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978-0-521-08910-4 - George Joachim Goschen: The Transformation of a Victorian Liberal

Thomas J. Spinner

Excerpt

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## CHAPTER I

## RUGBY, OXFORD — AND AMBALEMA

George Joachim Goschen was distinguished throughout his career by a vigorous patriotism, perhaps partially explained by his being the son of an immigrant.<sup>1</sup> He was also a proud member of the Church of England and reacted strenuously – though without any sign of bigotry – to taunts by his political opponents that he was a product of Jewish forebears.<sup>2</sup> These innuendos may have furnished just the spur necessary to bring a twenty-year, intermittently-pursued, project to an end. This was a biography of Goschen's grandfather and it provided an excellent opportunity to explore his genealogy. Rejecting family mythology about the romantic origins of his progenitors, Goschen concluded that the oldest verifiable ancestor whom he could discover had been a Lutheran minister in the principality of Merseburg in 1609 who was called by the Latinized name of Joachimus Gosenius.<sup>3</sup>

After a destitute childhood Goschen's grandfather – Georg Joachim Goschen – became a very successful publisher and printer in the city of Leipzig in the kingdom of Saxony. But the unsettled era of the Napoleonic wars brought him close to economic disaster. Early in 1814 when his two eldest sons had already joined the struggle against Bonaparte he wrote to a friend that his third son, William Henry, then twenty years of age, was in London. Instead of joining the army, he had entered into a

<sup>1</sup> See the comment by Goschen's Oxford contemporary and friend of many years, J. Franck Bright, later Master of University College, Oxford, in *A History of England* (London, 1904), vol. 5, p. 268. It is also stressed by Goschen's protégé, Viscount Alfred Milner, in 'George Joachim Goschen: Obituary', *Proceedings of the British Academy 1907-1908*, 359-64.

<sup>2</sup> James W. Lowther (Viscount Ullswater), *A Speaker's Commentaries* (London, 1925), vol. 2, pp. 44-5; Robert Farquharson, *In and Out of Parliament* (London, 1911), pp. 259-60. See also Sir Sidney Lee, *King Edward VII* (New York, 1925-7), vol. 2, pp. 618-19, for Kaiser William II's grumbling comment on the appointment of Sir Edward Goschen – George Joachim Goschen's youngest brother – as Ambassador to Germany in 1908.

<sup>3</sup> George Joachim Goschen, *The Life and Times of Georg Joachim Goschen, Publisher and Printer of Leipzig, 1752-1828* (London, 1903), vol. 1, p. 3.

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partnership with a wealthy Bremen merchant by the name of Fruhling.<sup>1</sup>

William Henry Goschen was George Joachim Goschen's father. In writing of this phase of his family history, George Goschen noted that Fruhling had not been rich but 'he was a man of some means and of good standing'.<sup>2</sup> The firm of Fruhling and Goschen, primarily merchant bankers, prospered after some years of difficulties and in 1829 William Henry Goschen took an English wife. Ten of their twelve children grew to maturity.<sup>3</sup> Their first son was born in 1831 and was named after the publisher of Leipzig who had died three years before. Three other sons, Henry, Charles Hermann and Alexander Heun, eventually became senior partners of the firm while the youngest, William Edward, entered the diplomatic service. Two sisters married British clergymen and two others married brothers, Baron Gustav and Baron George von Metzsch-Reichenbach of Germany.

The years immediately following the Congress of Vienna were difficult for many inhabitants of the British Isles. But they were also a time of astonishing expansion and of great opportunity for forceful merchants such as William Henry Goschen. Honest but determined to show a profit, aggressive but rational, a Christian but not aspiring to imitate the path of Jesus, he never ceased to believe that by being a worldly success and accumulating wealth he was glorifying his God.

