Financialization of the early Victorian economy and the London Stock Exchange

Andrew Odlyzko

School of Mathematics University of Minnesota odlyzko@umn.edu http://www.dtc.umn.edu/~odlyzko

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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

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 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

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COURSE OF THE EXCHANGE, &c. &c. Driginally Fublished by John Castalyn, in the Year 1687 : and now Fublished by authority of the Committee of the Stark Eschwage, BY JAMES WETENHALL, SWORN BROKER.

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1863

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500,000 Jan. and July.

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On TUESDAYS and FRIDAYS, at No. 13, COPTHALL COURT, THROGMORION STREET.

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Prices of Canals, Bock Stocks, Assurance Companies, &c. &c. To be had each day, at 5 o'clock, at the Printers', or delivered to Subscribers the same evening in London at £1: 10s, per Annum, and in the Country, free of Postage, £3per Annum.

LONDON, Tuesday, January 24, 1843.

Nº 12.960. MONDAY, Jun. 23. TUESDAY, Jan. 24. Course of Crchange. TUESDAY, Jan. 24. SATURDAY, Jan. 21. Dividends due. Government Funds. 5 Apr. & 10 Oct. BANK STOCK, div. 7 per Cent ... 1724 1721 a 3 1722 . 3 5 Apr & 10 Oct. 3 per Cent. Reduced 95% a 8 958 1 4 4 4 8 958 a 1 a 2 Amsterelam 12 24 h Jan. & 5 July. 3 per Ct. Consuls Annuities.... 943 ak a Ja 5 Short 17 3912 3 Ma. 12 3932 95a 41 = 5 a 41 a 51 a 41a5 941 a 5 a 41 Disto at Sight 12 56 5 Apr. & 10 Oct. 31 per Cent. Anns., 1818 Nothing done 1013 18 74 X4 3832 6 5 Jan. & 5 July. 3 per Cent. Annuities, 1726 Nothing done Nothing done Nothing done 5 Apr. & 10 Oct. 31 per Ct. Reduced Anns 1011 a 2 1021 0 2 102 a 3 Short 23 621 25 871 b Jan. & 5 July. New 31 per Ct. Anouities 1016 al al 101 atalatalat 101 a } 3 Ma. (25 87 1/25 90 Ditto 5 Jan. & 5 July, New 5 per Cent Nothing done Nothing done Shut Marseiller 25 5 186 5 Apr. & 10 Oct, Long Anns., Kypre ath Jan 1819 127 a 12 12:2 11 4 Bordenug 26 37 5 Apr. & 10 Oct, Appuities for 30 Years, Sap 10 Genetes Nothing done Nothing done 124 122 Frankfort on the Main 3 fis 5 Jan. & 5 July. Ditto ... 5th Jan. 1860 128 124 0 1 Petraby persitor Rubles Nothing done 翁石。 Berlin Cur. Doll. Ditto Expire 5th Jan, 1859 Nothing done Nothing done Nothing done 3 Mai 5 Jan. & 5 July. 10 % 10 4 10 1 10 2 Trieste dos 3 345 5 Jan. & 5 July. India Stock, div. 103 per Cent. 2613 a 2 2621 03 263 a 2 a 3 365 341 Madrid 35 31 Mar. & 30 Sep. Ditto Bonds, 34 per Cent..... 60s pm 585 a 60s pm 353 60s a 58s pm Calls anternan twee 36 h Jan. & 5 July, South Sea Stock, div. 34 per Ct Nothing done Bilboa 36 3.5 Nothing done 36 -Barcolona Nothing done 29.9 h Apr. & 10 Oct. Ditto Old Annuities, div. 3 per Ct 931 a 22 Nothing done -Serille 36 80 5 Inn, & 5 July, Ditto New Annuities, div. 3 perCt