance of mail by sea, including delivery to locations as close to London as the Channel Islands and as far from the metropolis as Australia.<sup>14</sup> By the fiscal year 1859/60, overseas mail contracts committed parliament to an annual outlay of some £977,000 on shipping subsidies.<sup>15</sup> Such contracts, which had first been offered in the 1830s, contributed little to the United Kingdom's total economic activity—Britain's gross national product was an estimated £668 million in 1861.<sup>16</sup> But by 1859/60, payments to mail contractors represented a not insignificant 1.4 per cent of total state expenditure, and 2.4 per cent of expenditure exclusive of debt service.<sup>17</sup> The

<sup>10</sup> K. Theodore Hoppen, *The mid-Victorian generation, 1846–1886* (Oxford, 1998), pp. 91–100, 104–9; Paul Johnson, *Making the market: Victorian origins of corporate capitalism* (Cambridge, 2010), chs. 2–5.

<sup>11</sup> Hoppen, *Mid-Victorian generation*, p. 118; Philip Harling, *The modern British state: an historical introduction* (Cambridge, 2001), pp. 84–5.

<sup>12</sup> Peter Gray, *Famine, land and politics: British government and Irish society, 1843–1850* (Dublin, 1999), pp. 331–8.

<sup>13</sup> H. C. G. Matthew, *Gladstone, 1809–1898* (Oxford, 1997), p. 171.

<sup>14</sup> HCPC 1852–3 (1860), *Contract packets: report of the committee on contract packets: with appendices*, pp. 49–51.

<sup>15</sup> HCPC 1860 (328), *Packet and telegraphic contracts*, p. 467.

<sup>16</sup> Freda Harcourt, 'British oceanic mail contracts in the age of steam, 1838–1914', *Journal of Transport History*, 9 (1988), p. 1; B. R. Mitchell, *British historical statistics* (Cambridge, 1988), p. 822.

<sup>17</sup> This estimate has been calculated with reference to HCPC 1860 (328), *Packet and telegraphic contracts*, p. 467; HCPC 1860 (347), *The finance accounts 1–VIII. of the United Kingdom of Great Britain and Ireland, for the financial year, 1859–1860, ended 31st March 1860*, p. 15.

government, in fact, spent approximately as much on shipping subsidies in that fiscal year as it did on elementary education throughout the United Kingdom.<sup>18</sup>

From the early 1830s to the early 1850s, state intervention in shipping, as in a limited number of other sectors of the economy, was typically justified with reference to ‘market failure’, which in this case meant the inability of private enterprise to deliver a public good of its own accord.<sup>19</sup> As a parliamentary committee of 1853 had recognized, British predominance in steam shipping was crucial to the commercial and naval ascendancy of the United Kingdom, as well as to the more complete integration of the empire; yet without government assistance the country’s merchant marine was unlikely to transition rapidly from sail to steam, because the costs of conversion were high and the benefits to any given company were uncertain.<sup>20</sup> By mid-century, public subsidies in the form of mail contracts had not only helped to launch such leading shipping lines as Cunard and the Peninsular & Oriental, but also continued to make the difference between profit and loss for these ventures, even after they had matured into major concerns.<sup>21</sup> At the same time, some politicians and businessmen had grown ambivalent about the contracts, on the grounds that they privileged established companies, deterred competition, and saddled taxpayers with a mounting expense that was only partially defrayed by postal revenue.<sup>22</sup> The parliamentary committee of 1853, reflecting these anxieties, had issued recommendations intended to regulate the award of overseas mail contracts, by simplifying them, subjecting them to a process of competitive bidding, shortening their duration, and all but discontinuing them along routes where steam shipping had become common.<sup>23</sup> Successive governments, however, had mostly ignored these permissive guidelines in the ensuing half decade.<sup>24</sup>

## II

When the Derby government formally approved the Galway packet-boat contract in April 1859, therefore, attitudes to a well-established practice were changing. The pursuit of a subsidy for the Galway Company had been initiated in

<sup>18</sup> The state awarded £981,920 in education grants for primary schooling that year, consisting of £746,920 in Britain and £235,000 in Ireland; see HCPP 1860 (347), *Finance accounts*, p. 85.

<sup>19</sup> Johnson, *Making the market*, pp. 25–7.

<sup>20</sup> HCPP 1852–3 (1660), *Contract packets*, pp. 2, 38–9; see also Harcourt, ‘British oceanic mail contracts’, pp. 1–2.

<sup>21</sup> Francis E. Hyde, *Cunard and the North Atlantic, 1840–1973: a history of shipping and financial management* (London, 1975), pp. 3–12, 55; Freda Harcourt, ‘Charles Wye Williams and Irish steam shipping, 1820–1850’, *Journal of Transport History*, 13 (1992), pp. 155–6; Freda Harcourt, *Flagships of imperialism: the P&O Company and the politics of empire from its origins to 1867* (Manchester, 2006), pp. 46–7, 143–5, 192–3.

<sup>22</sup> Harcourt, ‘British oceanic mail contracts’, pp. 4–5, 7.

<sup>23</sup> HCPP 1852–3 (1660), *Contract packets*, pp. 2, 6–7.

<sup>24</sup> HCPP 1859–2 (180), *Report from the select committee on packet and telegraphic contracts: together with proceedings of the committee, minutes of evidence, appendix, and index*, p. 21.

1858 by a pair of unlikely partners, John Orrell Lever and Father Peter Daly. Lever, an English businessman whose family was active in the Manchester textile industry, had diversified his commercial interests in the 1850s by establishing corn mills in Westport, County Mayo. This undertaking, in turn, had encouraged him to develop a regional steam shipping company, which operated between western Ireland and Liverpool.<sup>25</sup> Daly, a civic-minded but rather worldly parish priest, had already distinguished himself in Galway city as an energetic church builder, a substantial local landlord, and an entrepreneurial politician. By 1850, he had become the chairman of the town commission, a member of the harbour commission, and a director of both the Galway Gas Company and the Midland and Great Western Railway Company.<sup>26</sup> Daly had set his sights on the establishment of a packet station in Galway at the beginning of the decade, and in 1852 he had unsuccessfully lobbied senior officials in the first Derby administration, including the prime minister, for financial assistance.<sup>27</sup> In making this initial attempt to obtain public funding, Daly was emulating an earlier generation of municipal leaders, who in the two decades before the Famine had hoped to arrest Galway's economic decline by procuring state aid for harbour improvements.<sup>28</sup>

In May 1858, Lever and Daly launched a campaign to secure government support for the infant Galway Company, which at this point did not even own a steamship.<sup>29</sup> The following month, the company sent its first vessel, a chartered steamer, to New York.<sup>30</sup> Their lobbying efforts had already paid a modest dividend by this time, as the Post Office placed a mailbag on board.<sup>31</sup> Rather fortuitously, only days after the Galway Company's first sailing, prolonged negotiations between the Cunard shipping line and the government of Newfoundland, for mail delivery to that colony, broke down.<sup>32</sup> Lever adroitly exploited the opportunity when it came to his attention, opening preliminary discussions with Newfoundland in July and incorporating the Galway Company under recently passed limited liability legislation two months

<sup>25</sup> HCPP 1860 (328), *Packet and telegraphic contracts*, pp. 173, 179; Timothy Collins, *Transatlantic triumph and heroic failure: the story of the Galway Line* (Cork, 2002), pp. 28–30.

<sup>26</sup> Collins, *Transatlantic triumph and heroic failure*, pp. 21–3; Geoffrey Elliott, *The mystery of Overend and Gurney: a financial scandal in Victorian London* (London, 2006), pp. 111–15.

<sup>27</sup> James Mitchell, 'Father Peter Daly (c. 1788–1868)', *Journal of the Galway Archaeological and Historical Society*, 39 (1983–4), pp. 55–60.

<sup>28</sup> Walter S. Sanderlin, 'Galway as a transatlantic port in the nineteenth century', *Éire-Ireland*, 5 (1970), pp. 17, 19–25.

<sup>29</sup> HCPP 1859–1 (230), *Postal communication with North America: mail service (Galway and America)*, p. 22; HCPP 1860 (328), *Packet and telegraphic contracts*, p. 447; HCPP 1860 (407), *Second report from the select committee on packet and telegraphic contracts: together with the proceedings of the committee, and minutes of evidence*, pp. iii–iv, 4–11, appendix 2, pp. 10–11, 13–14, 22–3.

<sup>30</sup> Collins, *Transatlantic triumph and heroic failure*, p. 35.

<sup>31</sup> HCPP 1859–1 (230), *Postal communication with North America*, pp. 22–3.