And accumulate he certainly did. So much so that the opportunities open to his children were continually expanded. Assuming that young George would enter the firm, his father had him educated at home until he was nine. He then attended the Blackheath Proprietary School near the family residence at Eltham, about 10 miles distant from the City of London. At the age of eleven he was sent off to Saxe-Meiningen to continue his education. For the next three years he lived what he later called 'a

<sup>1</sup> *Ibid.*, vol. 2, pp. 387–88. Fruhling married a sister of his young partner and died in 1841.

<sup>2</sup> *Ibid.*, vol. 2, p. 388.

<sup>3</sup> Elliot, vol. 1, pp. 4–5. This account of Goschen's early life is largely based upon Chapter I of Elliot's biography.

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rather Spartan life' since it was often so cold in the dormitories that 'we had to break the ice in our basins with our boots'.

Recognizing his son's great ability, the elder Goschen decided to bring him back to England and in August 1845 George became a pupil at Rugby. In later years George recalled that his 'father's ambition for me, at all times, was indeed almost a passion'. Goschen's arrival at Rugby occurred three years after the death of the school's most famous headmaster, Dr Arnold. Along with improvements in the curriculum Arnold emphasized freedom, responsibility, self-government and plenty of exercise. The public school boy was expected to be 'manly' – an ever-recurring word in Victorian England – and to have acquired the character of a 'gentleman'. Friends and acquaintances made at public school and college were often indispensable in later life. The public schools – as in Goschen's case – also succeeded in bringing together the children of the new aristocracy of industrial, financial and commercial wealth created by the Industrial Revolution and the children of the ancient landed aristocracy which had governed England for so many centuries.

The young English boy with the German name and German accent had some difficulties with Britain's future leaders during his first year and could see 'that the *elite* hardly considered me as one of their number'. This had 'mortified' him and caused 'unpleasant feelings'. But this soon changed and he reported to his father that he finally seemed 'quite to belong to all the rest of the preposters'.

While one of Goschen's schoolmates remembered him as 'slow but persistent' in sports, he was not at all sluggish in his academic work. He won a number of scholastic awards at Rugby including the English Prize Poem, earned by Matthew Arnold a few years before. Both young poets borrowed a line from Byron's *Childe Harold* as their source of inspiration. Goschen's poem was called 'The Celts' and viewed the Celtic soul as the embodiment of 'deathless liberty'. The French, the Irish and the Highlanders were characterized by a 'restlessness' and an 'abhorrence of tyranny'.

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Goschen was soon thoroughly at home at Rugby and so completely a part of the system that he was prepared to lead a rebellion against his own house master, Bonamy Price – later Professor of Political Economy at Oxford and a strong defender of *laissez-faire* – when it appeared that an attempt was being made to whittle away the authority and ‘privileges’ of the sixth form. After some extreme remarks by the youthful rebels an amicable understanding was achieved and Rugby’s headmaster, Dr A. C. Tait, later Archbishop of Canterbury, was able to report to William Henry Goschen in 1850 that his son had been ‘one of the best heads of the school that I have known during my Head-mastership’.

In the summer of 1850 young George travelled to the Continent with his sister Henrietta in order to visit relatives and to rest before beginning his Oxford career. After some amusing encounters and several flirtations which caused concern at home, Goschen returned to England and wondered: ‘Here is the last evening before my college life, a momentous moment, treated, however, with improper levity by me. Persiflage. Shall I like Oxford? Will Oxford like me?’

Failing to win a scholarship at University or Trinity Colleges, Goschen began as a commoner at Oriel. He had great success as a debater at the Union and was elected president in 1853 but he remained troubled at not having won a scholarship. One examiner had called him ‘the cleverest man’ in the competition but with a ‘deficiency in scholarship’. This led Goschen to write to his father that he could not ‘bear to be beaten – either by men or subjects, and I have been beaten by both’. Shortly thereafter he was encouraged by winning an Exhibition at Oriel and his father rewarded him with bonds worth £2,000.

