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Men, Women, and Money: An Introduction

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'The possessive instinct', John Galsworthy reminded his readers in the *Forsyte Saga*, 'never stands still'. From a 'self-contented provincialism' to 'a still more self-contented if less contained imperialism', he noted, the possessive instinct of the nation was always on the move.[1] In the second half of the nineteenth and early part of the twentieth century, increasing numbers of individuals became involved in owning various types of assets. Whether it was for the purchase of land at home or flotations of new companies on the stock market, loans to foreign governments or more speculative ventures in the outposts of an expanding empire, these individuals sought out ever more varied avenues for the profitable use of money. Their decisions about where to invest and in what, were taken in an increasingly international context, with the City of London acting as the switchboard for financial transfers across the globe. The individuals who invested in these different forms of wealth; the institutions, legal frameworks and infrastructures that made the circulation of capital possible; and the nature of investment both in Britain and in parts of the empire, provide the focus for this book. The chapters consider the kinds of wealth that individuals sought to possess in these different places; they focus on the choices made by individuals as well as on the institutions, legislation, and corporate practices by which those choices were regulated and through which they were channelled. Collectively, they reflect how the 'possessive instinct', as Galsworthy called it, developed in the second half of the nineteenth century and the early years of the twentieth century.

Individual decisions regarding saving and investment need to be understood in the context of changes in the world economy and in this introduction

[1] Galsworthy, J. 2001. *The Forsyte Saga* (originally published 1906). Ware: Wordsworth Editions, 293.

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we attempt to explore the nature and scope of these various transformations. We first outline macro-economic conditions, taking note of both national and international patterns of growth and rises in real incomes. We then examine the institutional arrangements and infrastructural mechanisms that encouraged and enabled individuals to participate in the widening set of financial opportunities offered by those economic shifts. Finally, we explore the demographic and cultural changes that made it more likely that individuals and households would save and invest in the expanding range of financial assets that were becoming available as a result of capitalist economic growth.

ECONOMIC GROWTH AND INVESTMENT OPPORTUNITIES: BRITAIN AND ITS EMPIRE

The nineteenth century witnessed an extraordinary transformation in the pace and scale of economic growth in the Western world. Although short-term, cyclical fluctuations continued to punctuate the rhythm of economic life, the period as a whole was characterized by sustained growth in most Western European countries and in North America. This growth subsequently extended to other regions of the world, notably parts of the British Empire, especially the settler economies in Canada, Australia, and New Zealand. It was during these years that the economic trajectories of Western countries and some of their offshoots turned sharply upwards, leading to a growing divergence from experiences in other parts of the world.[2]

The timing and extent of economic growth varied – and there were some notable reversals of fortunes, such as the Irish famine – but in Western Europe as a whole gross domestic product per capita rose some 200 per cent between 1820 and 1914, with particularly rapid expansion from the 1870s onwards.[3] In southern and eastern Europe, improvements were slower to arrive, though by the end of the period growth had also taken hold in most parts of the region.[4]

[2] See Clark, G. 2007. *Farewell to Alms: A Brief Economic History of the World*. Princeton, NJ: Princeton University Press, 319–27.

[3] Estimates of growth vary but see, for example, Maddison, A. 2003. *The World Economy: Historical Statistics*. Paris: OECD; Maddison, A. 2005. *Growth and Interaction in the World Economy*. Washington, DC: AEI, 6–14. Reversals also took place in other parts of the world. See, for example, Davis, M. 2001. *Late Victorian Holocausts: El Niño Famines and the Making of the Third World*. London: Verso, for a discussion of how natural events meshed with capitalist expansion to generate widespread famines in China, India, and other countries linked to Western economies.

[4] Allen, R. 2001. 'The great divergence in European wages and prices from the Middle Ages to the First World War'. *Explorations in Economic History* 38(4): 411–47; Williamson, J. 1998. 'Real wages and relative factor prices in the Third World 1820–1940: the Mediterranean Basin'. *Discussion Paper Number 1842*, Harvard Institute of Economic Research.

In the United States, growth rates gathered speed and, by the 1870s, had begun to outpace those achieved in most other Western countries.[5] Despite huge increases in population, economic improvements were driven forward in each case by enormous rises in productivity, associated with much higher levels of investment in human and physical capital and by geographical expansion into new territories. The railway network in the United States, for example, rose from 9000 miles in 1850 to 352,000 by 1910, whilst for the same period, in the United Kingdom, the volume of tonnage accounted for by steam ships rose from 168,000 to 10,443,000 tons.[6] Investment in machinery and infrastructure, together with capitalist expansion into new territories, in turn allowed an increase in output that fuelled the growth and expansion of world trade. Although short-term reversals in the rates of growth raised occasional doubts about the future prospects of economic prosperity, nevertheless the longer-term trajectory was clear. This expansion created a huge demand for capital at home and abroad; it also opened up new opportunities for investors.

In Britain by the 1850s, the capital markets that underpinned foreign expansion and domestic economic growth were already well established. While the fixed-income securities generated by the national debt were, throughout the eighteenth and early nineteenth centuries, the main alternative to land for the would-be investor, the growing number of joint-stock companies provided new opportunities for engaging with financial markets. The development of Britain's transport infrastructure, initially canals and turnpikes, but later (and more significantly) railways, was particularly important. The nominal value of domestic railway securities had reached £245 million by the end of the first 'railway mania' in 1850 and, despite setbacks such as the financial panic of 1866, rose even more rapidly in the second half of the century to £855 million in 1893, and then to £1217 million in 1913.[7] New opportunities were created in other sectors. Municipal stocks were issued to finance the great Victorian 'urban improvement' programme – the nominal value of local authority debt almost equalled the national debt by 1914.[8] However, it was the huge increase in the volume and variety of corporate securities, enabled by the continued expansion of domestic industry as well as by the advent of limited liability in the second half of the nineteenth century, that transformed the landscape of investment opportunity. Shipping, cotton

[5] See Maddison, A. 1964. *Economic Growth in the West: Comparative Experience in Europe and North America*. London: Routledge.

[6] Clark, *Farewell to Alms*, 308; Mitchell, B.R. and P. Deane 1962. *Abstract of British Historical Statistics*. Cambridge: Cambridge University Press, 218–19.

[7] Cottrell, P. 2004. 'Domestic finance 1860–1914'. In *The Cambridge Economic History of Modern Britain. Volume 2: Economic Maturity, 1860–1939*, edited by R. Floud and P. Johnson. Cambridge: Cambridge University Press, 257, 259.

[8] Wilson, J.F. 1997. 'The finance of municipal capital expenditure in England and Wales, 1870–1914'. *Financial History Review* 4(1): 31–50.

manufacturing (especially following its revival after the 1860s 'famine'), iron and steel, food and drink (including brewing) were all sectors that saw growth and in which there was enthusiastic take-up of limited liability.

The London Stock Exchange's role in providing finance for domestic companies grew increasingly important over the latter decades of the nineteenth century, facilitating the development of a national capital market. However, it is evident that prior to this period many corporate securities were issued, brought and sold locally, as people recognized financial opportunities in the economic changes taking place around them. This also applied to the market in real estate. Although the potential for the large-scale purchase of land was relatively limited and rates of return on agricultural estate at best modest, investment in housing could be more profitable, especially in rapidly growing towns and cities. The ownership of residential and commercial property was especially important as a way of investing money locally, as R.J. Morris has noted in relation to Leeds merchants and industrialists around the mid-century.[9] It was also, as David Green, Alastair Owens, Carry van Lieshout, and Claire Swan demonstrate in their chapter, an important investment asset for those of more modest means.[10] Ownership of urban real estate helped to insulate this group from any increase in rental costs and, indeed, could provide a lucrative source of income.

The growth in domestic opportunities to invest was paralleled by expansion further afield. Indeed, in a whole variety of ways it is difficult to understand one without reference to the other. British investors keen to sink their money into more profitable ventures than those available close to home often looked overseas for other options. Indeed, one recent study of the evolving global markets in sovereign bonds has speculated that 'the typical investment portfolio of a British gentleman around the turn of the twentieth century was probably more internationally diversified than that of his great-grandson living around the turn of the twenty-first century'.[11] Individuals had to balance risk and rates of return in different geographical markets. Economic policies implemented in the empire and in other parts of the world also had clear implications for investment decisions being taken at home.

The outcomes of investors' choices were reflected in the balance of assets held by individuals in the settler colonies, as discussed in the chapters by Livio di Matteo and Martin Shanahan on Canada and Australia, respectively. Both authors point out the significance of real estate in individual wealth portfolios.

[9] Morris, R.J. 2005. *Men, Women and Property in England, 1780–1870: A Social and Economic History of Family Strategies among the Leeds Middle Classes*. Cambridge: Cambridge University Press.

[10] A point also noted by Offer, A. 1981. *Property and Politics, 1870–1914: Landownership, Law, Ideology and Urban Development in England*. Cambridge: Cambridge University Press, 136.

[11] Mauro, P., N. Sussman, and Y. Yafeh 2007. *Emerging Markets and Financial Globalization: Sovereign Bond Spreads in 1870–1913 and Today*. Oxford: Oxford University Press, vii.