<sup>32</sup> *Ibid.*, pp. 3–19.

later.<sup>33</sup> By the end of October, one of the company's directors, the Liberal English MP Lord Bury, had successfully negotiated a contract with the government of Newfoundland for monthly mail service to the colony, in return for a subsidy of £13,000 per year, beginning in January 1859. As a condition of the agreement—but in keeping with Lever's original intentions—the Galway Company's vessels were then to continue on to the United States. There was, however, one additional qualification: Newfoundland proposed to contribute only £8,500 for this service, with the remaining expense to be defrayed by the British government.<sup>34</sup> Given that the sum involved was derisory, and that the Treasury had already agreed to pay a portion of the subsidy during the earlier negotiations between Cunard and Newfoundland, this proved to be an acceptable stipulation. Accordingly, in December 1858 the British government approved the contract for one year.<sup>35</sup>

This initial mail contract was principally useful to the directors of the Galway Company from a public relations perspective. The subsidy itself was far too small to ensure profitability, but once the Treasury had agreed to its terms the company's promoters orchestrated an impressive demonstration of public support throughout the United Kingdom.<sup>36</sup> During the winter of 1858–9, endorsements of the enterprise emanated from such distinguished and influential bodies as the Belfast, Dublin, and Edinburgh chambers of commerce, and from the Catholic hierarchy of Ireland. Leading business interests in London, including Rothschild's bank and the underwriters of Lloyd's, also voiced their approval, as did their provincial counterparts in Manchester, Birmingham, and other English industrial cities. In Ireland, municipal corporations and town commissions, including local officials in no less than twenty of the thirty-three parliamentary boroughs, joined merchants and bankers in advocating government assistance. Irish proponents of the company noted that, because no steamships travelling between America and Britain called at an Irish port, emigrants from the south and linen from the north had to be transported via Liverpool or Southampton, resulting in unnecessary delays and additional expenses. The same circuitous route also postponed the arrival of the American mail, which often contained remittances sent home by expatriates. The business community in Britain was attracted by the prospect of more rapid communication between the United States and the United Kingdom, as the Galway Company maintained that the favourable location of its Irish terminus, situated at one of the westernmost points of the British Isles, would enable it to reduce transatlantic travel times by two days.<sup>37</sup>

<sup>33</sup> *Ibid.*, pp. 20–1; HCPP 1860 (328), *Packet and telegraphic contracts*, p. 173; HCPP 1860 (407), *Packet and telegraphic contracts*, pp. 40–1.

<sup>34</sup> HCPP 1859–1 (230), *Postal communication with North America*, pp. 25–30.

<sup>35</sup> *Ibid.*, pp. 5, 30.

<sup>36</sup> HCPP 1860 (407), *Packet and telegraphic contracts*, pp. 29–30.

<sup>37</sup> HCPP 1859–1 (230), *Postal communication with North America*, pp. 59–76.

By contrast, overt opposition to a public subsidy was muted within the United Kingdom, though a memorial sent to the Admiralty in December 1858 from the ‘Merchants, Traders, and Inhabitants of the City of Limerick, and of Noblemen, Magistrates, Gentry, Owners and Occupiers of Land of the adjoining Counties’ urged the superior merits of the Shannon ports when compared to Galway.<sup>38</sup> More significant, however, was the potential disapproval of the government of Canada, which until the mid-twentieth century remained distinct from that of Newfoundland. In November 1858, disappointed by the British government’s recent decision to renew Cunard’s transatlantic mail contract without soliciting tenders from competitors, the Canadian government sent a ‘remonstrance’ to the under-secretary of state for the colonies, calling the attention of the Colonial Office to the lack of Treasury support for Canadian steam shipping. The colonists hoped that Derby’s ministry would grant a mail contract to the Montreal Ocean Steam Shipping Company, in order both to ease the financial burden on Canada (which was already paying a subsidy to the company), and to redirect emigrant and commercial traffic away from the United States and onto the St Lawrence River.<sup>39</sup> With momentum for a subsidy to the Galway Company building in January 1859, the Montreal Company applied directly to the Treasury for an opportunity to bid on any new contract, none-too-discreetly reminding the British government of Canadian support for its claims. This appeal was followed, in February, by a meeting between representatives of the Montreal Company and Treasury officials, and in March by a formal address to the queen on the subject from both chambers of the Canadian legislature.<sup>40</sup>

By this time, negotiations between the British government and the Galway Company were well underway. Historians have conventionally interpreted the Conservative ministry’s decision to award the packet contract as part of a coherent Irish policy, organized by Derby and his chancellor of the Exchequer, Benjamin Disraeli. The two senior figures in the minority government, on this analysis, sought to secure the support of the small rump of Irish

<sup>38</sup> HCPP 1859-1 (257), *Galway and Shannon ports: copy of the instructions of the 11th June 1852, from the Admiralty to the committee appointed to inquire into the suitability and capabilities of the ports of Galway and the Shannon for a transatlantic packet station, in connexion with a harbour of refuge: and of the report and minutes of evidence of the said committee: together with the sailing directions for the River Shannon, drawn up by Lieutenant Wolfe, R.N.: also, of memorials from public bodies at Galway and Limerick; &c.*, pp. 91-4.

<sup>39</sup> HCPP 1859-2 (184), *Conveyance of mails (North America): copies of all correspondence between Her Majesty’s government and the provincial government of Canada, in reference to the conveyance of mails between this country and British North America: of an address to Her Majesty on the same subject: and, of all correspondence between Her Majesty’s government and the British and North American Royal Mail Steam Packet Company on the subject of the prolongation or renewal of the contract made with that company for the conveyance of mails to and from North America*, pp. 26-8; HCPP 1860 (328), *Packet and telegraphic contracts*, p. x.

<sup>40</sup> HCPP 1859-2 (184), *Conveyance of mails (North America)*, pp. 30-1; HCPP 1860 (328), *Packet and telegraphic contracts*, pp. 232-4.



‘independent opposition’ MPs – a remnant of the Independent Irish party that had briefly flourished at the beginning of the decade – while also appealing more broadly to Irish Catholics who had become disenchanted with the Liberal party.<sup>41</sup> Such an assessment, however, conceals the more complex internal dynamics of the Conservative party. Support for the Galway Company originated in Dublin Castle rather than Downing Street, with the viceroy of Ireland, Lord Eglinton, pressing the matter on sceptical colleagues in London. As the head of the Irish government, Eglinton’s sensitivity to public opinion in Ireland was perhaps to be expected; but sensitivity did not guarantee receptivity, and the lord lieutenant’s political convictions were also germane. A romantic paternalist who had organized the famous faux-medieval tournament of 1839 that bore his name, Eglinton had served as a Protectionist whip during the crisis over Corn Law repeal in 1846, and Derby had twice appointed him to the lord lieutenancy of Ireland, in 1852 and again in 1858.<sup>42</sup> Eglinton’s medievalism and protectionism both identified him closely with the high tory wing of the Conservative party.<sup>43</sup> In the first half of the nineteenth century, high tories had developed a distinctively ‘managerial philosophy’ of government.<sup>44</sup> Where economic policy was concerned, many of them advocated ‘an active state’ and ‘sought to promote...strategies which recognized Britain’s imperial interests’.<sup>45</sup> In some circumstances, high tories were prepared to support increased public expenditure.<sup>46</sup> The goal of such intervention was to encourage ‘inter-dependence’ among ‘the various classes and interests’ in the state.<sup>47</sup>

Eglinton’s multifarious attempts to aid the Galway Company reflected the activist ethos of high toryism as much as the opportunism of a Conservative politician. The viceroy’s intercession with the postmaster general in May 1858 was, apparently, instrumental in obtaining Post Office approval for the transport of mail on the company’s maiden voyage across the Atlantic the following month. Eglinton attended the launch of Lever’s second vessel in July, publicly extolling the economic benefits of the enterprise, which, he informed an audience of local worthies assembled to receive him at Galway’s Railway Hotel, ‘bids fair to open to you a career of great and rapidly increasing commercial

<sup>41</sup> Hoppen, ‘Tories, Catholics’, pp. 48–53; Warren, ‘Disraeli, the Conservatives, and the government of Ireland’, p. 55; Hawkins, *Derby*, II, pp. 181–2.

<sup>42</sup> Mary S. Millar, ‘Montgomerie, Archibald William, thirteenth earl of Eglinton and first earl of Winton (1812–1861)’, *Oxford dictionary of national biography*.

<sup>43</sup> Angus Macintyre, ‘Lord George Bentinck and the Protectionists: a lost cause?’, *Transactions of the Royal Historical Society*, 5th ser., 39 (1989), p. 153 n. 39.

<sup>44</sup> Boyd Hilton, ‘Peel: a reappraisal’, *Historical Journal*, 22 (1979), p. 607.

<sup>45</sup> David Eastwood, ‘Tories and markets: Britain, 1800–1850’, in Mark Bevir and Frank Trentmann, eds., *Markets in historical contexts: ideas and politics in the modern world* (Cambridge, 2004), pp. 79, 86.

<sup>46</sup> Harold Perkin, *The origins of modern English society* (2nd edn, London, 2002), p. 250.

<sup>47</sup> Macintyre, ‘Lord George Bentinck’, p. 154.

prosperity'.<sup>48</sup> That autumn, the lord lieutenant and his chief secretary, Lord Naas, arranged with the Admiralty to send a commission to Galway to assess the suitability of the harbour as a transatlantic terminus.<sup>49</sup> They also worked with G. A. Hamilton, financial secretary to the Treasury and MP for Dublin University, to obtain public assistance in anticipation of the commission's proposals.<sup>50</sup> As expected, the commissioners issued a favourable report in late November, while also recommending substantial alterations to the port for reasons of safety and convenience.<sup>51</sup> In the meantime, however, cost-conscious officials at the Board of Trade and the Admiralty had refused funding for improvements to Galway Bay when the company's promoters sought them, on the grounds that the necessary infrastructure ought to be provided by private enterprise.<sup>52</sup>

Perhaps in consequence of this impasse, Eglinton adopted a more direct approach at the end of December. When a deputation to the Viceregal Lodge, headed by the lord mayor of Dublin, lobbied the lord lieutenant for 'a grant to enable Mr. Lever and the promoters of the Packet Station at Galway to carry their enterprise into successful and efficient operation', Eglinton pounced on the opportunity. In a reply designed to exert pressure on his colleagues in London, the lord lieutenant revealed the extent to which he was prepared to embrace high tory managerialism:

He was still as deeply interested in the success of that great enterprise as any person in Ireland could be, and he never hesitated to urge the question upon the favourable consideration of the Government at the other side. He was personally anxious to promote that great enterprise for the welfare of the country, and would not cease urging upon the Government the utility, and, he would say, the necessity of entertaining the question favourably...He would be glad that a large subsidy would be given at once, as such assistance would be used in the public service.<sup>53</sup>

Having committed himself so explicitly, Eglinton then made a private appeal to Lord Derby, which underscored his willingness to employ public resources for Irish economic development. 'The establishment of these steamers', Eglinton impressed upon his chief, 'opens a prospect of commercial activity in Ireland generally, & the west especially, which no one could have hoped for, & which

<sup>48</sup> *Dublin Evening Mail*, 23 July 1858, Dublin, National Library of Ireland (NLI), Larcom papers, MS 7769.