J. Franck Bright and Frederic Harrison, the future champion of Positivism, provide glimpses of Goschen at Oxford. Bright recalled that Goschen’s room had been an excellent example of the ‘intellectual side of Oxford Undergraduate life’. The conversation of Goschen and his friends ‘invariably touched on serious and important matters’. Goschen was devoid of all ‘priggishness’ and had a fine sense of humour. ‘He was what the slang of the day

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calls thoroughly “human”, and he enjoyed to the full the lighter side of college life.’ Frederic Harrison looked back ‘with gratitude’ to the Essay Society which had been founded by Goschen and some of his contemporaries at Oxford. ‘The papers read and debated and the discussions and general meetings were continued long after we had quitted the University.’<sup>1</sup>

At the Oxford Union, Goschen spoke in defence of Shelley and against papal aggression. He supported Tennyson as ‘the poet’ of the nineteenth century and while approving the state endowment of the Roman Catholic Maynooth Seminary in Dublin, he opposed the admission of Jews to Parliament. He rejected a motion demanding ‘a remedy against the concentration of large masses of capital in the hands of a few individuals’ as well as one which stated that ‘the increasing power of the great towns is opposed to the idea of the English constitution and inconsistent with the national prosperity’. In November 1851 Goschen moved that the French Revolution had ‘conferred the greatest benefits on mankind’ and in 1852 he denounced the Derby ministry and defended Gladstone and the Peelites against the charge of betraying their party. ‘Consistency’ could be ‘dangerous’ if it led men ‘to continue in error after they have discovered it’.

In an autobiographical letter which he wrote to a friend during these years at Oxford he commented that he was somewhat ‘different from other people’ because of his ‘two nationalities, the grafting of English sentiments and feelings upon German blood, and one continual change that has been going on in me is the gradual passing from the German to the English’. Goschen’s father was a Whig and a Free Trader and young George acquired the same general political orientation. His happy days at Oxford came to an end in 1853 after a distinguished academic career.

Goschen hoped to marry Lucy Dalley but his father objected: not so much to the young lady as to the comparative youth of a son who had not yet proved himself in the business world. No doubt the senior Goschen remembered that both he and his father had deferred marriage until their mid-thirties when they

<sup>1</sup> Frederic Harrison, *Autobiographic Memoirs* (London, 1911), vol. 1, p. 93.

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were financially independent. There were some trying moments between father and son until they decided to postpone the 'marriage question'. George would first fulfill an apprenticeship overseeing the investments of Fruhling and Goschen in South America. Goschen's father – reflecting upon his own experiences – urged his son 'to become a great merchant – a little one is but a poor beast'. Ambition – though not an excessive amount – was a good thing and would not militate 'against thoughts on eternity. It is one of the motives planted in the human breast on purpose to work out what is beneficial.'

In the autumn of 1854 Goschen left for New Granada (now Colombia), and the change must have been a startling one for a young gentleman from Oxford. Though Bogotá was pleasant, most of Goschen's time was spent supervising investments in tobacco, sugar, rice and cochineal in Ambalema, a small tropical town on the Magdalena River. Here he lived a life of primitive simplicity for more than a year and despite a very varied climate he seemed to thrive. But he longed for Miss Dalley and 'to return once more to the great world'.

The letters which passed between George and his father provide a fascinating view of the activities of a merchant banker in the 1850s.<sup>1</sup> The profits could be immense but so too were the investments and the risks involved. Britain's entry into the Crimean War in early 1854 caused new complications. On 31 October 1854 – in one of his first letters – Goschen's father was 'glad to say that no sinister events have occurred in business, no failures have happened which interest us, indeed there has been nothing of the sort, but things do not look well'. He was particularly worried about their India accounts but noted that all the markets in London were 'weak' with the exception of sugar and rice.

The elder Goschen sent advice and information to his son at two-week intervals. But George soon 'alarmed' his father with demands for larger sums than anticipated at Ambalema. On 16 May 1855 the elder Goschen thundered his misgivings over

<sup>1</sup> The letters written by Mr Goschen to George and Charles and by Mrs Goschen to Charles were made available by Mr D. C. Goschen of Rusape, Rhodesia.

