

## Writing about Finance in Victorian England: Disclosure and Secrecy in the Culture of Investment

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**T**he circulation of regular, reliable information about financial matters has always played a critical role in the modern market economy. Since at least the sixteenth century, when the first lists of prices were published in Antwerp and Venice, such writing has been instrumental in publicizing the availability of specific commodities, prices current in the market, and international exchange rates (Parsons 12). Without this information, early modern merchants would not have been able to conduct the elaborate and geographically extensive business that fueled economies in sixteenth- and seventeenth-century Western Europe, nor would they have been likely to develop the kind of informal associations that flourished in eighteenth-century London coffee houses. By the same token, writing about finance was also essential in creating the public confidence crucial to the refinement of credit instruments (like bills of exchange) and the spread of financial institutions (like banks). In the “remarks on trade” that began to appear in eighteenth-century British newspapers and the editorial statements about business published as early as 1713, interested Britons were able to read about trade negotiations, bankruptcies, shipping news, and debates about tariffs (Parsons 17). Doing so, they could begin to imagine their society as penetrated—if not yet defined—by a system of financial relationships whose most visible signs were the various credit transactions in which nearly every Briton was already involved (Brewer 203–30).

If the development of a modern market economy has always depended in part on the circulation of financial information, then nineteenth-century England witnessed an intensification of the already close relationship between the growth of financial institutions and writing about finance. There are many ways to explain why this relationship became more intimate after the end of the war with France, but the single most important factor was the increase, in number and kind, of



shares available for Britons to buy. While only five stocks were available on the still rudimentary London Exchange in 1770, by 1811, government securities and the shares of chartered corporations like the East India Company had been joined by some industrial shares. After Napoleon's defeat, as the peacetime economy of Great Britain expanded and the London Stock Exchange became more organized, the number of quoted stocks multiplied so that, by 1824, it was possible for an investor to trade in as many as 624 joint-stock companies—a number that signaled a four-fold increase over the previous year (Robb 14; Michie 56). This increase in available shares marked the beginning of what eventually became a culture of investment in Britain. Previous investment opportunities had been few in number, and the two leading venues for eighteenth-century capital both posed serious impediments to the would-be investor: lending money for mortgages required expensive lawyers and a long-term commitment of funds, and shipping was a high-risk venture. Most company shares, by contrast, paid a regular dividend and could easily be bought and sold, with only the market to dictate risk and only a broker to pay up-front. While individuals did not begin to invest in shares in large numbers until at least the 1870s, the institutions to which individuals entrusted their money did. With banks and insurance companies regularly putting their money at call into the stock market, many individuals were intermittently involved in stocks even before they purchased shares on their own. By the 1890s, when the price of many shares fell to one pound, more individuals were prepared to invest, for nearly a century of indirect participation in an increasingly well-publicized activity had made the rapid returns the stock market promised seem within the reach of even the average middle-class Briton.

In this essay, I explore the role that financial writing played in making the allure of investment vivid for Britons. For reasons that are both historical and theoretical, I do not describe this writing as a single discourse. Instead, I identify the features that characterized each mode of financial writing that developed before the mid-1840s, then show how these features were combined and reworked in a genre that was new in that decade. From the mid-1840s forward, the new genre of financial journalism brought the world of investment ever closer to middle-class Britons in articles and books that not only drew their information from other kinds of financial writing but also used many of the narrative conventions popularized by contemporary fiction. Just as financial journalists began to borrow literary conventions in the middle of the decade,



so novelists soon began to introduce financial themes into their fictions. The result was a set of (admittedly uneven) exchanges and crossovers at the level of themes and formal features that drew financial journalism and realist novels into a relationship of generic proximity. Thinking about this generic affiliation between financial writing and much of the fiction of the period enables us to specify the formal dimension of a relationship that some literary critics have treated as metaphorical, and others have used simply to launch historical investigations of the nineteenth century's prevailing economic conditions.<sup>1</sup> Identifying the affiliation between financial journalism and many of the canonical novels of the period as formal and generic also enables us to identify a structural dynamic that was central to both the growth of Victorian companies and the appeal of Victorian fiction: the constitutive relationship between disclosure and secrecy.

### I. From Shipping News to Financial Journalism

As I have already suggested, the first kind of financial writing to appear in Europe was limited to commercial information and typically took the form of lists of numbers. Intended primarily for merchants, this information began to appear in London and European commercial centers in the sixteenth century as lists of prices, tables of exchange rates, and the arrival and departure dates of ships. Such commercial information continued to be published for English merchants throughout the eighteenth century; in 1713 it was joined by another kind of writing, which tended to replace the numerical information and lists that dominated the remarks on trade with the kind of polemical writing typical of the emergent political press. This new political writing was often published as penny sheets; stylistically, it relied on declarative summaries of assumptions presented as common sense; and it was intended for a somewhat different audience than were the lists of prices current in the market, although the readers of these cheap publications could certainly have included merchants who saw their interests affected by political decisions. By the beginning of the nineteenth century, the tendency to replace lists of commercial, often numerical information with discursive prose reached something like a logical conclusion in the long essays published in the *Edinburgh Review*. These essays, which were often reviews of other, fairly technical economic writings (such as Francis Horner's review of Henry Thornton's *Inquiry*



into . . . *Paper Credit*, published in the first issue of the *Edinburgh* in 1802 [Horner 28-56]), drew their stylistic features from moral philosophy and their subdued polemics from the unfolding campaign for free trade. The contributors to the *Edinburgh Review* sought a more intellectually sophisticated audience than did the compilers of the prices current or the authors of polemical pamphlets. Their articles tried to cultivate in these readers an understanding of the new commercial economy that placed specific trade opportunities within a larger social and political context, whose contours were mapped by the new science of political economy (Fontana 112-46).