<sup>49</sup> The earl of Eglinton to Lord Naas, 5 Oct. 1858, 7 Oct. 1858, NLI, Mayo papers, MS 11031/14.

<sup>50</sup> G. A. Hamilton to Naas, n.d. [23 Oct. 1858], 9 Nov. [1858], NLI, Mayo papers, MS 11039/1.

<sup>51</sup> HCPP 1859-1 (107), *Galway harbour: copy of the report lately made to the Admiralty by Captain Washington, R. N., Captain Vetch, R. E., and Mr. Barry Gibbons, C. E., on the capabilities and requirements of the port and harbour of Galway*, pp. 2-4.

<sup>52</sup> James Booth to the secretary to the port of Dublin corporation, 16 Oct. 1858, W. G. Romain to the Treasury secretary, 21 Oct. 1858, NLI, Mayo papers, MS 11039/2; Sir John Pakington to Naas, 7 Nov. 1858, NLI, Mayo papers, MS 11039/3.

<sup>53</sup> *Dublin Evening Post*, 30 Dec. 1858, NLI, Larcom papers, MS 7769.

requires a very small amount of fostering to become prosperous & permanent.’ The entire United Kingdom, he added, would also benefit from a quicker conveyance of mail and telegrams across the Atlantic than was possible from British ports. Addressing the political implications of the subsidy, the viceroy admitted that any gains in Ireland might be offset by losses in Britain. While urging upon the prime minister that ‘there is nothing we could do which would make us so popular in Ireland’, Eglinton also anticipated opposition from ‘the great Cunard interest...& probably all the officials in the Treasury, Post Office, & Admiralty’. He predicted, moreover, ‘the usual disinclination’ in Britain ‘to an Irish “job”’. In sum, the lord lieutenant was more confident of the economic merits of the subsidy than of its political benefits. He concluded his letter by warning that he and Naas would ‘be placed in a disagreeable position’ if the government denied ‘assistance’ to the company.<sup>54</sup>

The ideological distinctiveness of Eglinton’s position becomes apparent when the attitudes of Naas, Disraeli, and Derby – the other senior politicians involved in the discussion of a prospective subsidy – are considered. Naas, an Irish Protestant who had already served as chief secretary under Eglinton in 1852, was a central figure in the mid-Victorian Irish Conservative party, distinguishing himself as ‘a shrewd campaign manager...an efficient administrator’ and ‘an excellent electoral strategist’, according to Andrew Shields.<sup>55</sup> Like the viceroy, the chief secretary regarded the Galway Company sympathetically, and sought to secure public funding for the venture. Yet he did so for different reasons than the lord lieutenant. When calling the matter to Disraeli’s attention in early January 1859, Naas cited the advantage of more expeditious communication across the Atlantic, as Eglinton had done in his letter to Derby. Alluding to recent disputes within the cabinet over naval expenditure, the chief secretary also suggested that the Galway Company’s vessels, which could be made liable to emergency conscription by the terms of a postal contract, would make an inexpensive addition to the country’s naval resources. But, as the Conservative party’s principal Irish electioneer, Naas rested his support for a subsidy primarily on political grounds. ‘Nine Tenths of the People of Ireland’, he assured Disraeli, ‘have set their hearts on this project. The Mercantile community at Belfast are to a man in favour of it.’ ‘No subsidized Postal line of steamers’, he continued, ‘now departs from an Irish Port and it would be impossible to overestimate the political advantage that must accrue to a Govt. who would grant a sufft. sum to establish so important an undertaking.’<sup>56</sup> Notably

<sup>54</sup> Eglinton to the earl of Derby, 30 Dec. 1858, University of Oxford, Bodleian Library (Bod.), Hughenden papers, B/XX/S/192.

<sup>55</sup> Andrew Shields, *The Irish Conservative party, 1852–1868: land, politics and religion* (Dublin, 2007), p. 19.

<sup>56</sup> N[Naas], ‘Memorandum on proposed Galway line of transatlantic steamers’, 9 Jan. 1859, NLI, Mayo papers, MS 11039/4. This memorandum was endorsed ‘Copy of statement for Disraeli’. For the disagreement over the naval estimates, see Robert Blake, *Disraeli* (London, 1967), pp. 394–5.

missing from the chief secretary's analysis was any reference to the considerations of Irish economic development that so animated Eglinton.

Judging by the absence of comment in Disraeli's surviving correspondence, the chancellor of the Exchequer seems to have received Naas's proposal coolly. In the 1850s, Disraeli was intent upon pursuing a basically Peelite fiscal policy, predicated on low taxation and balanced budgets, which in turn necessitated modest levels of public expenditure.<sup>57</sup> Though desirous of Irish political support, he preferred to cultivate it through the relatively inexpensive dispensation of Irish patronage to Catholics and moderate Protestants.<sup>58</sup> The chancellor's lack of enthusiasm for a subsidy may be inferred from his insistence that the contract, when finally offered, contain a novel clause, which made the arrangement between the Galway Company and the government explicitly dependent upon the approval of the House of Commons.<sup>59</sup> In the early 1860s, when the subsidy became the subject of political controversy, Disraeli took little part in the parliamentary debates, and during one heated discussion an observer noted that the matter evidently embarrassed him.<sup>60</sup> When Disraeli did essay an extended defence of the contract, moreover, he emphasized the problem of market failure. 'Philosophers and politicians', he claimed in the Commons, 'had long recognized' the 'importance' of steam service between Ireland and America, while 'merchants and traders had asserted that it was an object of the first necessity'. But when Conservative ministers sought to discover 'whether there was any prospect of private enterprise, or private capital, unassisted and unsanctioned by the Government, taking it up...they learnt from all quarters that such supposition was quite illusory'. In this respect, Ireland was no different than England, where 'for a long period of years' the Treasury had subsidized 'considerable and extensive services...to a very large amount'.<sup>61</sup> Such an explanation enabled Disraeli to justify the contract within the parameters set by classical political economy.

Initially, Derby was also ambivalent about the possibility of a subsidy. The prime minister's economic thought has been variously and rather contradictorily described, but Angus Hawkins has suggested that his knowledge of political economy was not deep, and that his whig education encouraged him to subordinate economic policy to the interests of his party.<sup>62</sup> Derby's decision to award a contract to the Galway Company, certainly, owed much to political

<sup>57</sup> P. R. Ghosh, 'Disraelian conservatism: a financial approach', *English Historical Review*, 99 (1984), pp. 282–8.

<sup>58</sup> Warren, 'Disraeli, the Conservatives, and the government of Ireland', pp. 55–6.

<sup>59</sup> *Hansard*, CLXIII, 1146–7 (14 June 1861).

<sup>60</sup> T. A. Jenkins, ed., *The parliamentary diaries of Sir John Trelawny, 1858–1865* (London, 1990), p. 235 (20 Mar. 1863).

<sup>61</sup> *Hansard*, CLXIII, 1143–4 (14 June 1861).

<sup>62</sup> Macintyre, 'Lord George Bentinck', p. 154 n. 43; Gray, *Famine, land and politics*, pp. 23, 86–7; Angus Hawkins, *The forgotten prime minister: the 14th earl of Derby, 1: Ascent, 1799–1851* (Oxford, 2007), pp. 262–3, 284–5, 303–5.

calculation. He evinced little inclination to aid the company in the second half of 1858. When, in August, a deputation from Galway led by Daly and Lever waited on the prime minister to request a grant from the government for alterations to the port, Derby gave it a tepid reception. Daly's attempt to portray the company as a 'national enterprise', for instance, prompted a rejoinder from the premier, who described it as 'a commercial speculation'. The deputation left London empty-handed.<sup>63</sup> Even Eglinton's entreaty at the close of the year, though it softened Derby, failed to convince him. 'My impression', he remarked in a letter to Disraeli, sent at the beginning of 1859 'is, if we give assistance, as I think we ought, it had better be done in the shape of permanent improvement of the Harbour (which will greatly benefit the Company) than in a direct subsidy to an amount far exceeding the value of the service rendered.'<sup>64</sup> Yet the government took no action for another seven weeks.

The result of the Galway city by-election of February 1859 was what ultimately changed Derby's attitude. At the beginning of the parliamentary session, the House of Commons had issued a new writ for a vacant seat in the borough, which Lever, with characteristic opportunism, decided to contest. Returned unopposed in the middle of the month, the new MP succinctly summarized his politics during his victory speech. 'I am for the Packet Station', he informed the enthusiastic audience that had gathered at the town's court house for the occasion, 'and I hope to give my support to any Government that is ready to give us the Packet Station; and I do not expect to support that Government that will not do this justice to Galway, and to the British Empire (cheers)'.<sup>65</sup> Ten days later, Derby instructed the Treasury to negotiate a packet contract with the Galway Company.<sup>66</sup> By 21 April, the government had approved a seven-year subsidy for fortnightly mail and telegraphic service between Galway, Newfoundland, and the United States, commencing in June 1860, at the cost of £78,000 per annum. The prime minister authorized the arrangement against the recommendation of his own postmaster general, and without consulting the Admiralty, which was nominally responsible for all overseas mail contracts.<sup>67</sup> By treating it as an extension of the Galway Company's earlier agreement with the government of Newfoundland, Derby was able to circumvent the

<sup>63</sup> *Daily Express*, 5 Aug. 1858, NLI, Larcom papers, MS 7769.

