

Financialization of the early Victorian economy and the London Stock Exchange

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London Stock Exchange (LSE):

- some aspects of LSE operations known well, others, especially statistics on operations, almost totally unknown
- “aura of secrecy and anonymity ... has traditionally surrounded the activities of [LSE]” (Kynaston)
- this work: integrates known but grossly underutilized source (stock ledgers at the Bank of England Archive) with better known ones, such as *Course of the Exchange* for mid-19th century

Main results:

- reported prices just a small sample (around 20%) for small securities
- LSE surprisingly small and surprisingly efficient
- LSE an important part of the “shadow banking system,” providing extensive short-term financing

Main basis for this presentation:

- complete transcription of transactions in the South Sea Old Annuity (SO) from October 1838 to 1854 (when it is redeemed or converted)
- aggregated statistics for the dominant part of trading in Consols (CA) from July 1837 to July 1846
- need to be cautious in extrapolating from these government securities to others

	January 21.	January 23.	January 24.	
Austrian Bonds, 5 pr. Ct. 10 Gu. pr. £ Ster.	1 May and 1 Nov.
Belgian Bonds, 5 per Cent.	102 ³ / ₄	1 May and 1 Nov.
Brazilian Bonds 5 per Cent.	74	73 ¹ / ₄	1 April and 1 Oct.
Ditto Bonds 1829 & 1839, 5 per Ct. New	68	1 April and 1 Oct.
Buenos Ayres Bonds, 6 per Cent.	22 July, 1827.
Cuba Bonds, 6 per Cent.	5 Mar. and 5 Sept.
Chilian Bonds, 6 per Cent.	75	Mar. & Sept.
Ditto 3 per Cent. Deferred.	
Colombian Bonds, 6 per Cent.	
Ditto Bonds, 1824, 6 per Cent.	23 ¹ / ₂	23 ¹ / ₂	15 January, 1825.

Another very informative source:

report of 1842 Royal Commission on Exchequer Bills
forgery

- unparalleled view of internal operations of the LSE
- early example of social network analysis

EXCHEQUER BILLS FORGERY.

R E P O R T

OF

T H E C O M M I S S I O N E R S .

Presented to both Houses of Parliament by Command of Her Majesty.

LONDON:

**PRINTED BY WILLIAM CLOWES AND SONS, STAMFORD STREET,
FOR HER MAJESTY'S STATIONERY OFFICE.**

1842.

Stock ledgers in Bank of England Archive:

- complete accounts of holdings in government bonds
- about 250,000 accounts at any time in 19C
- Morgan and Thomas: “exhaustive study would be impossible” and satisfied with a sampling carried out for them by Bank of England archivists “for the year 1802, in itself a formidable task”
- next 3 slides show samples from general Consols (CA) ledger AC27/2138, a South Sea Old Annuity (SO) ledger AC27/6534, and from CA jobber ledger AC27/2696, courtesy of the Bank of England Archive

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Manuel Vidal
By Ledger 4 4150 4351 19
1837 July 5 By Ledger 4 4150 4351 19

1837 July 5 By Ledger 4 4150 4351 19

Marie Pierre Bonaventure Vidal
Amant d'Udresier
By Ledger 4 4300

1837 July 5 By Ledger 4 4300

Frederick Vandermeulen
John Hinch the Younger
By Ledger 4 4293 2 11

1837 July 5 By Ledger 4 4293 2 11

Frederick Read Orme Tillebois
Richard Bagge
By Ledger 4 4254 5

1837 July 5 By Ledger 4 4254 5

Alfred Umney
By Ledger 4 4200
1837 July 5 By Ledger 4 4200

1837 July 5 By Ledger 4 4200

Frances Tenn
By Ledger 4 4191 8 6

1837 July 5 By Ledger 4 4191 8 6

Tanfield Tachell
By Ledger 4 4189 7 5
1837 July 5 By Ledger 4 4189 7 5

1837 July 5 By Ledger 4 4189 7 5

Henry Tint Charles William Knight
William Henry Estorn
By Ledger 4 4175
1837 July 5 By Ledger 4 4175

1837 July 5 By Ledger 4 4175

Baron Henry De Visme
John Friedrich Steer the 4th
Edward Williamson
John George Pole

48526

By Ledger 4 4166 13 4
1837 July 5 By Ledger 4 4166 13 4

John Gale Vidal
Benjamin Caractacus Paley
By Ledger 4 4137 7
1837 July 5 By Ledger 4 4137 7