In the 1820s, another form of financial information began to appear in newspapers like the *Morning Chronicle* and the *London Times*. This financial information was the first direct response (and incentive) to the increased opportunities for investment represented by the expanded number of companies quoted on the London Stock Exchange. Appearing in the form of "money columns" or "City articles" published daily or weekly, this feature built on the closely printed columns listing prices of shares and international rates of exchange that the *Times* had published since 1785 (Parsons 22). Unlike these lists, however, the new articles supplemented columns of prices with brief expository, often chatty, comments on the culture of the City, which began to cultivate the image of London's financial district as a distinct and charmingly idiosyncratic culture. Beginning late in 1825, some City editors also took it upon themselves to issue judgments about the climate of investment as a whole, so that these City articles became a source of rudimentary, nonspecific investment advice. Following upon this tradition, the *Times*' City editor, Thomas Massa Alsanger, began to warn investors in the early 1840s that the railway bubble was about to burst. That the editors allowed him to do so even though the *Times* accepted extensive advertising from railway companies suggests that his columns had acquired a value of their own, over and above promoting the companies whose advertisements the paper solicited (Parsons 23).

Three additional nineteenth-century innovations in financial writing deserve comment. The first was the development of what we might call business writing, by which I mean regular publications that were both produced by and devoted to various financial institutions or to the financial sector as a whole; this writing subordinated the author's political agenda to what was represented as an impartial presentation of facts. Such writing is epitomized by *The Banker's Magazine*, founded in



1844, but historians have also linked it to the *Economist*, which was launched in 1843 by James Wilson (Edwards 6–84; Parsons 25).<sup>2</sup> In its early years, the *Economist* did not conform to the definition of business writing I have just provided, for the paper was initially an organ of the Anti-Corn Law League. It only assumed the function that became its trademark—explaining the relationship between economic issues and the financial sector in dispassionate, apparently apolitical language—after the free trade campaign had succeeded. The paper had clearly embraced this role by 1853, when the banker Walter Bagehot began to contribute to the *Economist* (Edwards 97; Parsons 25–29), for Bagehot not only increased the attention the paper paid to banking, currency, and investment but did so with an eye to explaining how the financial system worked, why some institutions failed or faltered, and even, in very general terms, what kinds of securities investors should buy (Bagehot, 1866: 1449–51 and 1867: 31–32).

Another nineteenth-century genre critical to this history was not, strictly speaking, new in the nineteenth century, but the availability and volume of this writing after 1820 make it seem different in kind from its earlier counterparts. This was the publication of official government information about economic and financial matters, typically the reports of parliamentary select committees, which were often issued in the nineteenth century as the so-called Blue Books. Such reports, which originated in the fourteenth century, began to be used to influence public opinion as early as 1825, when the *First Report of the Select Committee on Laws Respecting Friendly Societies* was published (Clokier and Robinson 49, 63–64). By the 1830s, the reports of the select committees established to monitor reform measures like the 1833 Factory Act and the 1834 Poor Law Amendment Act regularly supplied both numerical information and eyewitness accounts describing various social conditions in Britain. With the publication of the *Report on the Sanitary Condition of the Labouring Population of Great Britain* in 1842, the economic theme implicit in many of these reports was brought to the fore, as Edwin Chadwick tirelessly pointed out the national cost of the ailing poor. Beginning in the mid-1840s, with the appearance of the 1844 *Report of the Select Committee on Joint-Stock Companies*, government publications began addressing financial institutions more explicitly, and, in the wake of the crash of the railway boom, at least one parliamentary select committee took up a topic with direct bearing on the emergent culture of investment. At its peak in 1846–47, expenditure on railways absorbed



almost 7% of the national income, and, for the first time, a significant proportion of the shares offered on the London Stock Exchange represented companies instead of government bonds (Robb 31). When the bubble burst and investors' savings vanished, Parliament had no choice but to investigate company fraud. In 1849, the proprietors of the York, Newcastle, and Berwick railway convened a Shareholders' Committee to investigate the indiscretions of George Hudson, the so-called Railway King. The publication of their findings, along with those of other committees appointed by the Eastern Counties and the York and North Midland railways, prompted appointment of the Parliamentary Select Committee on the Audit of Railway Accounts, which published its report in 1849 (Robb 46-50, 227).

As even this brief survey suggests, the various modes of financial writing developed before the mid-1840s formed a subset of the British press, by which I mean the entire ensemble of newspapers, periodicals, and cheap pamphlets that played so critical a role in constituting a public sphere in England. In some of its guises, moreover, financial writing also belonged to the British Press, which some contemporaries called the "Fourth Estate"—more or less explicitly political writing that could mobilize public opinion so as to influence legislation (Koss 2-3). Beginning in the mid-1840s, however, a new mode of financial writing began to appear that performed a function only obliquely related to the financial writing that preceded it and to the activism other journalists embraced in calling themselves "the Fourth Estate." This new mode of writing—which I call financial journalism—often drew information from the numerical accounts that dominated merchants' lists, eyewitness accounts and statistics from government Blue Books, and the stance of impartiality from the kind of business writing that was to be perfected by the *Economist*. This writing differed from its sources in organizing these materials in narrative forms borrowed from contemporary fiction and in framing the presentation of financial information with features like first-person point of view and personification. Sometimes, financial journalists even resorted to thinly disguised fictions, as they sought simultaneously to expose a financial miscreant and to shield their articles from charges of libel. What unites all of these texts, however, is neither the venue in which they were published nor the specific assortment of formal features they deployed. Instead, what unites them was the function they performed: all of the articles and books I call financial journalism sought to depict the financial sector, which they represented as a culture unto itself, as a law-



governed, natural, and—preeminently—safe sector of modern society. Even when a specific article exposed financial misdeeds, by doing so it implicitly dramatized the financial system's ability to police itself and thus helped normalize the operations of a financial world still subject to catastrophic irregularities and still largely unfamiliar to British readers.