<sup>64</sup> Derby to Disraeli, 2 Jan. 1859, Bod., Hughenden papers, B/XX/S/205.

<sup>65</sup> *Galway Express*, 12 Feb. 1859.

<sup>66</sup> Derby to Naas, 21 Feb. 1859, NLI, Mayo papers, MS 11025/31. In the letter to Naas, and in subsequent testimony to the select committee on packet and telegraphic contracts, Derby referred to this decision as a collective one, made in conjunction with Disraeli. While this was the case formally and officially, there is no evidence to indicate that Disraeli played more than a minor role in awarding the contract. As Allen Warren has observed, 'real...authority' for Irish policy in the Conservative ministries of 1852, 1858–9, and 1866–7 rested with Derby; see Warren, 'Disraeli, the Conservatives, and the government of Ireland', p. 52.

<sup>67</sup> HCPP 1859–1 (230), *Postal communication with North America*, pp. 52–4, 56–7; HCPP 1860 (328), *Packet and telegraphic contracts*, pp. 199, 210.

guidelines issued by the committee of 1853, which had endorsed open competition for new postal subsidies.<sup>68</sup>

The contract was concluded in a rapidly changing political environment. On 1 April, the Liberal opposition in the House of Commons had defeated the second reading of the administration's reform bill, and ministers had announced the dissolution of parliament a few days later.<sup>69</sup> The engagement with the Galway Company was thus completed while politicians were in the midst of campaign preparations. Conservative candidates enjoyed a strong showing in Ireland at the ensuing general election, winning 55 of the 105 Irish seats, including one in Galway city, which again returned Lever.<sup>70</sup> But the fractious Liberal party—though composed of whig, Liberal, Radical, and Peelite elements that had found cohesive action difficult during the 1850s—secured a comfortable overall majority.<sup>71</sup>

### III

The ink on the Galway contract was scarcely dry when, in June 1859, the Liberal party reunited in order to turn out the Conservative government. Lord Palmerston succeeded Derby as prime minister, and William Gladstone replaced Disraeli as the chancellor of the Exchequer. The new administration's relationship with the thirty-one Irish Catholic MPs was fraught from the beginning, as the ministry's support for Italian nationalism set it in opposition to Irish Catholic opinion, which sympathized with the beleaguered Papal States.<sup>72</sup> Against this backdrop of strained relations, Gladstone's chancellorship had a significant impact on the fortunes of the Galway Company. His approach to public finance, though familiar to historians, must consequently be reviewed at some length. Gladstone had served with distinction as chancellor in the Aberdeen coalition half a decade earlier, and by 1859 he possessed a clear and coherent set of fiscal principles, developed under the tutelage of Sir Robert Peel, which centred on low taxation, balanced budgets, and minimal state expenditure. These were, it will be recalled, also tenets of Disraeli's financial creed, but Gladstone embraced them with a moral fervour that his rival lacked. In addition—and here Gladstone differed from Disraeli—the new chancellor believed in the importance of a disinterested state, which appeared to place the well-being of the national community over the sectional interests of the various groups within it. This commitment entailed the implementation of revenue and spending policies that seemed to be neutral, because they did not explicitly privilege any of the special interests within the

<sup>68</sup> HCPP 1860 (328), *Packet and telegraphic contracts*, p. 206.

<sup>69</sup> Hawkins, *Derby*, II, p. 212.

<sup>70</sup> Shields, *Irish Conservative party*, p. 15.

<sup>71</sup> E. D. Steele, *Palmerston and liberalism, 1855–1865* (Cambridge, 1991), p. 370.

<sup>72</sup> Bernstein, 'British Liberal politics and Irish liberalism', p. 57; for the number of Irish Catholic MPs, see Hoppen, 'Tories, Catholics', p. 65.

United Kingdom. Finally, while Disraeli considered the chancellor's primary responsibility to be the provision of ways and means for other departments of government, Gladstone envisaged the chancellor as the guardian of the public purse. With this elevated conception of the office, he sought not only to eliminate bureaucratic waste and corruption, but also to enhance the chancellor's role in policy-making, in order to restrain expenditure whenever possible.<sup>73</sup>

Gladstone consistently denied any particular hostility to the Galway contract, and his lack of enthusiasm for the Galway Company's subsidy was indeed symptomatic of his larger reservations about public support for private enterprise. In 1853, during his first term as chancellor, Gladstone had been instrumental in the appointment of the parliamentary committee on contract packets, which as noted above had sought unsuccessfully to regulate the award of postal subsidies.<sup>74</sup> His attention had been recalled to the subject during a desultory discussion of the impending agreement with the Galway Company in early April 1859, at which time he suggested that the House of Commons ought to review the contract before the government approved it.<sup>75</sup> Almost his first act after resuming the chancellorship was to establish a select committee on overseas mail and telegraphic contracts, with the intention of examining the entire subsidy system. In justifying the appointment of the committee in July, Gladstone revealed that packet contracts contravened his core fiscal principles. Not only did they represent a non-remunerative, and possibly unnecessary, outlay, but they also undermined the state's claim of neutrality, by obliging the government to favour certain interest groups at the expense of others. Gladstone disclaimed any specific desire to void the Galway contract when moving for the committee, but he acknowledged that it would come under review.<sup>76</sup> Given that Disraeli had included language subjecting the subsidy to the approval of the House of Commons, which had not yet been granted – and in the context of Gladstone's guarded remarks on the agreement in April – supporters of the subsidy suddenly began to perceive its vulnerability. Following the chancellor's announcement, a handful of Irish MPs expressed concerns that his covert object in constituting the committee was to annul the contract.<sup>77</sup> In Ireland, the Conservative and nationalist press elaborated and amplified these apprehensions.<sup>78</sup> This conspiratorial interpretation of Gladstone's behaviour was unjustified, as the committee had a broad remit. On the basis of its findings, the government subjected mail contracts to closer

<sup>73</sup> Matthew, *Gladstone*, pp. 109–15; John Maloney, 'Gladstone and sound Victorian finance', in John Maloney, ed., *Debts and deficits: an historical perspective* (Cheltenham, 1998), pp. 31–6; Ghosh, 'Disraelian conservatism', pp. 284, 287.

<sup>74</sup> *Hansard*, CLIV, 802 (7 July 1859).

<sup>75</sup> *Ibid.*, CLIII, 1570, 1586 (8 Apr. 1859).

<sup>76</sup> *Ibid.*, CLIV, 801, 804, 838 (7 July 1859).

<sup>77</sup> *Ibid.*, 834, 836, 1091 (7 July 1859, 12 July 1859).

<sup>78</sup> *Dublin Evening Packet*, 9 July 1859, *Dublin Evening Mail*, 11 July 1859, *Freeman's Journal*, 12 July 1859, *Nation*, 16 July 1859, NLI, Larcom papers, MS 7769.

Treasury and parliamentary supervision, reaffirmed the principle of open competition when soliciting tenders, and sought to reduce or discontinue subsidies in busy sea lanes, where steam shipping was self-supporting.<sup>79</sup>

At the same time, however, the appointment of the committee had a decidedly adverse effect on the prospects of the Galway Company, which the chancellor did nothing to mitigate. Until the committee completed its inquiry, ministers refused to submit the packet-boat contract to the Commons, or to promise that they would honour it.<sup>80</sup> Unfortunately for the directors and shareholders of the company, the committee sat over two parliamentary sessions, issuing four reports in the course of twelve months. Though it ultimately declined to offer an opinion on the Galway contract, its prolonged deliberations ensured that the government did not ask the House of Commons to sanction the subsidy until August 1860, nearly two months after the company was obliged, by the terms of the agreement, to commence sailings.<sup>81</sup> In the meantime, the Galway Company had been the focus of two of the committee's reports, in which Lever, the founder of the enterprise, had appeared in a decidedly unflattering light. The parliamentary investigation disclosed unsavoury political lobbying and sharp business practices, which Lever's evasive and occasionally misleading answers before the committee failed to conceal.<sup>82</sup>

As a result of the protracted uncertainty surrounding the contract, the company had difficulty raising the capital needed for the construction of new ships, which it was obligated to supply by the terms of its agreement. It also experienced trouble meeting the operating costs of the service when it had to run in the absence of the subsidy.<sup>83</sup> The increasingly desperate board of directors attempted, in September 1859, to sell the contract to the rival Montreal Company, but Gladstone quashed its transfer with the support of the Peelite colonial secretary, the duke of Newcastle, on the grounds that the government could take no action until the committee had completed its inquiry.<sup>84</sup> Ministers rejected a second request to reassign the contract, made by the Canadian government with the consent of the Galway Company, in July 1860. With Gladstone absent from the decisive cabinet on account of illness, the Peelite duke of Argyll, who was temporarily serving as postmaster general, appears to have led the opposition to the proposal. A forceful but not especially

<sup>79</sup> Harcourt, 'British oceanic mail contracts', pp. 7–8.

<sup>80</sup> *Hansard*, CLIX, 1222, 1229–31 (29 June 1860); HCPP 1861 (463), *Report from the select committee on the Royal Atlantic Steam Navigation Company: together with the proceedings of the committee, minutes of evidence, appendix and index*, p. 147.