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George's speculations in the quinine-producing cinchona bark. George had admitted that he 'undertook the matter with fear' and that he 'foresaw . . . dissatisfaction'. His father wondered why he had done it. 'I assure you that had I been at Bogotá and felt convinced of the displeasure of my partner, I should not have done the thing: much less should you have done it knowing that Wallroth would be furious.'<sup>1</sup> George's impetuous actions meant that Fruhling and Goschen had so much money tied up at Ambalema that they would have to 'abstain from business, be it ever so profitable, which requires cash advances'.

By the autumn of 1856 George Goschen had returned to the 'great world' of London though father and son continued to worry about the political turmoil in New Granada. By the early 1860s their investment exceeded £300,000 and profits were becoming 'very nice'. Fruhling and Goschen kept the Ambalema complex and as late as 1890 George Joachim Goschen still maintained an investment of £23,000 through the firm, which brought him a yearly return of £1200.

Unfortunately, Goschen's father was still not reconciled to accepting Miss Dalley as his daughter-in-law. Entertainment was made difficult for the family as the elder Goschen would not permit Lucy to be present. Mrs Goschen regretted her husband's attitude but found it impossible to reason with him. But George was as determined as his father and refused to put off the wedding. To the joy of his family, Mr Goschen finally agreed – at the last moment – to be present in September 1857 when the marriage took place.

The newlyweds still had one major obstacle to hurdle. What would the senior Goschen do when they arrived for their first visit? Mrs Goschen described the scene. The train was nearly an hour late and the family was 'getting anxious' when

at last the sound of carriage wheels announced their approach and the juveniles rushed to the Hall door! I followed and was the first to receive them, and then to my great delight Papa appeared, gave Lucy a kiss and we heard the word 'welcome' which sounded gracefully on our listening ears.

<sup>1</sup> Charles Wallroth became a partner in Fruhling and Goschen in 1834. The senior Goschen had a somewhat uneasy relationship with him.

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Poor thing! She was nervous and too agitated to speak – it was a trying moment for her to come amongst us for the first time after our 3 years painful estrangement. However Papa's one kind word reassured her, and set her at ease and it was so late we hurried in to dinner and Papa and George talked away at a great rate, and very cheerfully.

William Henry Goschen had capitulated to his son and all indications are that the family once again became the close-knit unit it had been before. A week later (29 October 1857) Mrs Goschen observed that 'it becomes quite natural now to have George and Lucy with us'. Lucy Goschen will not be heard of much in this biography but she will always be in the background – a strong support for her husband. It would seem to have been an extremely happy and successful marriage.

George Goschen now concentrated his energies upon becoming a successful merchant banker and he gradually took more and more of the company's operations under his personal direction. Wallroth died in 1857 – worth £160,000 – and his father was happy to play a slightly less active role. But the elder Goschen's energy did not diminish until the day of his death in 1866; he maintained a paternal, and often very active, supervision over the firm to which he had dedicated his life. He made numerous visits to the continent for rest, to visit his German relatives and to further the interests of Fruhling and Goschen.

Much of the senior Goschen's time was spent in Saxony where he moved in the highest social circles; his letters refer to many balls which he had given or attended with Saxony's ranking dignitaries. But he never forgot that he was a merchant banker, and once he realized that George was definitely embarked on a public career with his election to the House of Commons in 1863, the elder Goschen began to pour advice into the ears of Charles, now marked out as George's successor. On 16 October 1864 he wrote; 'Deal with young men for the purpose of helping them forward in the world, of obliging family and friends, act from sentiment and – you are done always . . . Is not it sad that we merchants cannot be amiable?' He had great doubts about committing the firm too heavily in the field of Egyptian government bonds though he acknowledged that large profits might be made. But George and



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Charles apparently insisted upon going ahead and the father congratulated George on 18 November 1864 for the successful completion of an ‘audacious enterprise’.