We can identify several reasons why financial journalism began to assume its characteristic form in the mid-1840s. By the middle of that decade, the institutions that composed the British financial system were sufficiently defined to support the in-depth reporting that had already begun to appear in government Blue Books; with the invention of the electric telegraph in the late 1830s, journalists could transmit price information more rapidly; and, by that time, the available modes of financial writing were sufficiently developed to support the kind of second-order commentary that financial journalism provided. Perhaps most important, however, are two additional reasons. The first is the repetition, for the third time in the century, of the boom phase of an economic cycle whose crashes had led ninety-three English and Welsh banks to fail in 1825–26 and thousands of individuals to lose their life savings between 1836 and 1839. As the railway boom first exploded, then began to implode in the 1840s, journalists rushed first to arouse, then to assuage the public's fears by presenting such swings as normal parts of a mature economy. Finally, financial journalism developed when it did because the radical press of the early 1840s had also begun to publish essays about finance, some of which were trenchant and compelling. These articles demanded a response because they linked their harsh criticisms of financial institutions explicitly to Chartist politics. Thus the four-part series on banks written by R. J. Richardson, a self-described "poor man," charged the Bank of England with impoverishing the nation, robbing working men, and practicing the "GREAT SWINDLE" of taxing the people for managing the national debt (Richardson 91).

With Chartists drawing to a point evidence that everyone could see, middle-class journalists like David Morier Evans, Ronald Laing Meason, Sidney Laman Blanchard, and Laurence Oliphant began to produce a counter-narrative, which stressed the regular, sometimes even comical, characteristics of these institutions. To do so, they borrowed material from existing modes of financial writing and formal conventions from literature; in so doing, they drew the available modes of financial writing into a distinctive relationship with each other that set the terms in which emergent modes, like the business writing of the *Economist*, devel-



oped. Thus, in articles like “The State of the Money Market from a Fresh Point of View” (1857), Morier Evans constructed a chatty, first-person narrative to conduct readers through the hitherto opaque operations of the City, drawing, along the way, upon his own first-hand knowledge, and published government, business, and newspaper reports as well. In “A Biography of a Bad Shilling,” published in Charles Dickens’s *Household Words* in 1851, Laman Blanchard used personification to create a voice for the “bad shilling,” the bastard spawn of a union between a zinc door plate and a pewter flagon. In 1876, Oliphant also deployed personification to expose Albert Grant’s mismanagement of the Credit Foncier and Mobilier of England in the fictionalized form of an “Autobiography of a Joint-Stock Company (Limited).” With the mixed style of financial journalism well established by 1853 and the threat of Chartism long gone, Bagehot adopted the conventions of this writing to give his *Economist* essays a personal, authoritative voice that purported also to be politically impartial. If Bagehot should be called “the greatest interpreter of commercial sentiment and economic ideas of his day,” as one modern historian argues (Parsons 28), then he became so because he was able to make his middle-class, pro-business ideas seem simply like common sense. He was able to do this, in turn, because other financial journalists had already popularized a set of stylistic features that presented business as both accessible and a matter about which one might feel “sentiment” (28).

The journalists I have named were not the only contributors to this genre, of course. Indeed, the most famous financial journalist was probably Dickens, although the anonymity and coauthorship of many of the articles in *Household Words* and *All the Year Round* make it difficult for modern readers to see the interest Dickens took in exploring financial topics (Wills and Dickens 615–20). Nor were all of the contributions to the genre as playful as some of the examples I have cited here. Arguably, in fact, the combination of a politically corrective agenda and a personable, quasi-literary style that characterized such writing in the late 1840s had metamorphosed into an explicitly didactic, even moralistic mission by the 1860s. The change in tone (although not always in style) that accompanied this shift in agenda was a response to a number of developments during the 1850s and 1860s, but two deserve particular notice. First, by the late 1850s, with Chartism no longer a threat and arguments about the spiritual perils of business no longer so obviously necessary to counter political radicalism, the Christian version of political economy, which had cautioned against capitalists’ worst



excesses during the first half of the century, began to lose its influence (Hilton 255–97). Second, changes in company law had begun to make it easier for promoters to launch companies, and the passage of limited liability laws had eased the fiscal responsibility of company owners. With no voice from the pulpit rising to chastise unscrupulous businessmen and government officials no longer resisting the expansion of trade, some financial journalists began to serve as moral watchdogs as well as chroniclers of the City. Thus by 1864, the jaunty tone of much of Evans's earlier writing had given way to a more cautious note, as he turned to the fallout of the 1862 Company Law that established limited liability (Evans 228–36), and journalists like Bonamy Price, H. R. Grenfell, and Henry Sidgwick used titles that appeared lighthearted to engage readers in what were actually substantive discussions of the currency debate. In 1886, Meason made this didactic function absolutely clear when he noted that *Sir William's Speculations or, the Seamier Side of Finance* was designed “as a warning to any one intending to dabble in Amateur Finance, or take shares in ‘bogus’ companies” (vi).

It is important to recognize that this moral mission, which sometimes seems like a rebuke to investment or even to business in general, was always subordinated to the other function that financial journalism continued to perform. This other function—to normalize or naturalize the workings of financial institutions—was actually served by some of the ethical distinctions journalists drew. This was true, for example, of the distinction between investment, which journalists represented as sound, and speculation, which they represented as unwise or greedy. By normalizing the operations of individual institutions through such distinctions, financial articles like W. E. Aytoun's “The National Debt and the Stock Exchange” (1849) and the anonymous “Stockbroking and the Stock Exchange” (1876) also helped make the financial system imaginable *as a system* to Britons whose primary experience of finance was probably limited to transactions with local bankers. Because making the financial system seem regular and systematic was the primary goal of financial journalists, these writers transformed the features adapted from existing modes of writing—especially numerical data—into rhetorical devices. The numbers journalists cited, in other words, helped create an overall image of financial institutions operating efficiently, or at least amenable to the kind of assessment numbers promised; these numbers were never part of specific trading or investment advice (periodicals devoted to investor advice appeared only in the 1880s [Parsons 36; Porter 1–17]).



potential to transform the social fabric represented a retrenching of capital's financial and political power.