<sup>81</sup> HCPP 1860 (407), *Packet and telegraphic contracts*, pp. iv–v; *Hansard*, CLX, 996–1006 (9 Aug. 1860); HCPP 1861 (463), *Royal Atlantic Steam Navigation Company*, p. 34.

<sup>82</sup> HCPP 1860 (328), *Packet and telegraphic contracts*, pp. 172–99, 249–52, 332–8; HCPP 1860 (407), *Packet and telegraphic contracts*, pp. iv, 1–20.

<sup>83</sup> HCPP 1861 (463), *Royal Atlantic Steam Navigation Company*, pp. 30, 34, 36, 146–7, 149–51.

<sup>84</sup> HCPP 1860 (328), *Packet and telegraphic contracts*, pp. 339–40, 367–8, 479; M. R. D. Foot and H. C. G. Matthew, eds., *The Gladstone diaries* (14 vols., Oxford, 1968–94), v, pp. 424–5 (13 Sept. 1859, 19 Sept. 1859).



subtle economic thinker, Argyll made little secret of his desire to void 'one of the most monstrous engagements ever made' by the state. If the Canadians were permitted to assume the subsidy, he tellingly predicted in a letter to Gladstone, 'they will be strong enough to carry out the terms of the contract & there will be no hope of failure'.<sup>85</sup> Thereafter, Canadian opinion favoured the cancellation of the contract rather than its transfer.<sup>86</sup>

Under unpropitious circumstances, the Galway Company's board sought to raise capital by appealing to the patriotic sensibilities of Irish investors. In August 1859, three of the company's five Irish directors helped to establish a committee of Irish shareholders, which worked to publicize the merits of the enterprise.<sup>87</sup> Thus, while the business was registered in England and English members initially predominated on its board, it enjoyed an influx of Irish investment between September 1859 and August 1860, at a time when its prospects were growing increasingly dim.<sup>88</sup> Although precise figures relating to the extent of Irish investment in the enterprise remain elusive, the chairman of the Irish committee, Denis Kirwan, estimated in June 1860 that 1,749 Irish shareholders had already purchased 17,500 shares valued at £10 each. The company had allotted about £451,000 in stock by August, so Irish investment accounted for no less than 39 per cent of its nominal capital value.<sup>89</sup> The Irish shareholders had sufficient influence to engineer the ouster of the discredited Lever in July, as part of a general reorganization of the company's leadership completed the following month. Six of the eleven directors on the reconstituted board were Irish, with William Malcomson, an Irish shipping magnate, installed as chair.<sup>90</sup>

Neither the efforts of the restructured board nor the belated approval of the subsidy were enough to rescue the enterprise. In November 1860, the directors successfully applied to the Post Office for a temporary suspension of the

<sup>85</sup> The duke of Argyll to William Gladstone, 11 July 1860, London, British Library (BL), Gladstone papers, Add. MS 44098, fos. 293–4.

<sup>86</sup> HCPP 1861 (61), *Atlantic Steam Navigation Company: copy of a memorial to the lords commissioners of Her Majesty's Treasury from merchants, bankers, traders and others interested in the trade with Canada, praying that the contract between Her Majesty's government and the Atlantic Steam Navigation Company may be declared at an end*, pp. 1–2.

<sup>87</sup> HCPP 1860 (407), *Packet and telegraphic contracts*, p. 54; Irish Committee of Management, [Circular letter to prospective shareholders,] 15 Sept. 1859, Dublin, National Archives of Ireland (NAI), M5383/4; *Freeman's Journal*, 3 Oct. 1859, NLI, Larcom papers, MS 7769.

<sup>88</sup> For the early composition of the board of directors, see 'The Atlantic Royal Mail Steam Navigation Company Limited: articles of association', n.d., NAI, M5383/1; and 'Report and balance sheet of the Atlantic Royal Mail Steam Navigation Company, Limited', 21 Mar. 1860, NAI, M5383/5. The original board, constituted in 1858, consisted of seven English members; by March 1860 one Canadian, five Irish, and eight English directors comprised the board.

<sup>89</sup> HCPP 1860 (407), *Packet and telegraphic contracts*, p. 54; HCPP 1861 (463), *Royal Atlantic Steam Navigation Company*, p. 300.

<sup>90</sup> *Freeman's Journal*, 23 July 1860; *Dublin Evening Post*, 30 Aug. 1860, NLI, Larcom papers, MS 7769; 'Report of the directors to the second ordinary general meeting of the Atlantic Royal Mail Steam Navigation Company, Limited', Mar. 1861, NAI, M5383/8.

contract, and though sailings to America briefly resumed in the spring of 1861 they proved impossible to maintain. In May 1861, the government finally terminated the subsidy, citing non-performance of the service.<sup>91</sup> The prolonged insecurity of the contract was not the only factor involved in the collapse of the venture. The high executive compensation awarded to Lever and his associates, who appear to have mismanaged the enterprise, contributed to its demise. A dispute between the reconstructed board and the Post Office concerning mail delivery to Newfoundland, after the company's contract with that colony had lapsed, also embittered relations between the directors and the government. Most importantly, design flaws and shoddy construction side-lined three of the four vessels the company built for transatlantic service, ensuring that sailings were erratic and that travel times on the slower ships which the company substituted for its own steamers were longer than permitted by the contract.<sup>92</sup> But inadequate capital undoubtedly contributed to its failure.

#### IV

The cancellation of the Galway contract met with widespread condemnation in Ireland, uniting politicians and opinion-makers otherwise separated by party and geography in criticism of the government. The opposition press intimated that the Liberals had annulled the subsidy at the behest of the rival Cunard interest, while even normally sympathetic newspapers lamented the administration's action.<sup>93</sup> By the end of May, resolutions supporting the renewal of the contract had been approved by public meetings, municipal corporations, and town commissions in such diverse locales as Dublin, Limerick, Mayo, and Armagh. Deputations to the viceroy and the premier, headed respectively by the lord mayors of Dublin and Belfast, requested that the ministry reconsider its decision.<sup>94</sup> Irish representatives in the House of Commons pressed the

<sup>91</sup> HCPP 1861 (216), *Conveyance of mails (Galway and America): copies of all correspondence between the Treasury, the Post Office, and the Atlantic Royal Mail Steam Ship Company since 1 September 1860, with reference to the conveyance of the mails between Galway and America*, pp. 27–30; HCPP 1861 (276), *Atlantic Royal Mail Company: copy of a letter from the postmaster general to the lords commissioners of Her Majesty's Treasury, dated 11 May 1861, proposing to terminate the contract with the Atlantic Royal Steam Navigation Company, together with a copy of the Treasury minute thereon*, pp. 1–3; *Hansard*, CLXII, 2094–5 (16 May 1861).

<sup>92</sup> *Dublin Evening Packet*, 12 Apr. 1860, NLI, Larcom papers, MS 7769; HCPP 1861 (216), *Conveyance of mails (Galway and America)*, pp. 3–7, 19–21, 24–5, 30, 32–4, 37–8; HCPP 1861 (463), *Royal Atlantic Steam Navigation Company*, pp. 95–8, 101, 115, 125–6, 129, 142. The fourth vessel built by the company never sailed under the contract, as the builder retained it owing to non-payment.

<sup>93</sup> *Freeman's Journal*, 17 May 1861, *Dublin Evening Mail*, 17 May 1861, *Dublin Evening Packet*, 17 May 1861, NLI, Larcom papers, MS 7770.

<sup>94</sup> *Freeman's Journal*, 27 May 1861, 30 May 1861, 5 June 1861, *Dublin Evening Post*, 23 May 1861, 28 May 1861, NLI, Larcom papers, MS 7770.

government on the subject repeatedly between mid-May and mid-June.<sup>95</sup> They were led on this issue by William Gregory, Liberal MP for County Galway, and a substantial landlord who resided at Coole Park, Gort.<sup>96</sup>

When making the case for a restoration of the subsidy, Irish commentators devoted much attention to the details of the contract and the unusual circumstances surrounding it, in order to demonstrate that the directors and shareholders had been unfairly treated. Irish lobbying efforts were given added piquancy by the western island's deteriorating economic condition. Ireland had been experiencing unusually bad weather since the spring of 1859, which ended several years of prosperity and triggered the worst agricultural depression of the post-Famine period. In this context, public aid in any form – though not forthcoming – was urgently desired.<sup>97</sup>

Irish advocacy of the subsidy, however, also reflected changing attitudes toward state intervention in the economy. The *laissez-faire* paradigm embraced by classical political economists, which had been widely influential in Ireland during the 1830s and early 1840s, was permanently discredited there under the combined impact of the Great Famine of the late 1840s and the severe agricultural downturn of the early 1860s.<sup>98</sup> During the Famine, Isaac Butt, an Irish intellectual and politician who had occupied the Whately chair of political economy at Trinity College Dublin between 1836 and 1841, published a series of pamphlets endorsing a more managerial state. Notwithstanding the Union, Butt distinguished Ireland as a separate economic unit from Britain, and insisted that only an active state, which imposed moderate tariffs, offered financial assistance for industry and agriculture, and adopted policies for the redistribution of underutilized land, could generate the full employment necessary to solve the problem of Irish poverty.<sup>99</sup> Butt's critique of *laissez-faire*, and his positive re-evaluation of public expenditure, anticipated attitudes that became prevalent among Irish economists between the mid-1850s and the late 1860s.<sup>100</sup>

<sup>95</sup> *Hansard*, CLXII, 2193–4, CLXIII, 188, 244–5, 630, 1071–90 (17 May 1861, 28 May 1861, 30 May 1861, 6 June 1861, 14 June 1861).