In the case of South Australia from the mid-1870s to the mid-1890s, real estate accounted for between 38 and 58 per cent of male wealth and 38–48 per cent of women's. Detailed figures for the early 1900s show that this real estate was even more important for smaller wealth-holders, accounting for some 63 per cent of men's and 54 per cent of women's net probated wealth. Men and women in Ontario between the 1870s and 1920s also held a significant proportion of their assets in land: in the frontier region of Thunder Bay approximately 45 per cent of probated wealth was accounted for by land and in the more settled area of Wentworth County the figure was closer to 35 per cent. Comparing these figures with those for England and Wales provided in the chapter by Green et al. makes it clear that individuals in these regions died with a greater proportion of their wealth held in real estate or as mortgages on land.

Such variations reflected differences in geographical conditions but were also the outcome of policies that sought to ensure access to land on the expanding colonial frontier.[12] As Martin Daunton has noted, the question as to what kind of land policy should prevail had wider implications, not just for settler economies but also for the United Kingdom.[13] By encouraging the egalitarian distribution of land in the settler colonies, the *metropole* was able to maintain a rural, albeit distant, option for the surplus British population. An outcome of this was that in the United Kingdom, where the landed interest was far more entrenched and alternative sources of income, including commerce, industry, and finance, were more widely available, the urge to break up large estates and to create a rural, freeholder class was less pressing or, indeed, less necessary. The ideology of egalitarianism on the frontier, therefore, pre-empted any attempt to redistribute land within the United Kingdom itself and made it possible for the large, landed estates to remain virtually untouched and untaxed.

But in avoiding the need to redistribute land in the United Kingdom, a different set of problems arose in relation to the economic well-being of the growing middle classes. Without access to land, how was this group, whose economic and political importance was increasing, to survive? The answer to this dilemma, apart from ensuring the possibility of land ownership overseas, was to support access to the emerging industrial and commercial economy through the ownership of shares and other kinds of financial investments. In the absence of access to land, spreading investment opportunities helped to incorporate these groups in the expansion of British capitalism, both at home

[12] For Canada, see Pomfret, R. 1981. *The Economic Development of Canada*. Agincourt: Methuen, 111–19. For the Australian context see, for example, Tonts, M. 2002. 'State policy and the yeoman ideal: agricultural development in Western Australia, 1890–1914'. *Landscape Research* 27(1): 103–15.

[13] Daunton, M. 2008. *State and Market in Victorian Britain*. Woodbridge: Boydell and Brewer, 128–46.

and abroad. But attracting inexperienced, risk-averse, and sometimes unwary investors into the markets depended on a number of factors including relaxing controls over investing in company shares, tightening corporate governance, and regulating the market to prevent the worst excesses of rampant speculation. The legal reform of business practices and corporate governance at home, discussed further below, which allowed a more egalitarian distribution of share ownership, was therefore the domestic equivalent of land reforms and redistributive policies in the empire. Indeed, it could be argued that the two went hand in hand.

The wider imperial and international context was important in other ways in helping to explain wealth-holding and investment in Britain. By 1900, European states controlled about 35 per cent of the world's land surface, with Britain alone accounting for nearly half the total. Where imperial control was absent in a formal sense, it was often imposed in other ways, primarily through the use of military force and diplomatic pressure. These formal and informal means of exercising imperial power provided a secure investment environment and reduced the risks of conducting business within the empire and, indeed, with foreign states. Maintaining the gold standard also helped to protect individuals against the uncertainties of investing overseas that could arise as a result of currency fluctuations. All these factors arguably helped to provide favourable conditions for investments in international and colonial ventures.

Higher rates of return were also important in encouraging British investors to look overseas, although the extent of the difference between foreign, imperial, and domestic securities should not be exaggerated. In the United Kingdom, apart from periods of recession, such as between 1877 and 1886 and from 1897 to 1909, rates of return on investments were comparable to those from further afield.[14] However, in the light of declining yields on British government securities, investors that traditionally might have bought these kinds of assets actively sought alternative opportunities. This group consisted of a substantial population of *rentier* capitalists predominantly located in London and the southern counties. It included large numbers of women for whom the safety of 'the Funds' (as government securities were sometimes known) and their guarantee of an annual income were paramount.[15] It also included institutional investors, such as savings banks, whose assets were largely composed of Consols, and trustees, whose investment activities were confined to safe if unspectacular government bonds and railway debenture

[14] Edelstein, M. 2004. 'Foreign investment, accumulation and Empire, 1860–1914'. In *The Cambridge Economic History of Modern Britain. Volume II: Economic Maturity, 1860–1939*, edited by R. Floud and P. Johnson. Cambridge: Cambridge University Press, 199; O'Brien, P. 1988. 'The costs and benefits of British imperialism 1846–1914'. *Past and Present* 120: 176.

[15] Green D.R. and A. Owens 2003. 'Gentlewomanly capitalism? Spinsters, widows and wealth-holding in England and Wales, *c.*1800–1860'. *Economic History Review* 56(3): 510–36.

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stock.[16] The decline in the value of Consols from the late 1890s was particularly problematic for these more risk-averse and prudent investors, who, as a result, were forced to seek alternative holdings that included imperial and foreign securities as well as those in domestic companies.[17] Other groups, such as the 'gentlemanly capitalists' that feature in the important work of Peter Cain and Anthony Hopkins, more readily sought the higher rates of return offered by overseas investments. Some scholars have argued that the consequence of the actions of these individuals was to starve domestic industry of finance.[18]

The cumulative outcome of these investment decisions was that in the second half of the century there was an increase in the value of British overseas investments, from 7 per cent of national wealth in 1850 to 14 per cent by 1870, and then to 32 per cent by 1913.[19] Although the extent to which investors abandoned home-based opportunities in favour of overseas' ones is a matter of ongoing debate, expanding global markets nevertheless helped to widen and diversify investor portfolios, particularly those belonging to gentlemanly capitalists located primarily in London and the southern counties.[20]

However, as Patrick O'Brien has warned, the role of empire should not be overstated as the main destination for British investment.[21] Although Lance Davis and Robert Huttenback note that over two-thirds of called up capital on the London Stock Exchange related to foreign and imperial investment, O'Brien points out that this might have been the outcome of two sets of processes. First, much of the capital for domestic industry was raised from local sources, and in the case of small firms often from family members themselves. The issue of company prospectuses that were distributed locally and the expansion of provincial stock exchanges also tended to accentuate the importance of regional sources of capital for domestic companies.[22] As such, much of the investment in domestic industries bypassed London entirely.

[16] 'Consols' is an abbreviation for 'Consolidated Annuities' which were an irredeemable investment issued by the Bank of England as a government security and which paid a fixed rate of interest on the nominal value. They were by far the largest, though by no means the only, form of government security issued by the Bank of England.

[17] Offer, A. 1983. 'Empire and social reform: British overseas investment and domestic politics, 1908–1914'. *Historical Journal* 26(1): 130.

[18] The term 'gentlemanly capitalism' has generated a huge literature. For the original discussion and reflection on some critiques of the concept, see Cain P.J. and A.G. Hopkins 2001. *British Imperialism, 1688–2000*, 2nd edition. Harlow: Longman, especially 1–19. Some lines of critique are more fully developed in Daunton, *State and Market*.

[19] Edelstein, 'Foreign investment', 191.

[20] Ibid.

[21] O'Brien, 'The costs and benefits', 172–4. See also Davis, L. and R.A. Huttenback 1988. *Mammon and the Pursuit of Empire: The Economics of British Imperialism*, abridged edition. Cambridge: Cambridge University Press.

[22] See Killick, J.R. and W.A. Thomas 1970. 'The provincial stock exchanges, 1830–1870'. *Economic History Review* 23(1): 96–111.

Secondly, what happened in London was not necessarily representative of the rest of the country. Indeed, as the *Economist* noted in 1911 'London is often more concerned with the course of events in Mexico than with what happens in the Midlands'.[23] London and southern *rentier* capitalists were both distant and detached from manufacturing interests in the Midlands and elsewhere and as such the geographical focus of their investment may have been different.[24] These differences are noted by Green et al. in Chapter 3, who suggest that the composition of British wealth portfolios at death differed considerably between regions, with London and southern wealth-holders typically favouring government securities. As the relative attraction of these securities lessened, so investors in this region sought other options. The purchase of real estate – an option actively pursued elsewhere – was problematic, particularly since so much of London was in the hands of large, aristocratic landlords. Instead, wealth-holders in London and the south came to rely on expertise and information on international investment, both within and beyond the British Empire, which, as Youssef Cassis notes in Chapter 11, was mediated and coordinated by metropolitan institutions, including the major discount houses, which provided expertise in banking, investment dealing and advice, and the legal and accounting professions. As a result, investors in these regions often focused their attention on international opportunities, leaving those in the provinces to sink their money into domestic industry and other kinds of property instead.

MEN AND WOMEN WITH MONEY: A NATION OF SAVERS AND INVESTORS?

The widening set of investment opportunities that accompanied economic growth in Britain and elsewhere in the second half of the nineteenth century was paralleled by an increase in the number of investors. Although precise numbers are notoriously difficult to estimate, as Ranald Michie points out in Chapter 7, nevertheless contemporaries believed that the investing public had expanded in both number and variety. Part of the explanation for this expansion was that individuals had more opportunities to save money. In this context, rising levels of real incomes were important, especially in the second half of the century, driven by falling food prices, structural changes in the labour market, and increases in nominal wages. Where import tariffs on grain remained, the gains were slower to arrive, as happened in France and

[23] *Economist*, 20 May 1911: 1059.
[24] O'Brien, 'The costs and benefits', 172–3.