In early 1866, however, William Henry Goschen was deeply worried over a new Egyptian loan. The risks involved seemed much too great. Fruhling and Goschen had already floated sizable Egyptian government bonds in 1862 and 1864. In 1866 they contracted to handle yet another £3 million’s worth.<sup>1</sup> On 22 January 1866, the elder Goschen roared his disapproval. Charles had informed him that £1 million had already been taken but what of the other £2 million? The reports which Charles had sent to Saxony were much too vague and he had admitted that the money market did not look too strong. ‘To me the whole affair is awful. If those 1½ or two millions are *not* placed – and is that an alternative not to be thought of at all – Fruhling and Goschen will fail. The thought is too horrible; it must have occupied your mind.’ He wondered how they could ‘have played such a hazardous game’ at that particular moment. ‘Great Heavens How would George [he had just entered the Russell Cabinet] appear on his pinnacle of glory.’ He was sure there ‘must be some safety valve, some way to escape, someone, or rather some association to fall back upon. I shall not have a moment’s rest, till I am assured upon this point.’ Still it would be necessary for him to continue his social activities in Saxony ‘miserable’ though he was and ‘whilst I should like to bury my head in the ground, I have to go through scenes which require my best appearance to-night at Court, where the King is sure to congratulate me on George’s promotion’. Within a short time, however, Mr Goschen could smile again, for the loan turned out to be another success.

The Goschen family had its origins in Saxony and not in Prussia and thus had mixed feelings over the brutal way in which Bismarck achieved German unity. In 1864 William Henry Goschen wrote that Beust, Saxony’s chief minister, was not very

<sup>1</sup> See Leland H. Jenks, *The Migration of British Capital to 1875* (New York, 1927), pp. 419–24. See also David S. Landes, *Bankers and Pashas* (London, 1968).

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popular. 'But Bismarck is a beast, and it seems as if Beast and Beust love to tease each other.' On 2 May 1866 – just before the outbreak of the Austro-Prussian War – he wrote to Charles in bitter terms about Prussia's alliance with Italy. 'It is perfectly awful to contemplate that Germans, if Prussians may be called so, are getting up Foreigners to attack other Germans, to assist in humbling Austria because they have made up their mind at any price to have undivided sway over all Germany.' As war became inevitable the senior Goschen decided to return to London. But he died on the way at Ghent, on 28 July 1866. His will provided for every member of the family and indicated just how successful he had been. A trust fund of £85,000 was established for his wife. It was concluded that Fruhling and Goschen was worth about £1 million.

George Joachim Goschen had been quickly accepted by the English financial elite. In 1858, while only twenty-seven years of age, he was selected as one of the directors of the Bank of England and became known in the City of London as the 'Fortunate Youth'.<sup>1</sup> Walter Bagehot, in his classic study of the Bank of England, wrote that a new director was expected to be 'a well-conducted young man who seems likely to be fairly efficient twenty years later'.<sup>2</sup> A few years later Goschen published *The Theory of the Foreign Exchanges*.<sup>3</sup> He believed that his daily contact with a great variety of international transactions enabled him to test a number of theories which had been advanced with respect to the Foreign Exchanges. While hoping to interest both the theoretical economist and the general reader, he wrote primarily for those who were acquainted with the international money market but had not 'systematized their experiences or drawn any conclusion from the facts which they have observed'. Goschen later conceded that his knowledge of political economy

<sup>1</sup> Elliot, vol. 1, p. 46. Goschen ended his service as a director of the Bank of England in 1865.

<sup>2</sup> Walter Bagehot, *Lombard Street* (London, 1910), p. 211 (first published in 1873).

<sup>3</sup> (London, 1861). The book was partially revised in 1863 and again in 1864. It subsequently went through a number of printings and was translated into many languages. All references to the book are from the 1886 edition.