<sup>96</sup> Brian M. Walker, 'Villain, victim or prophet?: William Gregory and the Great Famine', *Irish Historical Studies*, 38 (2013), pp. 581–2.

<sup>97</sup> James S. Donnelly, Jr, 'The Irish agricultural depression of 1859–1864', *Irish Economic and Social History*, 3 (1978), pp. 34–6, 47–8, 52–3.

<sup>98</sup> Peter Gray, 'The making of mid-Victorian Ireland? Political economy and the memory of the Great Famine', in Peter Gray, ed., *Victoria's Ireland? Irishness and Britishness, 1837–1901* (Dublin, 2004), pp. 152–60; Terrence McDonough, Eamonn Slater, and Thomas Boylan, 'Irish political economy before and after the Famine', in Terrence McDonough, ed., *Was Ireland a colony? Economics, politics and culture in nineteenth-century Ireland* (Dublin, 2005), pp. 212–17.

<sup>99</sup> Alan O'Day, 'Nationalism and political economy in Ireland: Isaac Butt's analysis', in Roger Swift and Christine Kinealy, eds., *Politics and power in Victorian Ireland* (Dublin, 2006), pp. 122–7; idem, 'Isaac Butt and neglected political economists', in Nigel F. B. Allington and Noel W. Thompson, *English, Irish and subversives among the dismal scientists* (Bingley, 2010), pp. 389–92.

<sup>100</sup> Gray, 'The making of mid-Victorian Ireland', pp. 160–6; McDonough, Slater, and Boylan, 'Irish political economy', pp. 218–31.

Although support for the Galway Company was expressed in the press and at public meetings, Irish members of parliament offered the most sustained justification of the subsidy. Parliamentary proponents of the contract naturally concerned themselves with the company's service record and the Palmerston ministry's conduct; but they also adduced more principled arguments in its favour, all of which implied support for a greater degree of government assistance for Irish economic development. The cornerstone of their case was that the Act of Union had been predicated on a promise of equality between the consenting parties, and that Ireland should consequently share 'in a community of benefits' with Britain.<sup>101</sup> Alluding to recent increases in Irish taxation, initiated by Gladstone in 1853 and continued under successive chancellors thereafter, they complained that British policy-makers were willing to treat Ireland as an integral part of the United Kingdom for the purpose of raising revenue, but refused to do so when disbursing it.<sup>102</sup> Such an approach to public finance, they warned, would stimulate nationalist discontent.<sup>103</sup> Viewed in this light, government economic policy could be regarded as central to the Anglo-Irish relationship, rather than as a matter of pounds and pence. 'The question', Lord Leitrim explained in the House of Lords, 'was whether the people of Ireland were to have any benefit from the Union or not – whether Ireland was to be treated as part of the United Kingdom or as a colony?'<sup>104</sup>

Critics of the ministry's decision also dilated upon the economic benefits of the subsidy. While packet contracts might interfere with free competition between rival concerns in Britain, one Irish Conservative MP claimed, 'it was impossible to have competing companies in Ireland, because they had not the wealth'. The choice, in other words, lay between a publicly assisted packet station at Galway, and none at all.<sup>105</sup> Gregory maintained that the indirect effect of government investment in the Galway Company was considerable. The prospect of steam communication between Connaught and America had encouraged the construction of two railroad lines to Galway, intended to link the town to Belfast, and – via Limerick and Cork – to Waterford. In Galway itself, municipal and county authorities had approved rate increases for the improvement of the harbour and the erection of docks. Local worthies had also launched a private subscription to render the port more suitable for large steamships. The government subsidy, moreover, had actually fostered competition between shipping lines in Ireland, as the establishment of the Galway Company had prompted Cunard and the Montreal Company to make Cork and Londonderry, respectively, transatlantic ports of call.<sup>106</sup> Presumably with

<sup>101</sup> *Hansard*, CXLIII, 452, 1142 (3 June 1861, 14 June 1861).

<sup>102</sup> *Ibid.*, 1073–5, 1121, 1137, 1158 (14 June 1861).

<sup>103</sup> *Ibid.*, 1088 (14 June 1861).

<sup>104</sup> *Ibid.*, 1165 (17 June 1861).

<sup>105</sup> *Ibid.*, 612 (5 June 1861).

<sup>106</sup> *Ibid.*, 1085–7 (14 June 1861).

such developments in mind, Lord Dunkellin, who sat for Galway city, insisted that the subsidy ‘could not fail’ to ‘encourage...industry and promote...commerce’ in Ireland.<sup>107</sup> After all, as the independent opposition MP for Dungarvan, J. F. Maguire, observed, ‘one successful enterprise led to another’.<sup>108</sup> Though the Irish analysis was neither particularly sophisticated nor expressed in the abstract language of the economists, it pointed to a proto-Keynesian appreciation for the economic stimulus generated by state expenditure.

Finally, the defenders of the contract denied that the state characteristically functioned as a neutral referee between competing interests. On the contrary, they cited instances in which the government had forgiven debts owed by public bodies, and refused to enforce the penalties of contracts with other private companies for non-performance.<sup>109</sup> They also identified occasions on which local economic or electoral considerations appeared to have influenced the conduct of members of parliament.<sup>110</sup> Such examples were produced primarily to demonstrate that the government’s behaviour toward the Galway Company was unusually punitive. But they also raised the broader question, posed by Gregory, of ‘whether, while English enterprise is met with favour, Irish enterprise is [to be] met with every disfavour?’<sup>111</sup> The implication, of course, was that the state ought to acknowledge its role in the economy, and employ its resources more deliberately in order to foster Irish development.

The groundswell of Irish discontent occurred at a delicate moment for the Palmerston administration, and requests for a renewal of the subsidy divided the cabinet. In April 1861, Gladstone had introduced a budget proposing – for the second time in as many years – to abolish the paper duties. Opposition to their repeal in the House of Lords had scuttled his proposal in 1860, and prospects for the budget of 1861 remained uncertain in mid-May, when the ministry announced the revocation of its agreement with the Galway Company.<sup>112</sup> The debate on the paper duties commenced at the end of the month, with some parliamentary observers expecting the Irish vote to prove decisive.<sup>113</sup> Recognizing that a defeat on the budget would imperil the existence of the ministry, Palmerston sought to recalibrate the government’s position on the subsidy. ‘We were no Doubt financially right in putting an end to the Galway contract’, he admitted to the foreign secretary, Lord John Russell, two days

<sup>107</sup> *Ibid.*, 1113–14 (14 June 1861).

<sup>108</sup> *Ibid.*, 1137 (14 June 1861).

<sup>109</sup> *Ibid.*, 1087–8, 1103, 1112 (14 June 1861).

<sup>110</sup> *Ibid.*, 615–16, 1117 (5 June 1861, 14 June 1861).

<sup>111</sup> *Ibid.*, 1089 (14 June 1861).

<sup>112</sup> For the budgets, see Matthew, *Gladstone*, pp. 113–14; David Brown, *Palmerston: a biography* (New Haven, CT, 2010), pp. 460–2.

<sup>113</sup> John Vincent, ed., *Disraeli, Derby and the Conservative party: journals and memoirs of Edward Henry, Lord Stanley, 1849–1869* (Hassocks, 1978), p. 171 (23 May 1861); Jenkins, ed., *Parliamentary diaries of Sir John Trevelyan*, pp. 172–3 (26 May 1861, 27 May 1861).

before the debate began, ‘but I fear we shall prove to have been politically wrong as far at least as the House of Commons is concerned.’<sup>114</sup> On the evening of the crucial division, the prime minister attempted to placate the aggrieved Irish MPs by expressing approval for a transatlantic packet station in Ireland, without committing himself to the Galway Company specifically.<sup>115</sup> Russell demonstrated similar flexibility on the subject. While privately averring that the agreement with the company ‘should have been annulled last autumn’, publicly the foreign secretary was prepared to distinguish between the Galway contract, which he contended had been properly terminated, and the more general policy of awarding a subsidy for transatlantic steam service from Ireland.<sup>116</sup> Such guarded gestures of sympathy failed in their immediate purpose, as 73 of the 105 Irish MPs voted against the budget and only 15 supported it, with the remainder absenting themselves from the House.<sup>117</sup> The ministry barely survived the division, with its small majority made possible by Conservative abstentions.<sup>118</sup>

In the aftermath of this narrow escape, and under continued pressure from a united phalanx of Irish MPs, Palmerston and his whig allies reopened the question of the subsidy. In June 1861, the lord president of the council, Earl Granville, assured the House of Lords that the government was prepared to give ‘a full, fair, and impartial consideration’ to any proposal for a re-establishment of the packet service from Galway to America. More significantly, so did Argyll’s replacement as postmaster general, Lord Stanley of Alderley.<sup>119</sup> Later in the month, the prime minister conceded a select committee to examine the abrogation of the contract, which was chaired by Gregory, the Liberal MP for County Galway.<sup>120</sup> Gregory’s carefully balanced report, adopted by the committee in July, justified the government’s decision to end the subsidy, while also suggesting that the Galway Company merited favourable reconsideration because of the long delay in approving the contract.<sup>121</sup> With the private encouragement of the viceroy, Lord Carlisle, Palmerston seized upon the report to promise that his administration would restore the subsidy if the company’s directors could demonstrate an ability to maintain the packet service.<sup>122</sup> Presumably to pre-empt Peelite resistance, the prime minister pledged the government without the cabinet’s consent.<sup>123</sup>

<sup>114</sup> Lord Palmerston to Lord John Russell, 25 May 1861, London, The National Archives, Russell papers, 30/22/21, fo. 482.