Germany. In Britain, where such tariffs had been removed, falls in price were greater and the increases in real wages accordingly more marked. The extent of improvement followed these shifts: in the United Kingdom, real wages between the 1870s and 1890s rose by over 1.72 per cent per annum, compared with 1.17 per cent in the United States, 1.14 per cent in France, and 1.36 per cent in Germany.[25] For the regularly employed urban working class, who stood to benefit most from falling food prices, gains in real incomes translated into better living standards and the ability to accumulate savings. The ideology of self-help promoted by the bourgeois state in various forms, not least by the imposition of a more deterrent system of poor relief after 1834, and by best-selling books, such as Samuel Smiles' *Self Help*, published in 1859, buttressed this change and provided a cultural gloss to the benefits of working-class thrift.[26]

One of the clearest manifestations of this was the growing working-class engagement with various forms of savings and mutual assistance against unemployment, incapacity, or ill health. In Chapter 8 of this volume, Josephine Maltby, Janette Rutterford, David R. Green, Steven Ainscough, and Carien van Mourik consider the range of savings schemes that developed from the nineteenth century and their relationship with investment practices. The Trustee Savings Banks, established in 1817 on the basis of earlier parish banks, were the main destination for small savers until the creation of the Post Office Savings Bank in 1861, which grew very rapidly from that date. By the 1890s, deposits in savings banks exceeded £100 million, rising to over £300 million by the early 1930s and over £500 million by the eve of the Second World War.[27] George Boyer outlines the importance of these schemes in the late nineteenth century, noting how the number of working-class savings' deposits rose from about 1.9 million in 1870 to over 7.2 million by 1911. Even allowing for a rising population, this increase reflected the growing ability and desire of individuals and households to save money over and above that needed for immediate consumption.[28] Insurance of various kinds was also of growing importance. Membership of friendly societies, for example, expanded rapidly after 1851, and by 1901, 54.5 per cent of adult males were members of an ordinary or affiliated friendly society, rising to 60 per cent

25 Williamson, J.G. 1998. 'Growth, distribution and demography: some lessons from history'. *Explorations in Economic History* 35(3): 266. See also Hoffman, P.T., D. Jacks, P. Levin, and P. Lindert 2002. 'Real inequality in Europe since 1500'. *Journal of Economic History* 62(2): 322–55.

26 Boyer, G.R. 2009. 'Insecurity, safety nets, and self-help in Victorian and Edwardian Britain'. In *Human Capital and Institutions: A Long-Run View*, edited by D. Eltis, F.D. Lewis, K.L. Sokoloff. Cambridge: Cambridge University Press, 46–90.

27 Mitchell and Deane, *Abstract of British Historical Statistics*, 453–4.

28 See Johnson, P. 1985. *Saving and Spending: Working-Class Economy in Britain, 1870–1939*. Oxford: Oxford University Press.

by 1931.[29] The two largest friendly societies – the Independent Order of Oddfellows and the Order of the Ancient Foresters – had between them over a million members by 1881.[30] Industrial branch insurance, for which premiums were collected door-to-door on a weekly basis, was a more individualistic but equally popular strategy to insure against adversity and by 1873 the Prudential was selling 11,000 policies per week, the majority to people aged 30 or younger.[31] While the act of saving or taking out insurance involved little direct interaction with financial markets and the calculative risks of investment, it can be argued that it was significant in embedding within a much wider segment of the population a familiarity with financial institutions, an understanding of concepts such as interest and economic risk, and an appreciation of the role that financial planning might play in ensuring personal and familial well-being.

This new calculative rationality was, if anything, more prevalent amongst the middle class who comprised the bulk of wealth-holders in the country. Several of the chapters explore this group's investment practices. In Chapter 3, Green et al. examine the composition of assets owned at death, paying particular attention to differences between wealth-holders in relation to the size of their estates and their geographical location. Those who perched precariously at the bottom of the wealth-owning hierarchy tended to sink their relatively modest fortunes into real estate whilst those with more to spend spread their investments to encompass shares and other kinds of financial securities. Their analysis, which ranges from the early nineteenth into the twentieth century, concludes that over this period, irrespective of the scale of wealth, individuals were increasingly drawn into a paper money economy of stocks, shares, and other securities, so that the geographical basis of their fortunes grew more extensive.

A further issue in relation to the expansion of shareholding explored by Maltby et al., focuses on whether or not British share ownership became 'democratized': in other words, did it reach lower down the social hierarchy? They examine the relationships between different occupational groups and shareholding, concluding that despite much higher levels of savings, there was little working-class ownership of shares. Nor was there much evidence of any widening in the social make-up of middle-class shareholders. What little democratization took place from the 1870s depended to a large degree on the kinds of company securities on offer: those with less risk, notably preference shares and debentures, proved more popular for cautious investors and

[29] Boyer, G.R. 2004. 'Living standards 1860–1939'. In *The Cambridge Economic History of Modern Britain. Volume II: Economic Maturity, 1860–1939*, edited by R. Floud and P. Johnson. Cambridge: Cambridge University Press, 306.

[30] Ibid.

[31] Burton, D., D. Knights, A. Leyshon, C. Alferoff, and P. Signoretta 2005. 'Consumption denied? The decline of industrial branch insurance'. *Journal of Consumer Culture* 5(2): 181.

individuals with relatively little cash to invest. These more risk-averse groups included a large proportion of women who were attracted to the stock market as a way of supplementing falling incomes from fixed interest securities, noted above, and as a result of changes in their legal status arising from the Married Women's Property Acts of the later nineteenth century.

To speak of the middle class, however, is to raise questions of identity and status and here complexity blurs any simple definitions. The transition from a rural to a predominantly industrialized and urban society was reflected in shifts in the composition of the workforce, notably away from the agricultural sector and into more highly paid industrial, commercial, and service occupations.[32] This process happened fastest and went furthest in Britain, where the emergence of the middle class and their access to political and economic power in the course of the nineteenth century were decisive factors underpinning the new kinds of investment practices that are the focus of this book. Never a unified group, this middle class was comprised of individuals from a diverse range of backgrounds who had varying amounts of disposable wealth to invest and a range of social and economic motives for doing so. It included the wealthy elite who derived their fortunes from land and commerce; well-paid salaried professionals, successful manufacturers, wholesalers, and businessmen; lower ranking 'white collar' employees including clerks, technicians, and school teachers; and independent artisans and small shopkeepers – the *petite bourgeoisie* that occupied the precarious lower tier of the middling ranks.[33]

Despite an increase in the overall size of the middle class and modest opportunities for social mobility, British society remained highly unequal.[34] Indeed, in Western societies as a whole, levels of inequality tended to widen over the course of the nineteenth century, even though rising real incomes affected a growing proportion of the population.[35] Drawing on an analysis of the value of estates at death and earlier research undertaken by Peter Lindert,

32 Boyer, 'Living standards', 291.

33 There is a huge literature on the 'emergence' of the middle class during this period. For Britain and Continental Europe, see Crossick, G. ed. 1977. *The Lower Middle Class in Britain*. London: Croom Helm; Crossick, G. and H-G. Haupt eds. 1984. *Shopkeepers and Master Artisans in Nineteenth-Century Europe*. London: Methuen; Gunn, S. 2000. *The Public Culture of the Victorian Middle Class: Ritual and Authority in the English Industrial City, 1840–1914*. Manchester: Manchester University Press; Gunn, S. and R. Bell 2002. *Middle Classes: Their Rise and Sprawl*. London: Cassell; Kidd, A. and D. Nicholls eds. 1998. *The Making of the British Middle Class? Studies in Regional and Cultural Diversity since the Eighteenth Century*. Stroud: Sutton; Morris, R.J. 1990. *Class, Sect and Party. The Making of the British Middle Class: Leeds 1820–1850*. Manchester: Manchester University Press; Morris, *Men, Women and Property*. For the United States, see Blumin, S.M. 1989. *The Emergence of the Middle Class: Social Experience in the American City, 1760–1900*. Cambridge: Cambridge University Press.

34 On the theme social mobility, see Miles, A. 1999. *Social Mobility in Nineteenth and Early Twentieth-Century England*. Basingstoke: Palgrave.

35 For evidence of the distribution of wealth, see Bourguignon, F. and C. Morrisson 2002. 'Inequality among world citizens, 1820–1992'. *American Economic Review* 92(4): 727–44.