William Tye
By Ledger 4 4100
1837 July 5 By Ledger 4 4100

John Yardley Tarnon
By Ledger 4 4092
1837 July 5 By Ledger 4 4092

Caroline Mary Teel
By Ledger 4 4069 2
1837 July 5 By Ledger 4 4069 2

Thomas Venables
By Ledger 4 4050
1837 July 5 By Ledger 4 4050

Joseph Robert Venables
By Ledger 4 4000
1837 July 5 By Ledger 4 4000

Gaspard Etienne Lital
By Ledger 4 4000
1837 July 5 By Ledger 4 4000

Thomas Lettis } Merchants,
 Thomas Lettis Junr }
 William Norton Burroughs Wm Merchant, } Great Yarmouth.
 Septimus Dowson, Merchant, }

1850 May 24 44 To New L2.10. p. for Ann's 28 800 5

1851 Dec 8 41 By T. Hurry 2 824 800 5

Rebecca Leverton, W. d. d.

Henry Somerset Strickland Esq. 28.11.58

Henry Somerset Strickland Esq. 28.11.58
 Catherine G. Strickland Esq. 28.11.58
 annexed 28.11.58 J. Hepworth

1839 Aug 1 206 To A. Trower 636 100
 " " 207 To E. M. Hawtayne 757 100
 1850 June 19 231 To L. J. J. 843 100
 " " 232 To L. J. J. 366 100
 " " 233 To Mr. G. Somerset 357 100
 " " 234 To L. J. J. 835 100
 600

1850 Oct 10 9 By Bal. 454 600

Charles Litchford John Hawtayne Esq. 28.11.58
 with the Will annexed 28.11.58 J. Hepworth

Anna Sophia Isabella Lowe tot Adward

1856 Apr 25 330 To J. Pickett 892 500

1856 Apr 29 120 By A. Bont 196 500

Charles Goring Lewis Esq. Brighton. Super.

1830 Feb 15 147 To E. Lewis 51 97 17 8
 " " 148 To W. Powell 902 73 8 3
 1850 May 2 194 To J. R. Durrant 507 171 5 11
 June 11 226 To J. R. Durrant 885 124 9 5
 391 10 10
 587 6 2

1850 Feb 1 136 By W. Russell Esq. 888 293 13 1
 " " 137 To W. Russell Esq. 293 13 1
 587 6 2

Susanna Geertuida Wilhelmina Lowe tot Adward

1856 Apr 25 331 To J. Pickett 892 500

1856 Apr 29 121 By A. Bont 196 500

LSE brokers and jobbers:

- brokers brought in business from outside clients
- jobbers (dealers) bought and sold, and thus made the market
- “the world of jobbing remain an unpenetrated mystery” (Kynaston)

THE SYSTEM OF
STOCK - JOBBING
EXPLAINED.

EXPOSING THE
GROUND OF THE ART,
SECRET MANŒUVRES,
TRICKS AND CONTRIVANCES,
Delusion of the Monied Interest,
AND GENERAL PECULATION.

BEING

An Elucidation of the subtle machine by which Stock-Jobbing confounds
public calculation as to the

RISE AND FALL OF THE FUNDS,

whence a true judgment may be formed of the

Proper Time to buy and sell:

Proving, that to Gambling at the Stock-Exchange may be traced the
Cause of the

PRESENT ALARMING DISTRESS

OF THE

Commercial and Agricultural Interests

OF GREAT BRITAIN.



To which is added,

A POSTSCRIPT,

*Containing Considerations on the Legality of the Prosecution
against Lord Cochrane and Others:*

WITH ANNOTATIONS AND A GLOSSARY.

The shame is now—not to be a rogue.—SHAKSPEARE.

BY A PRACTICAL JOBBER.

LONDON:

PRINTED FOR C. CHAPPLE, PALL MALL.

1816.

Example: SO transactions in 1844

- 445 SO transfers in ledgers
- 36 transaction prices in *Course of the Exchange*
- only about half of transfers were LSE market transactions, the rest gifts, inheritances, changes of trustees, and “shadow banking” operations between financial entities
- only 1/3 of value of transactions was between the public and LSE jobbers
- some large financial transactions bypassed LSE

Some findings for Consols (CA) trading:

- 60 jobbers did almost all the general trading with the public
- on average, their holdings of CA were around £0.5 million, whereas CA capital was almost £400 million
- extensive “shadow banking” transactions, with some obvious suspects (the Rothschilds) playing prominent roles, but some very non-obvious ones (the Hoare bank) in the same range

More information, papers, and presentation decks:

<http://www.dtc.umn.edu/~odlyzko/>

or just google or bing “odlyzko”

with more to come soon

stock ledger images courtesy of
the Bank of England Archive