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## NOTES

<sup>1</sup>For details on company law reform see Ireland 239-60 and Shannon 358-79.

<sup>2</sup>Gurney has noted that middle-class debates in the nineteenth century frequently elided co-partnership and co-operation and avoided discussion of management and control over capital (257).

<sup>3</sup>Vernon has noted similar trends in the political culture of the nineteenth century. Although law and legislation pertained to increased individual political activity, "The process was accompanied by, and built upon, the gradual, but marked, decline in the power of the people to create their own politics" (336).

<sup>4</sup>Garrard discusses how the debates about the working class franchise were premised on the apparent acceptance of predominant social and economic values in "Democratization in Britain" (37-45).

<sup>5</sup>Monckton Milnes was to become associated with the National Association for the Promotion of Social Science and in particular its strand on "social economy," which was established to explore a philosophy that would unite moral and economic science (*Transactions* xvii).

<sup>6</sup>Grey is an interesting figure in these debates. Considered a young liberal in the Whig government of the 1840s, Grey was promoted for his subtle negotiation of the ten hours question. Yet in his debates on the matter, Grey linked factory legislation to wider issues of social economy and the need to improve towns and the working classes. See Mandler 163-241.

<sup>7</sup>Sir George Grey called Slaney's proposals for this committee "vague and indefinite" (*Hansard* 109: 366).

<sup>8</sup>The concern of the Christian Socialist movement at this time was in procuring loans from benevolent gentlemen of means to fund co-operative workshops. This principle is enshrined in Charles Kingsley's novel *Alton Locke* (1850), and in the various *Tracts of Christian Socialism* (1850-51) (Backstrom 29-53).

<sup>9</sup>As Saville has noted, limited liability was discussed almost exclusively in terms of *en commandite* partnership in the 1850s, a form of organization in which shareholding did not extend to having a say in the management of the concern (422).

<sup>10</sup>Belchem and Epstein argue that the concept of responsible citizenship was one of the ideals that attempted to move the working-classes beyond "irresponsible demagoguery" (177).

<sup>11</sup>See anonymous letter in *Journal of the Society of Arts and of the Institutions in Union*, 10 February 1854, p. 221.

<sup>12</sup>Jones's claims were rejected by the Amalgamated Society of Engineers, who challenged his claim to speak on behalf of the working classes. Jones did campaign actively against "the panacea of Co-operation" (Backstrom 38).



<sup>13</sup>Gray has similarly noted employers' access to private space in the Factory Commission of 1833. While working-class witnesses were examined under oath, employers were allowed to complete questionnaires "in their own counting houses" (Gray 69).

<sup>14</sup>19 & 20 Vict. C. 47. See Cottrell's *Industrial Finance* (51–52) for details of legal passage.

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# Fair Enterprise or Extravagant Speculation: Investment, Speculation, and Gambling in Victorian England

DAVID C. ITZKOWITZ

When I was young, people called me a gambler. As the scale of my operations increased I became known as a speculator. Now I am called a banker. But I have been doing the same thing all the time.

—Sir Ernest Cassell, banker to Edward VII (qtd. in *Chancellor* ix)

As Cassell's humorous observation suggests, the line that separates gambling from other forms of financial risk has never been easy to draw, but that has not stopped people from trying to draw it. The economic historian Roger Munting, for example, devotes several pages of his study of British and American gambling to an examination of the question of whether market speculation should be defined as gambling, finally concluding, for very technical reasons, that it should not (1-3). But the need to draw that line has been more urgent at some times than others, and the choice of just where to draw it has varied as well. There seems to have been little urgency during the eighteenth century, for example. The English State Lottery, which operated from 1694 to 1826, combined, in its earliest years, the features of a lottery and a government bond to almost no one's distress (Ewen; Richards). On the other hand, drawing the line between gambling and other forms of financial risk had particular urgency during the Victorian period. The great expansion of the commercial economy that characterized the nineteenth century and particularly the developments that followed the passage of the Limited Liability Act of 1855 and the Companies Acts of 1856 and 1862 led, by the late Victorian period, to middle- and upper-class England becoming, in the words of George Robb, a "nation of shareholders" (3). By the end of the century, roughly two-fifths of the national wealth was invested in company shares and large numbers of upper- and middle-class people lived off dividends and interest from shares and other securities (91, 181). But as G. R.



Searle has argued, this great expansion was accompanied by a desire that capitalism possess a moral component (xi, 22), and, for many Victorians, gambling was of questionable morality at best, even though a gambling industry flourished in late-Victorian England. In her study of nineteenth-century American gambling, Ann Fabian has argued that the construction of the nineteenth-century capitalist economy required the exclusion of those who gambled from what came to be seen as legitimate economic activity. Paradoxically, however, she argues, this process led to the legitimization of a new kind of gambling. "Gambling," she writes,

was marginalized only to be domesticated at the end of the century, when risk and rapid gain reappeared as essential ingredients in rational capitalist speculation. The "new" gamblers, who profited from the operations of stock and commodities exchanges, presented themselves as virtuous, rational citizens by delineating their differences from the "old" evil gamblers [...]. For the speculation to stay, the gambling had to go. (Fabian 3, 61)

This essay argues that a similar, but not identical, process was occurring in Victorian England. As was the case in America, speculative trading would only be accepted once it was purged of an association with gambling. This purging was essentially accomplished by the 1860s, and, henceforth, speculation increasingly came to be seen as a reputable economic activity and speculators as respectable economic actors. But the situation in England was to be complicated by the development, in the 1870s, of two new industries—one financial, the other sporting—that created a renewed convergence of gambling and speculation and that called into question the separation that had been so carefully drawn. A new breed of speculative brokers, known pejoratively as "bucket-shop keepers," using language, advertising techniques, and appeals that were suspiciously like those being offered by a new breed of sporting bookmakers, were offering a growing public the opportunity to become engaged in the world of speculative finance at relatively little cost and seemingly little risk.