Green et al. demonstrate in Chapter 3 that there were pronounced inequalities in the distribution of wealth *within* the property-owning upper and middle classes in the late nineteenth and early twentieth centuries.[36] They show that the top 1 per cent of the wealth-holding population owned around a quarter of the wealth that passed at death. But middle-class wealth was also distributed in a geographically uneven way. William D. Rubinstein's analysis of income tax data for the 1860s, for example, shows that the middle classes were more numerous and generally wealthier in London compared with other towns and cities. While certain provincial capitals, such as Manchester, Leeds, or Birmingham, were home to modest-sized professional and commercial populations, many manufacturing towns outside the metropolis had comparatively few middle-class inhabitants.[37]

Within the British context, we know rather more about the rich elite than we do about the diverse group of smaller wealth-holders who comprised the large majority of the middle class. The work of Rubinstein and others has been important in uncovering the wealth and investment practices of the former group: the gentlemanly capitalists and landowners who sat at the pinnacle of the wealth hierarchy.[38] In Chapter 2 of this volume, Rubinstein builds on previous research by extending his analysis of the sources and geography of wealth among the very rich into the early twentieth century. His chapter is organized around a comparison of three cohorts of wealth-holders who died leaving probated fortunes of £100,000 or more in 1809–39, 1860–1, and 1906. Alongside evidence from probate records, Rubinstein draws together a range of biographical materials to better understand the identity of these wealth-holders, how they generated their fortunes and the extent to which their wealth enabled their participation in the social and political world of the British elite. In his conclusions, he reiterates some of the key claims of his earlier studies: that Britain's wealthiest inhabitants tended to derive their fortunes from commerce and finance – rather than manufacturing industry – and that London and the southern counties were the principal venues for generating this wealth. However, inclusion of the 1906 cohort in his study causes some modest re-assessment of these claims, since a greater proportion of wealth-holders dying in that year came from provincial towns and cities and

[36] Lindert, P. 2000. 'Three centuries of inequality in Britain and America'. In *Handbook of Income Distribution. Volume 1*, edited by A.B. Atkinson and F. Bourguignon. Amsterdam: Elsevier, 167–216.

[37] Rubinstein, W.D. 1977. 'The Victorian middle classes: wealth, occupation and geography'. *Economic History Review* 30(4): 602–23. Rubinstein, W.D. 1988. 'The size and distribution of the English middle classes in 1860'. *Historical Research* 61(144): 65–89; Rubinstein, W.D. 2006. *Men of Property: The Very Wealthy in Britain since the Industrial Revolution*, 2nd edition. London: The Social Affairs Unit.

[38] See *inter alia* Rubinstein, *Men of Property* and Thompson, F.M.L. 2001. *Gentrification and the Enterprise Culture: Britain 1780–1980*. Oxford: Oxford University Press.

made their money in manufacturing, or in other sectors such as food, drink, and tobacco. While finance and commerce remained the single most important source of wealth for this elite group, in relative terms, its significance declined.

Over the period covered by his chapter, Rubinstein identifies a growth in the number and proportion of the individuals who died leaving estates valued at over £100,000. This increase would seem to mirror the growth of other sectors of the British middle class. Research published by the statistician and economist Arthur Bowley has demonstrated that the proportion of non-manual income receivers rose from 16.7 per cent of all income receivers in 1880 to 26.5 per cent at the eve of the First World War in 1913.[39] By 1911, the census reveals that there were more than 1.2 million employers and proprietors (business owners) in England and Wales representing 6.7 per cent of the occupied population. But as Harold Perkin has demonstrated, it was the professional occupations that witnessed the highest rates of growth over the years that straddled the late nineteenth and early twentieth centuries. Analysis of male occupations shows that the numbers of authors and journalists, for example, more than doubled between 1880 and 1911, as did the number of dentists; those engaged in scientific pursuits increased by over 400 per cent, while the number of architects rose by around 60 per cent.[40] Moving further down the social scale, 'white collar' employment opportunities were also increasing. With the emergence of larger and more complex businesses the number of commercial clerks, for example, rose from around 181,000 in 1881 to 478,000 in 1911, reaching 1,279,000 by 1931: a sixfold increase on the 1881 figures.[41] Indeed, for much of the period covered by this book, middle-class professional employment in Britain grew at a faster rate than occupations as a whole, reflecting at least in part the increasing share of the labour force engaged in service activities.[42]

The heterogeneity that was a feature of middle-class occupations translated into a diversity of incomes, experiences, and situations. While by 1905 senior civil servants, successful manufacturers, lawyers, and clergymen might earn between £1000 and £2000 per year (and more in exceptional cases), most clerks got by on just £80 to £150 per annum. But there was variation. Statistics

[39] Bowley, A.L. 1920. *The Change in the Distribution of the National Income, 1880–1913*. Oxford: Clarendon Press, 7–8, 13, 22.

[40] Perkin, H. 1989. *The Rise of Professional Society: England since 1880*. London: Routledge, 79–80.

[41] Thomas, M. 2004. 'The service sector'. In *The Cambridge Economic History of Modern Britain. Volume 2: Economic Maturity, 1860–1939*, edited by R. Floud and P. Johnson. Cambridge: Cambridge University Press, 100. PP 1895 LXXX (468), *Return of Number of Males and Females in England and Wales at Censuses 1871, 1881, and 1891 under Occupational Headings*, 8–9.

[42] Thomas, 'The service sector', 99–100.

dating from 1909 on the proportion of clerks liable for income tax reveal that those working in insurance and banking did rather better than those employed by local trades and industries or by railway companies.[43] Moreover, fortunes could and did vary over time and there is a view that from 1870 to 1914 clerks' wages deteriorated as the profession became overstocked.[44]

Inequalities in incomes and wealth shaped both the financial and the social strategies of the middle class. For the professional elites the prospect of entering 'society' and thereby making a transition from the middle to the upper class was an aspiration that money could not always buy – a point underlined by Rubinstein in Chapter 2. Nevertheless, the level and nature of consumption that such a life style demanded, and the patronage that might be required in order to bridge social divides through marriage, required careful financial provision and planning. At the other end of the middling hierarchy, the *petit-bourgeois* small business owners and white collar wage earners occupied a more uncertain position. The livelihoods of this group were more exposed to the vicissitudes of the trade cycle, economic restructuring and technological change, with the consequence that their household income was often little more than that of the skilled working class, even if their social aspirations lay elsewhere. Indeed, their challenge – and one likely shared by the majority of the middle class below the more comfortable world inhabited by the higher professionals, City financiers, and manufacturing magnates – was to cope with the inherent insecurity and anxiety that, R.J. Morris has argued, was a dominant feature of bourgeois experiences in the earlier decades of the nineteenth century.[45] This meant trying to balance income and savings to take account of the uncertainties of life, such as the threat of bankruptcy or effects of ill health, and also the certainty of death, when responsibility for the remaining members of the family passed to others. Keeping appearances up and creditors at bay in good times and bad, and making provision for one's heirs, preoccupied many bourgeois households. As various studies have shown, even professionals – especially new entrants who joined their swelling ranks in the later Victorian years – were plagued by a sense of financial insecurity.[46] Regardless of whether an individual or family was struggling on

[43] Perkin, *The Rise*, 78, 98. For further discussion of the salary levels of different professionals, see Routh, G. 1980. *Occupation and Pay in Great Britain, 1906–1979*, 2nd edition. London: Macmillan.

[44] Anderson, G.L. 1976. *Victorian Clerks*. Manchester: Manchester University Press. For a revisionist perspective, see Heller, M. 2008. 'Work, income and stability: the late Victorian and Edwardian London male clerk revisited'. *Business History* 50(3): 253–71.

[45] Morris, *Men, Women and Property*, especially chapter 9. This argument is outlined in Szreter, S. 1996. *Fertility, Class and Gender in Britain, 1860–1940*. Cambridge: Cambridge University Press.

[46] See, for example, Digby, A. 1994. *Making a Medical Living: Doctors and Patients in the English Market for Medicine, 1720–1911*. Cambridge: Cambridge University Press, especially chapter 5.

a modest income at the bottom of the middling scale or on lavish income at the top, it seems that the need to balance credit and debt and not to let expenditure run too far ahead of income were familiar and often pressing concerns.

INVESTMENT: OPPORTUNITIES, INSTITUTIONS, AND INFRASTRUCTURES

In the second half of the nineteenth century, a period when, as Ranald Michie points out in Chapter 7, the 'individual investor reigned supreme', there were important institutional changes and infrastructural improvements that encouraged men and women to invest their money in real estate, company shares, and other forms of financial assets. Indeed, as Douglass North and other economists have recently emphasized, institutional changes are often critical in normalizing certain kinds of economic behaviour, reducing risk and uncertainty, and diminishing transaction costs, and as such they are arguably no less important an impetus for encouraging investment than the opportunities afforded by the course of economic growth itself.[47]

Changes to the ways that real estate, government securities, and shares of various types could be purchased helped to encourage a wider range of individuals to invest in these kinds of assets. In the case of real estate, the formation of permanent building societies from mid-century, which offered relatively attractive savings rates, also helped provide capital for mortgage lending. The Building Societies Act of 1874 laid the basis on which sound mortgage lending could operate and although isolated failures took place and amendments to the legal framework occurred, the system of borrowing and saving remained intact until relatively recently. As a result even those with fairly modest amounts of capital were able to purchase property.[48] Cheap advice books aimed at a popular audience, such as that published by Francis Cross, *Hints to all about how to Rent, Buy or Build House Property* (1854) and James Bishop, *The English Laws of Landlords, Tenants and Lodgers*, issued at a cost of 6d in 1858 and which ran to over 40 editions, offered specific guidance to those individuals intending to purchase housing for the purpose of generating rental income.[49] Nor was such activity confined to the middle class:

[47] See, for example. North, D.C. 1990. *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge University Press.

[48] See Pooley, C. and M. Harmer 1999. *Property Ownership in Britain c.1850–1950: The Role of the Bradford Equitable Building Society and the Bingley Building Society in the Development of Homeownership*. Cambridge: Granta.