<sup>115</sup> *Hansard*, CLXIII, 244–5 (30 May 1861).

<sup>116</sup> Russell to Palmerston, 25 May 1861, University of Southampton, Hartley Library (HL), Palmerston papers, PP/GC/RU/659; *Hansard*, CLXIII, 267–8 (30 May 1861).

<sup>117</sup> *Dublin Evening Post*, 1 June 1861, NLI, Larcom papers, MS 7770.

<sup>118</sup> Vincent, ed., *Disraeli, Derby and the Conservative party*, p. 171 (30 May 1860).

<sup>119</sup> *Hansard*, CLXIII, 446, 455 (3 June 1861).

<sup>120</sup> *Ibid.*, 1150 (14 June 1861).

<sup>121</sup> HCPP 1861 (463), *Royal Atlantic Steam Navigation Company*, p. xiii.

<sup>122</sup> The earl of Carlisle to Palmerston, 30 July 1861, HL, Palmerston papers, PP/GC/CA/510; *Hansard*, CLXIV, 1892 (6 Aug. 1861).

<sup>123</sup> Argyll to Gladstone, 8 Aug. 1861, BL, Gladstone papers, Add. MS 44099, fo. 59.

Palmerston and the whigs were more concerned about the political implications of the decision to void the contract than with considerations of public policy. Yet their tractability also brought deeper ideological currents to the surface. As a substantial landlord in western Ireland, Palmerston had accepted government loans in the 1820s and 1830s to improve his estate there, and in the House of Commons he employed the language of aristocratic paternalism to justify the government's *volte face*.

I think that we ought to look at Ireland in the same manner as a large landed proprietor would look at a portion of his property, the natural resources of which were not fully developed, and with respect to which any moderate and judicious outlay of capital would amply be repaid by the increased value it would give to his estate in general.<sup>124</sup>

Significantly, the prime minister's whig supporters on this occasion – including Russell, Stanley of Alderley, Carlisle, and Granville – hailed from the Foxite wing of the party. Their approach to the contract, while certainly expedient, was also consistent with their political heritage, with its emphasis on responsiveness to public opinion and the constructive potentialities of state intervention, as well as its relative unconcern with the nostrums of classical political economy.<sup>125</sup>

Other sections of the Liberal party proved less placable. Gladstone and his Peelite colleagues remained conspicuously silent on the subject of the subsidy during the debates on the paper duties, though the chancellor of the Exchequer, who had staked his reputation on their repeal, had the most to lose by a defeat on the budget. In June, when Palmerston and the whigs intimated a willingness to reconsider the contract, Gladstone refused to follow suit. Instead, the chancellor made clear that appeals for expenditure based on geography and nationality contravened his ideal of the disinterested and efficient state. Members of parliament who urged a renewal of the contract primarily in order to benefit Ireland, he claimed, 'treated it...as a matter of distribution of grace and favour'. 'But such a view', Gladstone insisted, was 'perfectly destructive of public administration, and if adopted would open a fountain of political corruption so large and so foul that the corrupt transactions of former times would be eclipsed and forgotten'. 'We are not' he cautioned, 'to regard these contracts as favours conferred on one part of the country or the other, but...the whole question is what service is necessary for the country as a whole, and what is a just remuneration to be given for that service?'<sup>126</sup> Though the other Peelites said little in public, Argyll was horrified when the prime minister committed the government to a renewal of the subsidy later

<sup>124</sup> *Hansard*, CLXIV, 1891 (6 Aug. 1861); for the earlier loans, see Brown, *Palmerston*, pp. 92–5.

<sup>125</sup> Peter Mandler, *Aristocratic government in the age of reform: whigs and Liberals, 1830–1852* (Oxford, 1990), pp. 80–2, 100–1.

<sup>126</sup> *Hansard*, CLXIII, 1107 (14 June 1861).

in the summer, privately complaining that ‘*Pam* has fairly *done* us about the Galway contract.’<sup>127</sup>

Gladstone was content to wait on events. When, following a substantial corporate reorganization, the Galway Company’s new directors applied for a restoration of the subsidy, the chancellor protested.<sup>128</sup> The company, he argued in a lengthy minute approved by the cabinet in November 1862, still possessed neither sufficient steamships nor adequate capital to maintain a reliable transatlantic service.<sup>129</sup> Once again, however, Palmerston outmanoeuvred his Peelite colleague. In February 1863, despite the fact that the directors had not yet addressed the chancellor’s concerns, the prime minister announced that his administration would reinstate the contract once the company’s vessels were fit for service.<sup>130</sup> In the event, officials at the Treasury moved more deliberately than the premier, approving the last of the company’s four steamships for use only in May, and refusing to renegotiate the conditions of the earlier agreement, in a manner more favourable to the company, in June.<sup>131</sup> The contract, consequently, was not renewed until July.<sup>132</sup>

In the meantime, Palmerston’s declaration of February had provoked opposition from some advanced Liberals and Radicals, demonstrating that the Peelites were not alone in their misgivings about the subsidy. The left wing of the Liberal party, led on this issue by the outspoken Scottish proponent of retrenchment and free trade, William Baxter, had expressed occasional disquiet with the contract earlier in the decade, and ministers had to suppress an unexpected revolt on the back-bench in the course of the session.<sup>133</sup> The hostility of advanced Liberals and Radicals was given its fullest expression when Baxter moved a resolution condemning the proposed Galway contract in March. Baxter and his sympathizers contested the subsidy, in part, for impeccably orthodox economic reasons. Baxter, for example, maintained that such agreements inhibited open competition and distorted the market.<sup>134</sup>

<sup>127</sup> Argyll to Gladstone, 19 Aug. 1861, BL, Gladstone papers, Add. MS 44099, fo. 63.

<sup>128</sup> For the (predominately English) composition of the board after its second reorganization, and the dire implications of this restructuring for the original shareholders, who effectively lost their investment, see HCPP 1862 (107), *Royal Atlantic Company: copy of letter addressed by the directors of the Royal Atlantic Company to the first lord of the Treasury, dated February 1862*, p. 3; *Hansard*, CLXIX, 1668–9 (20 Mar. 1863).

<sup>129</sup> [Gladstone], ‘Draft minute, read to cabinet & approved’, 17 Nov. 1862, BL, Gladstone papers, Add. MS 44752, fos. 89–92.

<sup>130</sup> *Hansard*, CLXIX, 187–8 (9 Feb. 1863).

<sup>131</sup> HCPP 1863 (433), *Atlantic Royal Mail Steam Navigation Company: further papers and correspondence in regard to the application of the Atlantic Royal Mail Steam Navigation Company, for the conveyance of mails between this country and North America*, pp. 8, 23–4.

<sup>132</sup> *Daily Express*, 18 July 1863, NLI, Larcom papers, MS 7770.

<sup>133</sup> For Baxter, see Henry Miller, ‘Baxter, William Edward (1825–1890), of Ashcliff, nr. Dundee, Forfarshire’, *History of parliament: the House of Commons, 1832–1868: online preview*, [www.historyofparliamentonline.org/volume/1832-1868/member/baxter-william-edward-1825-1890](http://www.historyofparliamentonline.org/volume/1832-1868/member/baxter-william-edward-1825-1890).

<sup>134</sup> *Hansard*, CLXIX, 1664, 1667 (20 Mar. 1863).



Antipathy to the contract also derived from an older tradition of radicalism, which endorsed a minimal state because of enduring concerns about government corruption.<sup>135</sup> Baxter voiced these fears as well, denouncing the agreement between the ministry and the company as ‘a political job’ and warning that its acceptance by parliament ‘might pave the way for practices which might be common in the lobbies of the Capitol at Washington, but which would not be tolerated in the British House of Commons’.<sup>136</sup> For Sir John Trelawny, Radical MP for Tavistock, the political manoeuvres surrounding the subsidy called to mind ‘parliamentary govt. in the days of Walpole’.<sup>137</sup> One MP, more cynically, observed that the contract ‘was a job in the sense in which every Government has jobbed heretofore, and every Government will job hereafter; it was a wasteful and indiscreet expenditure of public money for the purpose of making political capital’.<sup>138</sup> Though Baxter’s resolution was defeated, he mustered 46 votes against the subsidy, with only 109 MPs dividing in its favour.<sup>139</sup> Critics of the agreement, however, need hardly have bothered to oppose it. The restructured Galway Company proved unable to fulfil the requirements of the contract, and in 1864 the directors applied to the government for a suspension of its service. After failing to sell the subsidy or merge with a rival line, the board began to wind up the company in July.<sup>140</sup> Shareholders lost over £800,000 in the liquidation, with Irish investors having apparently contributed between one sixth and two-fifths of the total capital.<sup>141</sup>

## V

In the short term, as other historians have pointed out, the dispute over the Galway contract contributed to the sour relationship between the Palmerston government and the Irish MPs, while facilitating a rapprochement between the Conservatives and Ireland.<sup>142</sup> But it is also possible to discern a longer-term significance to the episode, which has escaped notice. The controversy helped to clarify attitudes to Irish expenditure in both the Conservative and the Liberal parties. From the mid-1830s to the mid-1840s, the Conservatives under Sir Robert Peel had been generally hostile to government spending on Irish economic development, an aversion that derived partially from Peel’s liberal tory ideological commitments, and partially from his experience of

<sup>135</sup> Philip Harling, ‘Rethinking “Old Corruption”’, *Past and Present*, 147 (1995), pp. 127–44.

<sup>136</sup> *Hansard*, CLXIX, 1664, 1672 (20 Mar. 1863).

<sup>137</sup> Jenkins, ed., *Parliamentary diaries of Sir John Trelawny*, p. 235 (20 Mar. 1863).