The new speculative business was aided by the development of new forms of communication, including the popular press and the electric telegraph. But its existence was also made possible by the fact that speculation had already been legitimized earlier in the century by its separation from gambling. The new brokers and their clients no doubt saw themselves as participants in an activity whose legitimacy had been



firmly established. But in the eyes of many, they were turning the world of financial speculation into a new form of popular entertainment whose morality was ambiguous at best. The moral anxiety surrounding the intersection of speculation and gambling that had apparently just been put to rest was reawakened by the late 1870s, as it would continue to be reawakened from time to time down to our own day. The need to redraw the line that separated gambling from legitimate commerce once again took on a renewed urgency. In the end, the line was redrawn, though at best it was never more than a fairly permeable boundary. While the new forms of speculation would remain legal and would not disappear, they continued to operate only in a state of marginal respectability.

Paradoxically, however, the fact that the new speculation could be branded as gambling only emphasized, by contrast, the legitimacy of other forms of speculation. By allowing the new speculation alone to carry the moral opprobrium that had once applied to all speculation, late-Victorian society ensured that speculation in general would remain legitimate.

### I. The Domestication of Speculation

Conventionally, Victorians viewed gambling and investment as lying at opposite ends of a continuum of financial risk with speculation lying somewhere in between. *Investment*, usually defined as the holding of property for the income it provided, was clearly seen as legitimate. With its resonance both of aristocratic landed wealth and middle-class prudence, investment had the cultural power to retain its legitimacy through changing paradigms of economic activity. *Gambling*, on the other hand, was increasingly viewed as an illegitimate form of financial risk. The Gaming Act of 1845 (8 and 9 Vict., c. 109), which made it a criminal offence to keep a gaming house, also made wagering contracts<sup>1</sup> unenforceable at law, thus excluding gambling from the world of respectable commerce. From at least mid-century, if not before, most respectable opinion would have agreed with the assertion of the anti-gambling activist J. Malet Lambert:

The wealth and possessions of man are made by labour and by industry, money does not grow of itself, wealth is not for men if they are lucky enough to get it, but comes from the labour of men. The gambler looks upon the world as a place where wealth is open to him without patient labour, by luck or by chance. But his theory is demonstrably false. The mass of men must labour for wealth itself to exist [. . .]. If all men



were to turn gamblers for a living, they would become like wolves searching the wastes of the earth without a living being to prey on, and forced to turn cannibals, or be honest, or die. (8)

Unlike either investment or gambling, whose moral connotations seemed relatively clear, the morality and legitimacy of *speculation*, which was usually defined as the buying or selling of commodities in order to benefit from changes in price, was more ambiguous. Controversialists on various sides of economic and moral debates could feel it in their interest to equate gambling and speculation. Critics of speculation, not surprisingly, found it a useful rhetorical device. "A great deal of condemnation was cast in England on the gambling that went on in Monte Carlo, and had taken place in Hamburg and other towns on the Continent," wrote one of them.

but there at least the play took place on the green table, and was within sight of the public. In England, however, where no such public gaming was allowed, gambling on the price of stocks took place out of sight of the public for much larger sums, and, perhaps, with more mischievous results. (Meason, *Sir William v*)

Identical comparisons issued from the pens of gamblers eager not to condemn speculation but to defend gambling. "Having seen a good deal of gambling during the last few years," wrote the celebrated plunger Ernest Benzon, "I am unable to dissociate in my mind the man who plays regularly from the fellow who employs his time in dealing in stocks and shares, or earns his living buying articles which he hopes to sell at a profit" (98).

This conventional rhetorical equation of speculation and gambling never disappeared; examples of it can be found in every decade of Queen Victoria's reign, as, for that matter, they can be found today. "Railway speculations [...] like all other gambling, is a fascinating, but delusive passion," wrote Henry Wilson in his 1845 pamphlet *Hints to Railroad Speculators* (5). "I cannot restrain myself from pointing out that there is a Gambling which hides its hideous features under the less offensive description of Speculation," agreed the Rev. Joseph Parker in his pamphlet *Gambling in Various Aspects*, which appeared fifty-two years later (12).

But though the equation of gambling and speculation remained a constant of nineteenth-century discourse, it seems to have carried less and less practical force as the century progressed except in



the case of the new forms of speculation that will be described below. As early as the mid-1820s, a period marked by a noted speculative flurry, the London banker Alexander Baring had begun to articulate what would come, over the course of the century, to be the dominant view. "The evil" of speculation, he admitted,

was certainly one which deserved to be checked; though he hardly knew how the check could be applied. The remedy would be worse than the disease, if, in putting a stop to this evil, they put a stop to the spirit of enterprise. That spirit was productive of so much benefit to the community, that he should be sorry to see any person drawing a line, discriminating between fair enterprise and extravagant speculation. (qtd. in Chancellor 109-10)

The difficulty of drawing the line between "fair enterprise" and "extravagant speculation" was to prove so great that most people stopped trying to draw it except for increasingly empty rhetorical purposes. By 1860, a member of the Palmerston government, defending the repeal of Sir John Barnard's Act, which had outlawed futures trading in certain securities, could declare that speculative trading was "the regular and ordinary form under which the whole of that vast and beneficial business of dealing in the funds was conducted" (*Hansard* 157: 1710).

By the end of the century, commentators as diverse as Francis Hirst, editor of the *Economist*, and W. W. Duncan, a speculative broker, were arguing that there was no real distinction between investment and speculation and, by implication, therefore, that both were distinct from gambling. For Hirst, the only thing that distinguished speculation from investment was the amount of risk involved. "The difference between investment and speculation cannot be defined accurately," he wrote, "but everyone has a rough idea of a line which divides safety, with the certainty of a reasonable interest, from risk, with all its possibilities of loss or profit" (137). Though in the end, for purposes of discussion, he was willing to accept the conventional distinction between investment and speculation, he nonetheless observed that "even in an old and conservative country like England the average investor is a speculator" (180-81, 164). Duncan, as befitting his profession, was blunter. "As a matter of fact," he wrote, "investment and speculation are words with but slightly different meanings [. . .]. The investor receives his interest; the speculator his profit. Again a distinction without much difference" (6-7).