[49] Cross, F. 1854. *Hints to all About How to Rent, Buy or Build House Property*. London: Nelson; Bishop, J. 1858. *The English Laws of Landlords, Tenants and Lodgers*. London: Effingham Wilson.

in 1875, Samuel Smiles remarked approvingly that building societies in Leeds and elsewhere had allowed the working class to purchase houses for rent as a form of investing their savings.[50]

The other main focus of investment, and arguably of greater importance for a wider variety of individuals, was the purchase of company shares and this in turn rested on various institutional frameworks and infrastructural improvements without which it would have been impossible to mobilize savings. Here the reform of company law was significant in enticing purchasers into the market. A swathe of legislation enacted from the 1850s offered investors greater protection by establishing the concept of limited liability and thereby reducing their exposure to debt in the event of a company's failure. This promoted greater confidence in financial markets and became a critical factor in the dramatic expansion in the take-up of new security issues in the latter decades of the nineteenth century.[51]

In the banking sector, reforms instituted by mid-century helped to create stability in the system and facilitated the national integration of the capital market.[52] However, banks were slow to move to the limited liability regime that had been increasingly adopted by other companies from 1856, and even after the move, many used reserve liability and uncalled capital, which offered protection for depositors but created higher risks for shareholders. Why were bank shares nevertheless popular, and not only with the 'reckless'? This is a question posed by Graeme Acheson and John Turner in their chapter examining shareholding in a sample of 23 banks operating in the United Kingdom in the mid- to late nineteenth century. In spite of the risks associated with investment in joint stock banks, where the shareholders faced unlimited liability, they show that many individuals were perfectly willing to invest their capital in such ventures, including those groups who have frequently been regarded as 'risk-averse', such as women. Females, for example, constituted 31.6 per cent of the average shareholder constituency in their sample of joint stock banks for 1870. Acheson and Turner's conclusion is that these groups were attracted by the potentially high rate of return – the 'risk premium' offered by banks. Indeed, despite the occasional failures, such as that of the Glasgow Bank discussed in their chapter, banks generally proved to be relatively profitable investments in their own right, often yielding dividends in excess of many other kinds of domestic concerns.[53]

[50] Smiles, S. 1875. *Thrift*. London: John Murray, 44, 109.

[51] See Cottrell, 'Domestic finance' and Cottrell, P.L. 1980. *Industrial Finance, 1830–1914: The Finance and Organization of English Manufacturing Industry*. London: Methuen.

[52] See Black, I.S. 1995. 'Money, information and space: banking in early-nineteenth-century England and Wales'. *Journal of Historical Geography* 21(4): 398–412.

[53] For further discussion of investment in nineteenth-century banks, see Acheson, G.G. and J.D. Turner 2011. 'Investor behaviour in a nascent capital market: Scottish bank shareholders in the nineteenth century'. *Economic History Review* 64(1): 188–213.

The reform of company law from the 1850s, which introduced limited liability, widened the potential pool of investors to include those with less money and less experience, a process that was further encouraged by changes in the size of share denominations and types of shares available to purchasers. From the last quarter of the century onwards, the nominal value of shares fell, and there was a reduction in the popularity of part-paid capital. The financial panic of 1866 resulted in an epidemic of calls being made on part-paid shares, which caused difficulties for large and small investors alike. As a result, the 1867 Companies Act permitted companies to reduce their share capital by cutting nominal values or cancelling the unpaid part of partly called shares, setting off the slow and uneven movement towards lower nominal values. This continued through the century and beyond, until by 1900 the £1 share was the norm, with a movement towards 'shilling shares' by the 1920s.[54] At the same time, as Michie and Maltby et al. discuss in their chapters, there was a shift away from ordinary shares towards safer, if less profitable, preference shares, debentures, and other fixed-interest securities.[55] Preference shares were popular with company directors as well as investors. For more risk-averse investors, including women, they offered rates of return that were lower than ordinary shares but with the virtue of being guaranteed. However, because preference shares generally carried no voting rights, they were also attractive to company founders who could therefore expand their financing without diluting control.

The relationship between share type and corporate governance is a key element of Leslie Hannah's chapter in this book. He argues that company directors avoided giving power to shareholders by exercising the London Stock Exchange rule that required that two-thirds of any class of shares that were being issued should be outside board control. However, ordinary shares were often kept unlisted whilst issues on the Stock Exchange were of preference shares with limited or no voting rights, along with debenture stock. In this way, the shareholder base could be widened but control remained firmly in the hands of directors and major shareholders. Furthermore, as Brian Cheffins has recently pointed out, that process could be reinforced as United Kingdom company founders and major shareholders returned later to the market to buy more shares.[56] A potential outcome of the widening shareholder base was the

[54] See Jefferys, J.B. 1938. 'Trends in business organisation in Great Britain since 1856, with special reference to the financial structure of companies, the mechanism of investment and the relationship between the shareholder and the company'. Unpublished PhD Thesis, University of London, 161; and Hannah, L. 2007. 'The "Divorce" of ownership from control from 1900 onwards: re-calibrating imagined global trends'. *Business History* 49(4): 407.

[55] Essex-Crosby, A. 1938. 'Joint stock companies in Great Britain 1890–1930'. Unpublished M.Comm. Thesis, University of London, 31, 60.

[56] Cheffins, B. 2008. *Corporate Ownership and Control: British Business Transformed*. Oxford: Oxford University Press, 230.

growing likelihood of hostile takeover bids, but as Hannah argues, the use of preference rather than ordinary shares for raising capital, together with the dearth of good financial information on companies, and a general unwillingness to challenge incumbent boards, helps to explain the lack of such takeover bids until the later twentieth century.

Changes in the institutional framework within which the purchase of company shares took place were accompanied by important infrastructural improvements that made investment in distant enterprises both more likely and less risky. Significant technological innovations from the mid-nineteenth century enabled national and international integration of share and bond prices and widened the potential geographical scope for investments. The introduction of the telegraph in 1844 in Britain, the first undersea cable between France and England in 1851, the replacement of pencils and paper with the stock ticker (initially in the United States, but later elsewhere), the opening of a transatlantic telegraph service in 1866, and the establishment of a similar link between Britain and India in 1870 allowed the rapid transmission of information, creating what geographers have termed 'time-space compression'.[57] At the start of the nineteenth century, it could take anything up to half a year for news to travel across the world but by the end it took less than a day.[58] Further integration of prices was also made possible by the expansion of provincial stock exchanges which were particularly important for tapping into local reservoirs of capital – a major source of funding for regionally based domestic industry.[59] The result was the growing integration of stock market prices both within and between national economies and the ability to respond quickly to the impact on investment opportunities of events that might have taken place a considerable distance away.

Certain cities became important centres for finance, channelling investment into different activities and to different parts of the world. In Chapter 11, Cassis examines the role of London as the world's leading financial centre of the period. The quantitative and qualitative supremacy of the City of London between 1870 and 1914 stemmed from the range and maturity of the services that it offered, notably merchant banking, insurance, and a variety of professional and information services. There were, for example, around 700 accountancy and 2000 law firms operating in the City in 1891. By 1913, the nominal value of securities traded upon the London Stock Exchange stood at

[57] See Harvey, D. 1989. *The Condition of Postmodernity: An Enquiry into the Origins of Cultural Change*. Oxford: Basil Blackwell, 240. For further discussion of some of the technologies that underpinned emerging financial markets, see Preda, A. 2009. *Framing Finance: The Boundaries of Markets and Modern Capitalism*. Chicago, IL: University of Chicago Press, especially chapters 4 and 5.

[58] Clark, *A Farewell to Alms*, 307.

[59] Killick and Thomas, 'The provincial stock exchanges'.

£11.3 billion – more than the New York Stock Exchange and the Paris Bourse combined. Indeed, as Cassis demonstrates, London was truly a global centre of finance: by 1914 one-third of all negotiable instruments in the world were quoted on its Stock Exchange. To the British investor, the range and sophistication of financial products and services that were available in the City were unparalleled. One particular innovation singled out by Cassis is the creation in the 1870s of the investment trust. Their growth continued in the 1880s until being temporarily halted by the Barings' crisis in 1890 and resumed in the first decade of the twentieth century. Investment trusts enabled the small investor to spread risk by buying into what was in effect a portfolio of shares and securities. By performing this kind of specialist function, London and to a lesser extent other cities such as Paris, Amsterdam, and New York – the last of which, by the 1920s, increasingly challenged the City's international pre-eminence – became lynchpins in the circulation of global capital, mediating between areas of surplus and deficit.

Infrastructural improvements were also immensely important in opening up areas for capitalist expansion and in reducing the turnover time of capital. The rapid growth of transport networks greatly improved the capacity to move both people and goods cheaply over long distances, thereby allowing the geographical expansion of capitalism into areas that hitherto had been peripheral to economic growth in the West. Capital investment from Britain and elsewhere underpinned the construction of the railway network in North and South America, and within the British Empire. By the 1870s the British railway network had been more or less completed, at which point railway construction switched overseas, notably to India. Private investors in Indian railways were guaranteed a 5 per cent return by the British government, at a time when similar investments in the United Kingdom were lucky to achieve 3 per cent. Under such favourable conditions, capital investment in Indian railways grew significantly and by 1910 the system in India had surpassed that in Britain. While the construction of railways offered new financial opportunities to investors, it was their role in fostering the economic expansion of the areas that they served that was of greatest significance in opening up possibilities for overseas investment. Improvements in shipping and refrigeration, in turn further encouraged the spread and profitability of agriculture throughout these new hinterlands.