Nothing done Nothing done Nothing done 46 Gibraltar, p. Hard Doll. 6 Jan, & 5 July, 3 per Cent. Annuities, 1751 Nothing done 10 774 30 824 Nothing done 30 95 28 Legnorn Genoa 26 15 11 31 --Milan -Bank Stock for Acct, 23rd Feb. Nothing done 1724 Nothing done 12 1 Venice, p. 6 Aus. Linr. 3 p. Ct. Cons. for Acet, 24th Feb. 943 a fa fa 5 95 1 1 4 5 248 25 2 43 4:15 40 25 Naples Nothing done 120 0.05. Nothing done India Stock for Acct. 23rd Feb. | 2624 Palermo 38 Messuea Nothing done Likhon Canada Guaranteed Deben. 4 pr ct. Nothing done Nothing done 521 ab days sheets 25 -Rio Japeiro N.B And are unu-sity paid a few days Exchequer Bills, £1000.2d.&21d 65s a 3s pm -25 -44 663 a 48 a 68 pm Babla 64s a 6s pm _ 21 Bucuns Ayres 66s a 4s pm 64a a 6s pm 21 Acre signe Ditto£590. New York 464 64s a 6s a 4s pm 66s a 4s pm 46 65s a 3s pm Philadelphia 86 Ditto Advertised. GOLD AND SILVER. Foreign Gold in Bars, (Standard) Fer Ducce, £3 17 3 Foreign Gold in Coin, Spanish Doubloons 6 9 6 Portugal pieces 3 17 5 Public Securities of United States of America. Account of the Liabilities and armstroit the Bank of England on the scenage of Dis Quarter from the Dec ** ** ** ASSATS. 10 Guilder pieces 0- 0 0 ** ** ** Lundon Prices. | American Prices Halling a H1250.000 20 Franc pieces 9 9 9 ABOUNDE Dividenda Redneralle. JAN. 24. DEC. 30. Imperial Ducats 0 0 0 in Indiana 12 06 250,550,000 ** ** ** 500,000 May and Nov. Dutch Dugats 0 9 0 to the first Dec. 1842 215,215,UCO 1852 2000,000 Jan. and Jaby. 65 Alabama errerererer New Dollars 0 4 94 40 40 1888Sterling 3.500.000 | May and Nov. 1863 Silver in Bart, (Standard) 0 4 11 11 1,600,000 Jan. and July. 1861 66 Indiana 44 1861Sterling ×. 5 000,000 21 STOCKS. 1870 PRICES OF FOREIGN Hindis 18 65 1,000,000 a. Sterling 1870 24 8 1,250,000 1868 Jappary 24. January 21. Kentucky 1,800,000 I May and I Nov. LouisianaSterling 1848 Austrian Bonds, 5 pr. Ct. 10 Go. pr. £ Ster. A 833,334 44 1 May and I Nov. 15 7,060,000 Feb. and Amp. 150,000 May and Nov. Helgian Bonds, 5 per Cent. 1021ajat I April and I Oct. TE 7344114344 40.00 Brazilian Bonds 5 per Cent 74 74 I April and I Ust. 1853 65 309,600 April and Oct. Ditto Bonds 1829 & 1839, 5 per Ct, New 68 1867 ** ** 22 July 31527. 28 750,000 April and Oct. 3,000,000 Jan. and July. ----.... 1859 Buenos Acres Bonds, 6 per Cent. 5 Mar. and 5 Sept. Maryland 10.00 Cuba Bouda, 6 per Centerraneer " Sterling Mar. & Sept. 1000000 Jan. and Joly 75 Chilian Bonds, 6 per Cent. -Massachusett ----300,000 April and Oct. 90 5,000,000 Jan. and July. 44.00 ss Sterling Ditto 3 per Cent. Deferred

Columbian Bonds, 6 per Cent.

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15 January, 1825.

report of 1842 Royal Commission on Exchequer Bills forgery

• unparalleled view of internal operations of the LSE

• early example of social network analysis

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EXCHEQUER BILLS FORGERY.

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LONDON:

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

1842.