Speculation, to use Fabian's language, was becoming "domesticated" because people came to believe that, like investment and unlike gambling, it was a legitimate way to risk money. The clearest indication of this can be seen in the way that, beginning in the middle of the nineteenth century, the growth of legal restrictions on gambling was accompanied by the removal of most legal restrictions on speculation.

Limitations of space prevent a detailed discussion of these legal developments, but a brief examination of one aspect of the law is necessary to understand some of the later parts of this essay. The Gaming Act of 1845, it will be recalled, had, among other things, made wagering contracts unenforceable at law. In the words of one judge, a wager was made "a thing of a neutral character; not to be encouraged, but not to be absolutely forbidden; it leaves an ordinary betting debt a mere debt of honour, depriving it of legal obligation, but not making it illegal" (Stutfield 29).

Futures contracts, under which a party to a contract agrees to buy or deliver a commodity at some time in the future for a price agreed to at the time of the contract, are at the heart of speculation. But it could also be argued that they are a form of wager because the parties to the contract may be said to be betting on what the price will be at some future time. Were the commonest sort of speculative transactions, generally referred to as "time-bargains" or contracts for "differences," to be voided as wagering contracts?

Though they had made wagering contracts unenforceable, Parliament seemed to have little difficulty accepting the legitimacy of speculative contracts. Sir John Barnard's Act (7 George II, c. 8), for example, which had outlawed futures trading in certain kinds of securities since 1734, was repealed in 1860 at the urging of the Palmerston government, many of whose members had also been in government at the time of the passing of the anti-gambling acts of 1853 and 1854. Though the repeal of Barnard's Act was attacked in the House of Commons as an encouragement to gambling, even the most prominent opponent of repeal, William Bovill, later Chief Justice of Common Pleas, declared that he "quite understood that it might be right and proper, in ordinary transactions on the Stock Exchange, that there should be contracts made which might be completed at a future day, and that contracts should be entered into by persons who at the moment might not be possessed of the stock which they contracted to sell" (*Hansard* 158: 914).



After the repeal of Barnard's Act in 1860, attempts to interfere through law in what was coming to be seen as the legitimate business of speculation virtually came to an end in the nineteenth century. There was one last flurry of activity in 1867, when, after several highly publicized bank failures, Parliament passed what came to be known as Leeman's Act, which prohibited the speculative trading of bank shares, but Leeman's Act was largely ignored in practice (Coldridge and Hawkford 218). The respectable members of the stock exchange could thus continue to enter into speculative bargains largely undisturbed by the laws of commerce. Instead, the greatest legal threat to speculative dealing came not from the laws that regulated commerce but from the laws that regulated gambling. Courts were to be confronted with the question of whether one or another instance of speculative dealing was to be construed as a wagering contract under the Gaming Act of 1845.

Shortly after the passage of that act, the decision in the case of *Grizewood v. Blane* (1851) seemed to pose precisely this threat to speculation. In this case, the parties had entered into a typical speculative agreement respecting the future price of some shares. The judge directed the jury that if they found, as a matter of fact, that, at the time of the original transaction, both parties understood that no actual delivery of shares was to take place, the transaction was void under the Gaming Act. The jury found that this was precisely the case and the contract was therefore voided (Stutfield 88).

But commenting on this case in 1886, G. Herbert Stutfield, a well-known expert on the law both of gambling and the stock exchange, wrote:

This finding of the jury upon the facts of this case have been questioned in later cases, probably through the Courts being in possession of more complete information as to *the true nature of transactions on the Stock Exchange* [...]. From the cases to which we are about to refer, it would appear that in point of fact transactions never do take the form of contracts for the mere payment of differences. (Stutfield 88–89, italics added)

Stutfield's reference to the "true nature" of transactions on the Stock Exchange reflects what had emerged as the dominant view by the 1880s, a view that was actively promoted by professionals on the Stock Exchange and that came to be enshrined in court decisions and other official pronouncements. For purely technical reasons, transactions on the Stock Exchange were to be seen as legal, even if they might have the



appearance of gambling. "The final result [of the typical speculative transaction] to the outside speculator is a gain or a loss," wrote a legal commentator in 1913:

The result to the speculator may be the same as if he had entered into a mere difference transaction. But he has employed a different machinery, and has utilized separate legal obligations, which could have been specifically enforced, or for a breach of which damages of an ascertainable amount could have been recovered. (Coldridge and Hawkford 210)

This view also informed the report of the Royal Commission on the London Stock Exchange of 1878. Though the appointment of the Commission had been prompted by claims that the Exchange "was haunted by adventurers—Jews, Greeks, and so on" (*The Times* 21 March 1877: 7), it included a number of sympathetic Exchange members, including Nathaniel Mayer de Rothschild and S. R. Scott, chairman of the Exchange's governing committee, who managed to diffuse any attacks on the morality of the Exchange (London Stock Exchange Commission, *Report*). Although the question of gambling and speculation was not the major concern of the Commission, a parade of carefully chosen Exchange insiders all assured the commission that what looked to outsiders like gambling transactions were, in fact, something different and that the Exchange was a vital part of the British economy. As long as the rules of the Stock Exchange required that all sales and purchases of stock obligated the parties to the transaction ultimately to deliver the stock that had been purchased, they claimed, there was no way to distinguish between a speculative bargain and an ordinary one.