Such changes were paralleled by the easier availability of financial information and professional expertise both at home and abroad. Investors could draw on a range of financial advice in making their decisions. For the affluent, as Michie notes in Chapter 7, there were increasing numbers of investment brokers, in both London and the provinces. There was also a growing role to be played by other professionals – both solicitors and, increasingly, accountants – as advisors and as mediators between companies and their (often disgruntled) shareholders.[60] The supply of financial information offered by professional services, in the form of investment advice, was complemented by the development of financial journalism. The nineteenth century saw the introduction of a range of financial guides and manuals as well as newspapers and journals. Six specialist publications were launched between 1876 and 1884, and a further 20 between 1880 and 1900.[61] Michie's chapter draws upon a number of these widely read periodicals: *The Investor's Monthly Manual*, *The Stock Exchange Review*, and *The 'Money-Maker' Manuals for Investors*. Their role was to complement the information offered by professional advisors, but also to act as a substitute for it, especially for those outside the traditional investor groups who were beginning to diversify their investments from cash and property into securities. Alex Preda has recently argued that in the second half of the nineteenth century 'a visible shift occurs in the vocabulary, literary genres, and the cognitive tools used to represent financial markets, as well as definitions of its object and actors'.[62] He emphasizes the way that financial knowledge was increasingly seen and presented as a science that had to be mastered by investors or their professional representatives in order to engage with markets and institutions. Certain kinds of financial information came to matter more than others, especially price trends, while manuals and guidebooks sought to distil the rules by which financial markets worked and investors should behave. These calculative and scientific discourses that were increasingly associated with finance were important in legitimating investment as a socially and professionally respectable activity, displacing eighteenth-century ideas that linked it more to speculation and gambling.[63]

But while investor manuals increasingly took on the language of rational calculation, Michie's contribution to this book emphasizes the way that novels continued to portray investment as a headlong risk and investors as naïve fools or greedy gamblers. His chapter explores this literature in order to trace changing public attitudes to investment from the mid-nineteenth century until the First World War. While his use of fiction in this way – as a barometer public opinion – is open to challenge, it leads him to conclude that there was little public sympathy for investors as they attempted to navigate the risks and temptations of financial markets. Not until the rapid increase in the investor

[60] See Maltby, J. 1999. '"A Sort of Guide, Philosopher and Friend": the rise of the professional auditor in Britain'. *Accounting, Business and Financial History* 9(1): 29–50 for an outline of the developing role of the auditor as advisor and mediator; and Maltby, J. 2000. 'Was the 1947 Companies Act a response to a national crisis?' *Accounting History* 5(2): 31–60 on the slow development of legislation. See also Rutterford, J. 2006. 'The world was their oyster: international diversification pre-World War I'. In *Financial Strategy: Adding Stakeholder Value*, 2nd edition, edited by J. Rutterford, M. Upton, and D. Kodwani. Chichester: John Wiley, 5–24.

[61] See Vissink, H.G.A. 1985. *Economic and Financial Reporting in England and the Netherlands*. Assen and Maastricht: Van Gorcum.

[62] Preda, *Framing the Market*, 88.

[63] Ibid., chapter 3.

population as a consequence of heavy government borrowing during the First World War, does Michie detect a shift in attitudes and, as a consequence, more direct legislative intervention to protect individuals from the kind of abuses chronicled in Victorian and Edwardian literature.

The financial thrillers of the later nineteenth century did not deter potential shareholders: they fed into a new culture of investment that Preda describes elsewhere as comprising a 'myriad of gossips'.[64] Indeed, following an approach rather different from Michie's, a range of other scholars have sought to investigate the way finance and the calculative rhetorics of exchange infused literary and other cultures in the nineteenth century. The project of such scholars has been defined broadly and ambitiously as an attempt to outline the 'culture of investment' that permeated every level of society in Victorian Britain.[65] In particularly influential work, Mary Poovey, for example, has drawn attention to the way that financial journalism and realist novels were drawn into a 'relationship of general proximity'.[66] Financial journalists drew upon literary forms and conventions, while many novelists – as Michie's chapter in this volume amply illustrates – became preoccupied by financial themes. These crossovers brought the seemingly unrelated worlds of finance and literary culture together, normalizing and naturalizing the operations of the financial world within the minds of the British public and making 'the allure of investment vivid'.[67] As finance became embedded in fictional narratives, so too it was absorbed into the personal narratives of individual lives and families.

DEMOGRAPHY AND DEPENDENCY: GENDER AND INVESTMENT OVER THE LIFE COURSE

In addition to the broader macro-economic factors associated with economic growth, geographical expansion, institutional innovations, and infrastructural

[64] Preda, A. 2001. 'The rise of the popular investor: financial knowledge and investing in England and France 1840–1880'. *Sociological Quaterly* 42(2): 228.

[65] See, especially, Henry, N. and C. Schmitt eds. 2009. *Victorian Investments: New Perspectives on Finance and Culture*. Bloomington and Indianapolis, IN: Indiana University Press; Poovey, M. 2008. *Genres of the Credit Economy: Mediating Value in Eighteenth and Nineteenth-Century Britain*. Chicago, IL: University of Chicago Press; Poovey, M. ed. 2002. *The Financial System in Nineteenth-Century Britain*. Oxford: Oxford University Press; and O'Gorman, F. ed. 2007. *Victorian Literature and Finance*. Oxford: Oxford University Press.

[66] Poovey, M. 2009. 'Writing about finance in Victorian England: disclosure and secrecy in the culture of investment'. In *Victorian Investments: New Perspectives on Finance and Culture*, edited by N. Henry and C. Schmitt. Bloomington and Indianapolis, IN: Indiana University Press, 39–57.

[67] Ibid., 40.

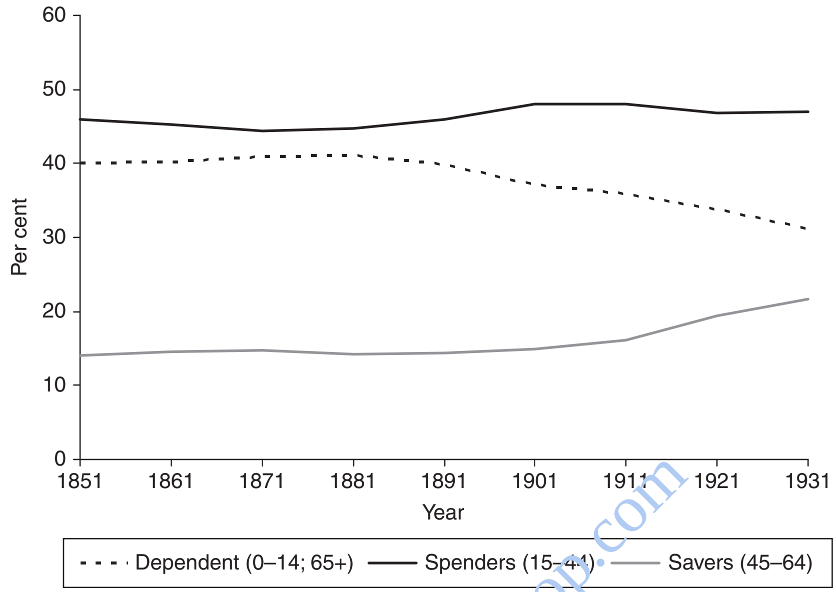

Figure 1.1 Age and dependency in England and Wales, 1851–1931

Source: Mitchell, B.R. and P. Deane 1962. *Abstract of British Historical Statistics*. Cambridge: Cambridge University Press, 12.

improvements – all of which influenced patterns of investment in the United Kingdom and abroad – we must also consider the effects of demographic processes relating to changing family size and life expectancy, and cultural shifts associated with new attitudes towards consumption. These processes – often neglected in accounts of investment in the period covered by this book – are important in understanding the demand for new financial products.

The overall capacity to save depends to some extent on the age structure and dependency ratio of a population. Improvements in longevity, falling dependency ratios, and continued economic growth – characteristics of the United Kingdom over the late nineteenth and earlier twentieth centuries – all have an impact on the overall rate of savings.[68] As Figure 1.1 shows, in England and Wales from the 1890s, the proportion of the dependent age groups – those aged 14 or younger and 65 or older – fell continuously whilst the share of the population in the prime savings age group, aged 45–64 years

[68] See Bloom, D., D. Canning, and B. Graham 2003. 'Longevity and life-cycle savings'. *Scandinavian Journal of Economics* 105(3): 319–38. Comparative figures for other countries can be found in Williamson, 'Growth, distribution and demography', 264.

old, rose.[69] Under such circumstances, savings rates are likely to have risen for the population as a whole.

Arguably, the most significant demographic shift likely to impact on patterns of investment was the dramatic fertility decline that began in the second half of the nineteenth century. Within Britain as a whole the number of live births per married woman fell from an average of six in 1860 to just over two in 1940.[70] This decline is in part explained by lower rates of nuptiality, especially amongst the higher social classes, as well as by lower marital fertility.[71] While often presented as a unitary, national process – one paralleled in many other European countries – more recent research has shown that the British fertility decline varied considerably depending on social class and geographical location.[72] It was more evident for all classes in better-off areas than in poorer places. In other words, wherever the middle class congregated, so fertility and nuptiality tended to decline.