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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 Andrew Odiyzko (sl mancialization of Cardination of Cardinatio of Cardination of Cardinatio of Car

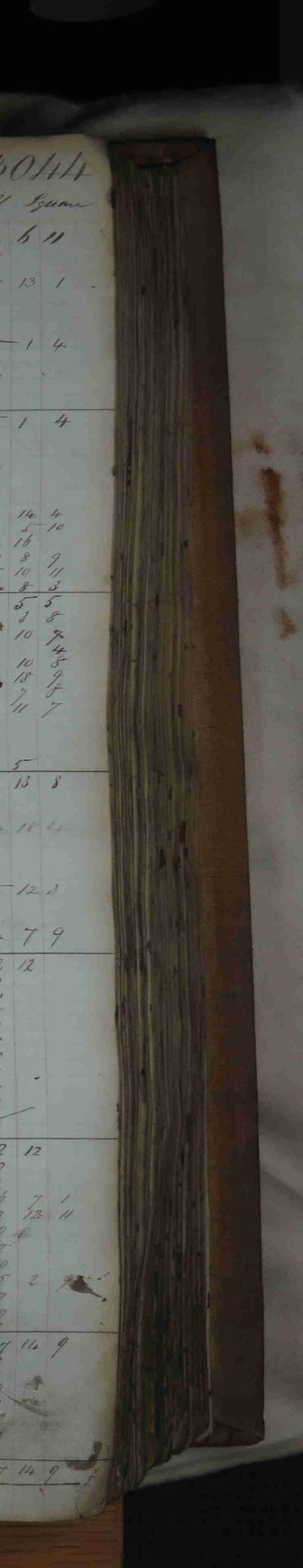
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brokers brought in business from outside clients

 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

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OF THE

Commercial and Agricultural Interests

OF GREAT BRITAIN.

To which is added,

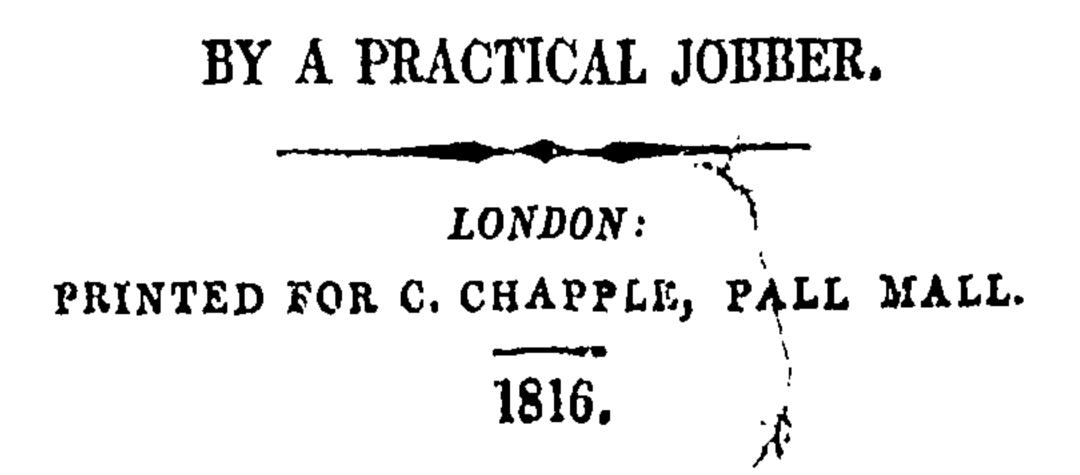
A POSTSCRIPT,

Containing Considerations on the Legality of the Prosecution

against Lord Cochrane and Others:

WITH ANNOTATIONS AND A GLOSSARY.

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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
- \bullet only 1/3 of value of transactions was between the public and LSE jobbers

• some large financial transactions bypassed LSE Andrew Odlyzko (srinancialization of

Some findings for Consols (CA) trading:

60 jobbers did almost all the general trading with the public

 \bullet 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

$http://www.dtc.umn.edu/{\sim}odlyzko/$

or just google or bing "odlyzko"

with more to come soon

stock ledger images courtesy of the Bank of England Archive