This claim was disingenuous at best. Members of the Exchange, whose rules barred them from transacting speculative business for clerks in public or private establishments without the knowledge of their employers, had no difficulty distinguishing speculative trading in that case. But when this point was raised during testimony, sympathetic members of the Commission quickly distracted the attention of their colleagues (London Stock Exchange Commission, *Minutes* 275–76). Subsequent witnesses argued that there was, in fact, no difference at all between speculative transactions and other transactions, and one even argued that the only mark of an "illegitimate" speculation was the customer's knowledge that he could not afford to pay his obligations (313).

In the end, the Commission had little choice but to accept what



their witnesses had told them. "We do not think it is practicable to make bargains entered into for the purpose of speculation or gambling any more illegal than they are at present, and we do not propose any change in the law," they concluded (London Stock Exchange Commission, *Report* 21).

Thus, the conclusions of the Royal Commission harmonized nicely with the decisions rendered by the courts in the years following *Grizewood v. Blane*. As summed up by Stutfield in 1886, the general principle that was used by the courts was that though bargains for "mere differences" were wagers within the meaning of the act of 1845, for various technical reasons, speculative bargains transacted with brokers who were official members of the Exchange were almost never considered "difference" bargains and hence were considered legitimate commercial transactions (103). The willingness of the Commission, the courts, and other representatives of official opinion to accept this view is significant. There is, after all, no significant *moral* distinction between difference transactions and the kinds of transactions that had been legitimized by the 1880s. Speculation, its attendant risk, and its possibility of rapid gain had, to use Fabian's words, come to be seen as "essential ingredients in rational capitalis[m]" (3). The technicalities so eagerly seized upon by the spokesmen for official morality allowed those ingredients to be utilized without saddling speculation with the moral taint of gambling.

Despite their expression of confidence in the members of the Exchange, the Commission had gone on to note that they had no doubt that "gambling to an enormous extent" did exist in securities, leading to misery and bankruptcy on the part of those of "very limited means, who are not in such circumstances as to justify a broker in speculating for them" (London Stock Exchange Commission, *Report* 21). The Commission, following the lead of their witnesses, blamed this state of affairs on the younger members of the Exchange, who, presumably, needed the business. In fact, however, at precisely the time that the Commission was issuing its report, speculative business was rapidly becoming the province of brokers who were not members of the Exchange at all. The world of these new brokers will be examined in Part II.

## II. The New World of Speculation

The late 1870s and 1880s saw the beginning of a new form of speculation that once again threatened the carefully constructed separa-



tion from gambling that had moralized and domesticated speculation. This new form was characterized by the appearance of a new group of speculators who were served by a new kind of broker. The new brokers resembled, in methods, style, and appeal, the professional bookmakers who had also come to prominence at about this time (Itzkowitz). Like the bookmakers, the new brokers called themselves to the attention of the public through aggressive advertising.

Promoting speculation through advertising was not in itself new. During the railway boom of the 1840s, railway promoters did not shrink from advertising their projects in their search for capital. New financial newspapers like *The Railway Courier and Stock Exchange Price-Current*, which began its brief life in 1845, carried advertisement after advertisement trumpeting the wonders of one or another projected railway line and soliciting for those who wished to invest their capital. These initial public offerings, as we would now call them, were, of course, highly speculative because there was no guarantee that the projected railway would ever be built, much less that it would be profitable. In fact, there did not need to be any relationship at all between the actual building of the railway and the profits to be gained by the investors, provided they were smart or lucky enough to sell their shares at a profit before the project collapsed. The anonymous author of *The Railway Investment Guide*, a one-shilling pamphlet published in 1845, openly advised prospective speculators that they could profit even if the railway was never built at all. All that was needed was for other investors to believe that it would be built (8). The *Guide* was, of course, a wholehearted puff for speculation. "The general rule is here suspended," it proclaimed, less than twenty years after the end of the state lottery,

that what one wins, another must lose—and for this reason; additional capital, or what represents capital, has been, as it were, created and diffused, *from nothing* [. . .]. Railway investment has in fact become a lottery (for it very closely resembles one in the uncertainty of the amount of profit) in which the chances are reversed, the prizes exceeding the blanks in number by as much as the latter are usually more numerous than the former. (5)

There were, to be sure, those who were somewhat less sanguine about the possibility of everyone "winning" in the great railway "lottery." Cautionary tales of speculative projects in railway building and in the floating of other, possibly fraudulent, "business opportunities" flourished from at least the late 1830s (among them, see MacFarlane; Meason,



*Bubbles*; Meason, *Sir William*; Sinclair). Anthony Trollope's *The Way We Live Now* (1874-75) is perhaps the best known and the most bitter of them but it is hardly alone. For virtually all of these writers "speculation" referred to investing in new companies, and the great danger to be guarded against was fraud, rather than the moral dangers of gambling. There was a reason for their emphasis; these new ventures were the major outlet for speculative capital in the first half of the century.

A more accessible form of speculation, buying existing stocks for an anticipated rise or fall in prices, was certainly not unknown in the early nineteenth century,<sup>3</sup> but it was made far more common after the passage of the Limited Liability Act of 1855 and the Companies Acts of 1856 and 1862 (Robb 11). Speculation in existing stocks and shares was facilitated by the particular rules of trading on the London Stock Exchange. Stocks bought or sold on the Exchange did not, in fact, have to be delivered or paid for at the time of purchase. Instead, they could be held until the settling day, which occurred every two weeks for most securities and once each month for sales of the highly stable government securities known as Consols. For that reason, virtually all transactions on the Exchange were what we would now refer to as "futures," though the time between sale and delivery was relatively short.

By the middle of the nineteenth century, however, dealers and speculators had developed a mechanism to allow speculative purchases to be made in anticipation of a time frame longer than the single settling period. As the practice developed, *bulls*, those who had bought hoping for a price rise, could postpone having to accept, and pay for, the stock they had contracted to buy until the following settlement period—or the next "account" in the language of the Exchange—but they had to pay a fee, known as a "contango," for the privilege. *Bears*, those who were hoping for a fall in prices, could also postpone delivery of stock they had contracted to sell until they could buy it at a lower price, and they, too, had to pay a fee, known as a "backwardation."<sup>4</sup> In theory, a speculator could "carry over" a transaction for as many accounts as he or she was willing to pay for.