Changing social aspirations and the desire for higher living standards among the middle class are often put forward as core reasons for the fertility decline in later nineteenth-century Britain.[73] In his seminal study of middle-class family planning, Joseph Banks argued that declining middle-class family sizes could be explained by new attitudes to consumption and an eagerness to maintain certain standards of living in order to cement the social status of current family members and that of future generations.[74] This required domestic consumption on an unprecedented scale in order that the family could acquire the material trappings of gentility. As Simon Szreter has pointed out, this was especially important for those engaged in professional service work where identity, reputation, and ultimately economic success depended on visual displays of wealth and status, including an address in a respectable area.[75] None of this came cheap, and obtaining the means by which these displays were achieved was a constant source of concern for those who aspired to gentility. Moreover, expressions of status ranged beyond the bourgeois

[69] Edelstein, ‘Foreign investment’, 201. For a discussion of age, debt, and capital accumulation, see Green D.R., A. Owens, J. Maltby, and J. Rutterford 2009. ‘Lives in the balance? Gender, age and assets in late-nineteenth-century England and Wales’. *Continuity and Change* 24(2): 307–35. It is acknowledged that using age as a proxy for dependency takes no account of those who continued working beyond the age of 65.

[70] Szreter, *Fertility, Class and Gender*, 1.

[71] Ibid., 469.

[72] Ibid. See also Garrett, E., A. Reid, K. Schurer, and S. Szreter 2001. *Changing Family Size in England and Wales: Place, Class and Demography, 1891–1911*. Cambridge: Cambridge University Press.

[73] Baines, D. and R. Woods 2004. ‘Population and regional development’. In *The Cambridge Economic History of Modern Britain, Volume II: Economic Maturity, 1860–1939*, edited by R. Floud and P. Johnson. Cambridge: Cambridge University Press, 31.

[74] Banks, J.A. 1954. *Prosperity and Parenthood: A Study of Family Planning Among the Victorian Middle Classes*. London: Routedge and Kegan Paul.

[75] Szreter, *Fertility, Class and Gender*, 472–4.

home. As Simon Gunn has shown in his study of the provincial middle class, a public commitment to promoting civic virtue through patronage of the arts and sciences necessitated amassing the means by which to make this possible.[76]

In many bourgeois households, saving and investing for the future started early in life. Maintaining a middle-class social position involved a significant investment in the education of children so that they too might one day attain a high-ranking professional occupation or, especially in the case of daughters, marry into the right social circle. As a result, children tended to remain in education for longer: in England and Wales the school leaving age was raised gradually from 10 in 1870 to 14 by 1918. The time spent in education rose accordingly from 4.21 years for male workers in 1870 to 6.75 by 1911 and 8.14 by 1931.[77] The growth of competitive entry to many occupations and the spread of professional qualifications meant this period of schooling was often augmented by additional years of education in one of the institutions of learning that were beginning to spring up in the late nineteenth and early twentieth centuries, including colleges and technical institutes. This investment in human capital was a key reason for the decline in fertility rates among professional middle-class families, who in many cases could not afford large numbers of dependants. As a consequence, they married later (allowing more time to accumulate wealth in preparation for family formation) and limited fertility within marriage (enabling costs to be contained). Szreter suggests that white-collar employees behaved in a similar fashion, in part because they too were sucked into a culture of conspicuous consumption, but also because of the greater financial marginality of their occupational and social positions.[78] For both groups, financial prudence and sexual abstinence, therefore, went hand-in-hand.

The impact of changes in family size and life expectancy discussed above, however, also had an effect on financial planning for old age. Life expectancy rose in England from around 41 years at the middle of the nineteenth century to nearly 51 years by the 1900s and nearly 61 by the 1930s.[79] Although much of this improvement was driven by changes in infant mortality brought about by sanitary improvements in poorer urban areas, nevertheless all classes benefited. An important consequence of this demographic transition, was

[76] Gunn, *The Public Culture*. On these themes, see also Kidd, A. and D. Nicholls eds. 1999. *Gender, Civic Culture and Consumerism: Middle-Class Identity in Britain, 1800–1940*. Manchester: Manchester University Press.

[77] Broadberry, S. 2004. 'Human capital and skills'. In *The Cambridge Economic History of Modern Britain. Volume II: Economic Maturity, 1860–1939*, edited by R. Floud and P. Johnson. Cambridge: Cambridge University Press, 61.

[78] Szreter, *Fertility, Class and Gender*, 478.

[79] Office for National Statistics 2002. *Decennial Life Tables – English Life Tables: Series DS*. http://www.statistics.gov.uk/STATBASE/Product.asp?vlnk=333 (site accessed 15 June 2010).

that the burden of dependency was – at least at the macro level – rebalanced, away from the young and towards the old: fewer children cost less but increased longevity cost more. Either it was necessary to work into old age, supporting oneself and often with an eye to amassing as much capital as possible to pass on to children as an inheritance, or an individual could withdraw from work and begin to consume the family's accumulated wealth by living off savings and investments. Fewer children, and the need for them to accumulate savings during their own lifetime, further limited the range of support that could be offered to ageing parents by their offspring.

For ageing members of the middle class, the most likely source of support was therefore their own efforts. Paul Johnson has shown how the growth of retirement in England and Wales over the late nineteenth and twentieth centuries varied by occupational sector. Better-paid jobs and those which came with access to pension schemes unsurprisingly had higher numbers of retirees.[80] However, until the second decade of the twentieth century, pensions were a relatively unusual mechanism by which individuals (and their employers) could invest for old age. According to Les Hannah until the twentieth century 'for the mass of workers . . . staying on the job was the normal accepted practice in old age until incapacity intervened to force retirement'.[81] In 1881, almost three-quarters of males aged 65 and over were still in work; by 1931 the proportion had fallen to around 50 per cent (though the number of people aged 65 and older more than doubled during these years and shifted from 4.6 to 7.4 per cent of the population).[82] Hannah estimates that formally constituted public and private pension schemes contained at most a million members in 1905, amounting to around 5 per cent of the work force.[83] This would have included several groups of professional and white-collar salaried workers, such as railway clerks, banking employees, and civil servants.[84] However, Hannah additionally argues that, consistent with the pervasive bourgeois ideology of self-help, for the bulk of the middle class, financial provision in old age was regarded as a matter of personal and familial responsibility.[85]

The process of accumulating assets prior to old age in order to support a prolonged period of retirement has certainly been recognized as an important

[80] Johnson, P. 1994. 'The employment and retirement of older men in England and Wales, 1881–1991'. *Economic History Review* 47(1): 106–28.

[81] Hannah, L. 1986. *Inventing Retirement: The Development of Occupational Pensions in Britain*. Cambridge: Cambridge University Press, 7.

[82] Ibid., 123. Demographic data are taken from Mitchell and Deane, *Abstract of British Historical Statistics*, 12.

[83] Hannah, *Inventing Retirement*, 13.

[84] For a discussion of the development of middle-class pensions, see Thane, P. 2000. *Old Age in English History: Past Experiences, Present Issues*. Oxford: Oxford University Press, chapter 12.

[85] Hannah, *Inventing Retirement*, 13.

strategy of middle-ranking families. This 'life cycle' savings pattern is at the heart of Morris' model of the middle-class property cycle.[86] It describes a process whereby middle-class males in the early phases of adult life seek to accumulate property through borrowing. This is followed by a later, mid-life phase where debts are gradually eliminated but capital continues to be accumulated through investment. In old age, Morris posits a switch from active to passive forms of income generation, with middle-class men withdrawing from business to live off investments that offered a safe return, typically *rentier* style assets such as annuities. His model is based on the experiences of several industrialists active in mid nineteenth-century Leeds and therefore may not apply to the full range of middle-class individuals or to the later time frame covered by this book. However, recent research examining the relationship between age and property ownership in the latter years of the nineteenth century, based upon a larger number and much broader spectrum of wealth-holders (including both professionals and white-collar wage earners) finds evidence of a similar switch to shares and other securities – notably government annuities – as individuals age.[87] This 'capital of old age', as Morris calls it, underpinned the market for government bonds and fuelled the increasing demand for other securities that were low risk and offered guaranteed returns, such as railway debentures and preference shares.[88] These latter types of securities closely resembled Consols in offering a guaranteed, fixed-interest return and therefore attracted considerable demand from risk-averse investors seeking security of income and a trouble-free old age. They grew in importance in the later nineteenth and early twentieth centuries after the yield on government securities fell.[89]

Mary Beth Combs' chapter in this book examines the investment strategies of one important stratum of the British middle class: shopkeepers. Questioning the motives why such individuals sought to accumulate wealth, she explores whether either of the key alternatives to the life-cycle approach to wealth accumulation was prevalent among this group: the bequest strategy (where wealth is accumulated throughout the entire life course to pass on to the next generation) or the deferred-compensation strategy (where children contribute unpaid labour to the family or business in expectation of financial compensation at a later date). The study is based upon analysis of a systematic sample of 997 death duty accounts of shopkeepers who died between 1859 and 1891. Interestingly, she finds that her petit-bourgeois group did not follow the same strategy as the wealthier northern industrialists studied by Morris,

86 Morris, *Men, Women and Property*, chapter 4; Morris, R.J. 1979. 'The middle class and the property cycle during the industrial revolution'. In *The Search for Wealth and Stability: Essays in Honour of M.W. Flinn*, edited by T.C. Smout. London: Macmillan, 91–113.