<sup>138</sup> *Hansard*, CLXIX, 1680 (20 Mar. 1863).

<sup>139</sup> *Ibid.*, 1691 (20 Mar. 1863).

<sup>140</sup> *Dublin Evening Mail*, 3 May 1864, *Irish Times*, n.d. [19 July 1864], NLI, Larcom papers, MS 7770.

<sup>141</sup> *Dublin Evening Mail*, 3 May 1864, 31 May 1864, NLI, Larcom papers, MS 7770.

<sup>142</sup> Bernstein, ‘British Liberal politics and Irish liberalism’, pp. 58–9; Hawkins, *Derby*, II, pp. 181–2.

Irish governance as chief secretary in the early nineteenth century.<sup>143</sup> Thereafter, with Peel purged from the party as a result of his support for the repeal of the Corn Laws, the Conservatives had an opportunity to reconsider their approach to economic intervention in Ireland. During the Famine, Lord George Bentinck had famously advocated a loan of £16 million for Irish railroad construction, but the party had been in opposition and the suggestion had failed to gain traction.<sup>144</sup> Though the short-lived Conservative government of 1852 had evinced little interest in fostering Irish commerce or industry, the award of the Galway contract in 1859 was, as at least one contemporary commentator recognized, consistent with Bentinck's vision of state-aided economic growth in the western island.<sup>145</sup> Eglinton's death in 1861 removed from the scene the high tory most well-disposed to Irish public expenditure, and the Conservative governments of the 1860s and 1870s did not attempt to repeat the experiment of 1859. This was unsurprising, given the reluctance with which Derby and Disraeli had granted the Galway contract. But another observer, Lord Robert Cecil, proved more receptive to the Irish critique of *laissez-faire*. In the months following the final suspension of the Galway contract, Cecil argued forcibly, though anonymously, that government ought to disregard the principles of classical economics and adopt a more managerial role in the Irish economy. Some two decades later, as the marquess of Salisbury, he presided over an ambitious project of Irish economic development, with the avowed intention of undermining support for Irish nationalism.<sup>146</sup>

A commitment to increased Irish public expenditure, ironically, represented a point of convergence between late Victorian Conservatives and their nationalist opponents. Isaac Butt, who had criticized *laissez-faire* at mid-century, launched the home rule movement in the 1870s in part because he believed that British politicians would never adapt UK economic policy to Irish needs.<sup>147</sup> Butt's formidable successor as leader of the home rule party, Charles Stewart Parnell, similarly favoured a greater degree of state involvement in the economy.<sup>148</sup> In the 1890s, spurred by the report of a royal commission, which concluded that the Union had resulted in the over-taxation of Ireland,

<sup>143</sup> Hilton, 'Peel: a reappraisal', pp. 589, 596–7; Douglas Kanter, 'Robert Peel and the waning of the "influence of the crown" in Ireland, 1812–1818', *New Hibernia Review*, 5 (2001), pp. 61, 69–70; Sir Robert Peel to Henry Goulburn, 3 Dec. [1841], Peel to Sir Thomas Fremantle, 13 Mar. [1845], 12 June [1845], BL, Peel papers, Add. MSS 40443, fos. 66–7, 40476, fos. 416, 426–7.

<sup>144</sup> Macintyre, 'Lord George Bentinck', p. 151.

<sup>145</sup> *Hansard*, CLXIII, 1116 (14 June 1861).

<sup>146</sup> Allen Warren, 'Lord Salisbury and Ireland, 1859–1887: principles, ambitions and strategies', *Parliamentary History*, 26 (2007), pp. 204–5.

<sup>147</sup> O'Day, 'Isaac Butt and neglected political economists', pp. 381, 398.

<sup>148</sup> Liam Kennedy, 'The economic thought of the nation's lost leader: Charles Stewart Parnell', in D. George Boyce and Alan O'Day, eds., *Parnell in perspective* (London, 1991), pp. 179–80, 185–6, 190–1.

nationalists in the post-Parnell era again pressed for additional public spending.<sup>149</sup>

While the Conservatives moved toward the nationalist position on public expenditure and economic management, the Liberals travelled in the opposite direction. The whigs had offered some limited support for the economic modernization of Ireland before the Famine, primarily by establishing the Irish Board of Works in 1831.<sup>150</sup> Their commitment to free market economics during the Famine, of course, has been the subject of sustained criticism.<sup>151</sup> But Foxite indifference to political economy, and sympathy for state intervention, made some whigs potentially amenable to public assistance for Irish enterprise, as their flexibility on the Galway subsidy revealed. Gladstone's preference for a disinterested, minimal state, in contrast, encouraged a more disciplined approach to Irish expenditure, which the rapid collapse of the Galway Company appeared to vindicate. In the aftermath of the company's failure, Gladstone firmly and successfully resisted proposals, emanating from Dublin Castle, for Irish public works grants. 'Nothing', he explained to the viceroy in 1864, alluding to the Galway contract, 'can be more deplorable in my opinion than the effect of the granting system, as it has been known in former times, & as we found it springing up again in 1859 when we took office, in the forms of subsidy & otherwise.'<sup>152</sup> Gladstone's aversion to Irish public expenditure was shared by advanced Liberals, such as John Bright, who could still refer contemptuously to 'the Galway packet job' so late as 1867.<sup>153</sup>

By the end of the decade, following Palmerston's death and Gladstone's appointment as prime minister, Peelite fiscal policy had established its ascendancy within the Liberal party. Gladstonian public finance was flexible enough to accommodate interference with the contractual relationship between Irish landlords and their tenants, as well as loans for Irish public works and land purchase.<sup>154</sup> But other forms of state aid were granted begrudgingly, if at all. In the early 1870s, for example, whig politicians found Gladstone and the majority of the cabinet successfully obstructing their attempts to smother the nascent home rule movement through the provision of economic assistance in the form of state railway purchase.<sup>155</sup> During his first and second ministries,

<sup>149</sup> Pauric Travers, 'The financial relations question, 1800–1914', in F. B. Smith, ed., *Ireland, England and Australia: essays in honour of Oliver MacDonagh* (Canberra, 1990), pp. 53–4, 58, 67.

<sup>150</sup> Black, *Economic thought*, p. 173.

<sup>151</sup> See, e.g., James S. Donnelly, Jr, *The Great Irish Potato Famine* (Stroud, 2001), pp. 11–32, 209–45.

<sup>152</sup> Gladstone to Lord Wodehouse, 17 Dec. 1864, Bod., Kimberley papers, MS Eng. c. 4016, fo. 143.

<sup>153</sup> John Bright to Gladstone, 9 Dec. 1867, BL, Gladstone papers, Add. MS 44112, fo. 63.

<sup>154</sup> Gladstone to Sir George Grey, 13 Dec. 1864, Gladstone to Wodehouse, 17 Dec. 1864, Bod., Kimberley papers, MS Eng. c. 4016, fos. 114, 142–3; Matthew, *Gladstone*, pp. 196–9, 444–8, 496–500.

<sup>155</sup> Gladstone to Chichester Fortescue, 17 Sept. 1869, Taunton, Somerset Record Office, Fortescue papers, DD/SH/61/324/1/61; BL, Carlingford diaries, Add. MSS 63681, fos. 64,

Gladstone also sought to contain costs related to the Irish civil service, judiciary, and police.<sup>156</sup>

To the extent that Irish acquiescence in the Union was dependent upon the material benefits that the connection with Britain could deliver, Gladstone's restraining influence unintentionally stimulated Irish nationalism. At the same time, a desire to insulate the British taxpayer from the costs of Irish economic development also encouraged Gladstone himself to regard Irish self-government positively. Urging the favourable consideration of Irish local government upon a reluctant colleague in 1883, Gladstone warned of 'the pressing & even menacing questions of public works, peasant proprietary, loans to cultivators, emigration, & the like', which confronted the Liberal government in Ireland, and he cited his 'desire to get a good Irish buffer placed between the Imperial authority and those numerous wants of Ireland which have always pressed hard upon us, and for which we are in danger of becoming more & more responsible'.<sup>157</sup> In the final analysis, attitudes toward Irish expenditure were intimately related to the broader constitutional questions that exercised politicians in the United Kingdom after 1870. The controversy surrounding the Galway contract represented the rather modest opening debate in a dispute that continued, with much higher stakes, in the late Victorian era.

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104, 63682, fo. 15 (24 July 1872, 10 Dec. 1872, 8 Feb. 1873); Earl Spencer to Gladstone, 13 Feb. 1873, Spencer to the marquess of Hartington, 27 Apr. 1871, 12 Dec. 1871, BL, Althorp papers, Add. MSS 76852, 76888, 76890.

<sup>156</sup> Martin Maguire, 'Gladstone and the Irish civil service', in D. George Boyce and Alan O'Day, eds., *Gladstone and Ireland: politics, religion and nationality in the Victorian age* (Basingstoke, 2010), pp. 212–15; Gladstone to Spencer, 5 Jan. 1874, BL, Althorp papers, Add. MS 76852; James H. Murphy, *Ireland's czar: Gladstonian government and the lord lieutenancies of the red Earl Spencer, 1868–1886* (Dublin 2014), p. 214.

<sup>157</sup> Gladstone to Spencer, 3 Feb. 1883, BL, Althorp papers, Add. MS 76857. See also Maguire, 'Gladstone and the Irish civil service', pp. 209–12; K. Theodore Hoppen, 'Gladstone, Salisbury and the end of Irish assimilation', in Mary E. Daly and K. Theodore Hoppen, eds., *Gladstone: Ireland and beyond* (Dublin, 2011), p. 56.