By the 1870s, "speculation" was increasingly coming to refer to the speculative trading of existing stocks and shares. In 1874, "Dun Brown," a regular contributor to the *City Argus*, one of the mushrooming number of financial newspapers that began to appear in the 1870s, complained lightheartedly that brokers encouraged gambling in shares and stocks in order to increase their commissions. He and a friend, he



wrote, had received contradictory advice about the same stock from the same broker. As a result, he claimed, he and his friend had given up buying stock altogether, and, instead, had taken to betting informally with one another on the performance of various stocks, thus saving the broker's commission. In the end, he called, not too seriously, for the establishment of a "bull and bear betting house" (10 January 1874: 4).

"Dun Brown's" suggestion was not, in fact, far off the mark. By the end of the 1870s, a number of enterprising brokers were establishing a business that came very close to being precisely that "bull and bear betting house." The progress of this new business can be followed in the increasingly strident advertisements that the brokers placed in the popular press, advertisements that in their form and their claims looked increasingly like the advertisements placed at the same time by bookmakers and horse-racing tipsters.

Although members of the Stock Exchange were barred by its rules from advertising, there were many brokers who were not members of the Exchange, and they were under no such restriction (Morgan 166-67). As early as the 1840s, discrete advertisements from brokers had appeared in the financial press, but by the late 1870s, the nature of the advertising and the business began to change. "For reliable information on Foreign Stocks as well as Home Securities consult our MONTHLY PRICE LIST," advertised John Abbott and Company in 1878, "January Edition ready (post free) on application [...] *Speculative Accounts opened on favorable terms*" (*City Mercury* 14 January 1878: 4, italics added). In that same year, Maddison and Company, which announced that it, too, was prepared to open "speculative accounts" for "responsible parties [...] for the bi-monthly settlement on favorable terms," issued a small pamphlet containing hints and advice for new speculative investors (Maddison, inside back cover).

The pamphlet was notable for admitting openly that "speculative investment" meant more than buying or selling stock in anticipation of price changes. "Speculative bargains," it stated,

are those in which there is no intention to pay for or deliver the stock bought or sold, but where purchases will be closed by sales, and sales by purchases, at some future time. Speculative purchases may therefore be made by persons not possessing sufficient money to pay for the stock bought, and speculative sales may be made by persons who are not possessed of stock. (9)



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A Weekly Review of the Drama, Literature, Music, Art, Finance, and Other Things of Social Interest.

Edited by GEORGE EASTHALL WILLIAMS.

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LONDON, SATURDAY, FEBRUARY 1, 1892.

ONE PENNY

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SEE BELOW.

SEE BELOW.

135,000 PER ANNUM.—See Notes on COLON NINE SHARES, recommended in Mr. THOMPSON'S Circular at 3s. now at 7s. 6d. to 8s. 6d., and apparently on eve of great rise, possibly to 24 or 25.

SEAN DUNLOW

**A BIG BOOM.**—COLON MINE SHARES, recommended in Mr. THOMPSON'S Circular at 3s, now at 7s. 6d. to 8s. 6d., and apparently on eve of great rise, possibly to **24** or **25**.

SEE BELOW.

— *Walden 44 years in with the stars. More stars.*

**GOLD.**—The time is now close at hand, indeed, within a month or so—when a little preliminary work in connection with bringing a sufficiency of water on to the mine will be completed, and when the "hydraulic monitor" will be turned on. With a view to washing and extracting the large quantities of gold which are believed to be lying deposited over this great property, the time has been judiciously selected when we may begin with advantage to look for the results which may be obtained.

Mr. Anderson, a well-known American Mining Engineer, made in a recent published last year:

From the results obtained from the two points exposed we can form some idea of the nature and value of the ground, and the adaptability for hydraulic operations on a large scale. It appears from these two small prospects 135 ft. coarse gold was obtained, value \$100, of producing them by handwork, using the 10 ft. of water.

[Looking out](#)

with 300 inches, but this will shortly be augmented by a further 300 inches, and by the remaining quantity later on. But 2000 (120000) profit in half a day? 2540 in one day? 4120000 profit over a year of 250 days? A dividend of 15c. each on shares now at only 7c. 5d. in the market!!! Surely Colossus would always stand to be brought at once.

Mr. W. B. Wallis, Asst. M. Inst. O. B. (the surprised superintendent of the Gold Dredge Company, whose works, now being carried out, are about the largest of their kind in the world. Registered to the Commodore Hydraulic, and who planned and laid out the enormous pipe of the Okeana Company, writes in a report published about the occasion as Mr. Anderson's):

[illegible]

50000. of water would do as much as 1,000,000. at values like the Colombian Hydraulic or Orinoco Drainage scheme. As stated earlier, from my personal experience of the project, I have no doubt that from 10,000,000. to 15,000,000. meters could be supplied per month, with a water supply of 50000. at a cost of 2,000,000. and I have every confidence in recommending this as a safe investment for capital.

Mr. Weston is sanguine, but from his "personal experience" in making the profits at from \$1,200 to \$2,500 per month, with 20000, of water, or, say, £1,000 to £2,500 with 1,000,000, the smaller of which rates would be equal to an annual dividend of 6d. and the larger to about 6s. 3d. per share—a dividend which would probably bring the value of the share up to £3 to £4.

[illegible]

Fig. 1. From *The Critic* 1 February 1890: 1.

It is worth noting that Maddison and Company's pamphlet appeared in the same year that the Royal Commission on the Stock Exchange was hearing a parade of witnesses testify that all bargains on the Exchange had to be closed by the actual delivery of stock.

Abbott and Maddison were among the pioneers of the new breed of "outside brokers" (so-called because they were not members of the Stock Exchange) or "bucket-shop" proprietors, as they were pejoratively named, who carried the business of speculating in stocks and shares