87 Green, et al. 'Lives in the balance?'

88 Morris, *Men, Women and Property*, 172–3. See also Hannah, *Inventing Retirement*, 4–5.

89 Cottrell, 'Domestic finance', 267–8.

concluding that late nineteenth-century shopkeepers favoured an altruistic bequest motive for saving. This finding might reflect the fact that those within the lower echelons of the middle class were forced to carry on working (and hence accumulating) to ensure their own financial security as well as that of the next generation. However, the motive of inheritance and the actual mechanisms through which inheritances were provided – often via the bequest of annuities or a *rentier* style investment income – are further indicators of how middle-class life courses placed particular kinds of demands on financial markets.

Demography also had a role to play in explaining the growing significance of women in the ownership of wealth in Britain. There is a fast-growing literature on female investors in the eighteenth, nineteenth, and twentieth centuries which seeks to understand not only their relative importance in different financial markets, but also their motives for investment.[90] A further demographic phenomenon is important here: the excess of females over males, or what contemporaries termed the 'surplus woman problem'. In the mid-nineteenth century there was social and moral panic about an increasingly visible imbalance between the sexes. The 1851 census notes that there were 500,000 more women living in Britain than men. In London in that year, females above the age of 25 exceeded males by over 104,000.[91] In many other towns and cities women appeared to outnumber men significantly. This prompted concerns that too many women would be forced to remain single without a husband to provide them with financial and other support. This discourse of female dependency was common both to working-class male breadwinner cultures and to bourgeois ideals of gendered separate spheres. It was, however, middle-class women who became the focus of anxiety. Writers such as William Greg feared for these women because of the ideological difficulties they faced in independently supporting themselves: work – save for a limited number of professions such as those of governess or teacher – was regarded as something that might compromise their gentility.[92] His solution

[90] See Rutterford, J. and J. Maltby 2006. '"The widow, the clergyman and the reckless": women investors in England, 1830–1914'. *Feminist Economics* 12(1/2): 111–38; Maltby, J. and J. Rutterford 2006. '"She possessed her own fortune": women investors from the late nineteenth century to the early twentieth century'. *Business History* 48(2): 220–53. Laurence, E.A., J. Maltby, and J. Rutterford eds. 2009. *Women and Their Money 1700–1950: Essays on Women and Finance*. Abingdon: Routledge; Rutterford, J., D.R. Green, J. Maltby, and A. Owens 2011. 'Who comprised the nation of shareholders? Gender and investment in Britain, 1870–1935'. *Economic History Review* 64(1): 157–87; Maltby, J. and J. Rutterford eds. 2006. 'Women, accounting and investment'. (Special Issue) *Accounting, Business and Financial History* 16(1); Doe, H. 2009. *Enterprising Women and Shipping in the Nineteenth Century*. Woodbridge: Boydell and Brewer; Doe, H. 2010. 'Waiting for her ship to come in: the female investor in nineteenth-century shipping'. *Economic History Review* 63(1): 85–106.

[91] Green and Owens, 'Gentlewomanly capitalism', 513.

[92] Levitan, K. 2008. 'Redundancy, the "surplus woman" problem, and the British Census, 1851–1861'. *Women's History Review* 17(3): 359–76. See also Worsnop, J. 1990. 'A re-evaluation

was that such women should emigrate to the colonies where there were often sex imbalances of the opposite kind and where it was recognized that there might be new opportunities for financial independence – a further example of how the empire was seen as offering a safety value to relieve economic and financial pressures in Britain. Although the controversy of the 'surplus woman problem' died down after a flurry of debate in the 1850s, census evidence reveals that the differential between men and women continued to be an important characteristic of the country's demographic regime and one that was accentuated in towns and cities for the remainder of the century. This left a situation where, in spite of ideological constraints, middle-class women had to support themselves. For those with sufficient wealth, investment in shares and other securities offered one means of doing this without having to compromise their status by entering the world of work. In such instances, the search for safe and reliable investments was a priority – itself a product of gendered ways of thinking about investment and risk – with the result that women became significant consumers of low-risk investment products such as government securities, debentures, and preference shares.[93]

Further developments placed women – especially middle-class women – as key players in investment markets. A growing body of scholarship is revealing how, contrary to ideological prescription, women were active as successful entrepreneurs, business owners, and professionals.[94] In 1911, for example, women formed around a fifth of the employers and business proprietors and of managers and administrators.[95] This opening up of economic opportunities for women was a slow process, but in terms of the capacity of females of all backgrounds to engage more actively with financial markets the passing of the Married Women's Property Acts in 1870 and 1882 offered – at least in theory – economic freedom to married women who previously had not been empowered to undertake independent financial transactions. Work by Mary Beth Combs has demonstrated how passage of the 1870 Act led to women taking control of a greater share of household resources, opening up at least the potential for greater engagement with financial markets.[96] The twentieth

of "the problem of surplus women" in nineteenth-century England: the case of the 1851 census'. *Women's Studies International Forum* 13(1/2): 21–31.

[93] Green and Owens, 'Gentlewomanly capitalism'; Maltby and Rutterford, 'The widow, the clergyman'. On women and attitudes to risk see Rutterford, J. and J. Maltby 2007. '"The nesting instinct": women investors and risk in England, 1700–1930'. *Accounting History* 12(3): 305–27.

[94] See, for example, Kay, A.C. 2009. *The Foundations of Female Entrepreneurship: Enterprise, Home and Household, London c.1800–1870*. Abingdon: Routledge.

[95] Perkin, *The Rise*, 79.

[96] Combs, M.B. 2004. 'Wives and household wealth: the impact of the 1870 British Married Women's Property Act on wealth-holding and share of household resources'. *Continuity and Change* 19(1): 141–63; Combs, M.B. 2005. 'A measure of legal independence: the 1870 Married Women's Property Act and the wealth-holding patterns of British wives'. *Journal of Economic History* 65(4): 1028–57; and Combs, M.B 2006. '*Cui Bono?*: The 1870 British Married Women's

century saw further developments that promoted the economic independence of females, not least their entry into the labour market during the First World War.

The growing significance of women as investors and as wealth owners in their own right was not confined to Britain, as the chapters on Canada and Australia by di Matteo and Shanahan make clear. In both places, legal changes in married women's property rights that paralleled those in Britain played a part in encouraging female wealth-holding, although differences in the nature of their economies meant that the balance of assets varied. In Ontario, di Matteo notes that over time the gap between male and female wealth declined so that by the 1920s, women's probated wealth was between 60 and 70 per cent of men's, compared to between 10 and 15 per cent in the 1870s and 1880s. Such wealth, he notes, was disproportionately invested in financial assets rather than in land, a situation that he ascribes to the fact that fewer women were involved in farming. In this respect, expanding investment opportunities clearly had a gendered dimension that allowed women to increase their share of wealth relative to men. In South Australia, there was a greater emphasis on the ownership of land and the overall gains for women were less clear, although the trend towards greater equality with men was nonetheless the same. Shanahan shows that women's wealth at death rose from approximately a quarter of that of men's in the 1870s and early 1880s to between a third and a half from the mid-1880s onwards. By 1915, women comprised nearly half of all those whose estates were submitted for probate, and the average value of their estates was close to half those for men. Such findings are a useful reminder that the processes of change by which men and women engaged with the financial markets were international in scope, driven by structural economic factors, mediated by parallel processes of institutional change and ideological shifts in gender relations.

CONCLUSIONS: MEN, WOMEN, AND MONEY

Any analysis of the relationships between men, women, and money must cast its net widely and the chapters contained in this book reflect that belief. As we have argued here, macro-economic conditions helped shape the opportunities for investment but changes in demography, consumption, ideology, and institutional frameworks each played a part in influencing individual investment choices. In Britain, changes in demographic structure made it more likely that savings would be generated at the same time as individual provision

Property Act, bargaining power, and the distribution of resources within marriage'. *Feminist Economics* 12(1/2): 51–83.

for old age became more necessary and more widely accepted. The legal frameworks, technological systems, and institutional arrangements through which money was directed into investment shifted accordingly, making it easier for growing numbers of individuals to invest their savings in different kinds of securities and other forms of property. The characteristics of these individuals altered over the period as new groups of investors, notably women and those lower down the economic hierarchy, began to engage with the financial markets. Gender, in particular, was a key factor in understanding how the composition and growth of the investing population changed over the years covered by the contributions to this book.

However, that transformation was not confined to Britain alone, as the chapters that relate to Canada and Australia make clear. Regional differences in these places were accompanied by common forms of legal emancipation for women that together resulted in improvements in their economic status. As this introduction has argued, such an international dimension is by no means a geographical luxury in what is primarily a domestic story. Rather, the relationships between the *metropole* and colony – between an industrial and commercial economy in which investment in shares and financial assets became paramount, and an agricultural frontier many thousands of miles distant in which land ownership was pre-eminent – are crucial to understanding the specificity of investment practices and wealth-holding in each place. The timing of the changes in relationships between men, women, and money may have differed but the parallels and connections were nevertheless clear. In that sense, John Galsworthy's view, noted at the start of this introduction, that the possessive instinct was always on the move, was as true in relation to geography as it was in relation to gender. Tracking that movement, understanding how the nation of shareholders was transformed and the processes by which that took place, in the United Kingdom as well as further afield, are the pivots around which the chapters in this book revolve.