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From Market to Exchange, 1693–1801

Market Place

There existed in London a securities market long before a formal stock exchange was ever established. As far back as the sixteenth century there is evidence of the buying and selling of shares, belonging to the few joint-stock companies then in existence. Though private negotiation between owner and purchaser was the normal means by which sales were accomplished, the growth in both the capital and the investors involved did lead to the use of public auctions. However, the ownership of shares remained concentrated within a very small group of wealthy individuals, and so there was little need for intermediaries to bring buyers and sellers together, and no justification for expensive and elaborate markets where business could be conducted on a frequent and regular basis. Typifying the time was the existence of the scrivener who combined in himself all the functions that would be performed later by the banker, lawyer, accountant, estate agent, and stockbroker. Land not securities formed the basis of investment before 1700, and credit not capital the principal object of finance.[1]

It was really not until the late seventeenth century that changes began to occur in the London securities market. There had already come into existence such substantial joint-stock companies as the East India Company before a flurry of activity in the 1690s transformed both the number and the capital. Before 1689 there were only around 15 major joint-stock companies in Britain, with a capital of £0.9m., and their activities were focused on overseas trade, as with the Hudson's Bay Company or the Royal African Company. In contrast, by 1695 the number had risen to around 150 with a capital of £4.3m. Though foreign trade remained significant, there had been a significant broadening of areas of interest, with domestic projects rising to the fore, as with banking and water supply. It was in 1694 that the Bank of England was formed.[2]

[1] W. R. Scott, *The Constitution and Finance of English, Scottish and Irish Joint-Stock Companies to 1720* (Cambridge 1910–12), i. 44, 155, 161; A. C. Coleman, 'London Scriveners and the Estate Market in the Later Seventeenth Century', *Ec. H. R.* 4 (1951/2), 230.

[2] K. G. Davies, 'Joint-Stock Investment in the Later Seventeenth Century', *Ec. H. R.* 4 (1951/2), 288, 291–2; Scott, *Constitution and Finance*, i. 460.

As a result of these developments there was a substantial increase in both the number of investors and the value of their holdings. Whereas before 1690 most joint-stock companies possessed a small capital provided by a closely connected group of shareholders, in that decade there did appear a number of well-capitalized concerns whose securities were widely held. The Bank of England, for example, obtained its capital of £1.2m. from 1,509 investors in 1694, or an average of £795 from each, whereas the Royal African Company, formed in 1671, raised £0.1m. from 200 subscribers, or £500 from each. Though individuals had already begun to appear who took a particular interest in the buying and selling of securities, either for others or on their own behalf, it was the 1690s that saw the emergence of specialized brokers and jobbers. Previously, with the number of securities in existence limited, and those held by a small number of people, turnover was both too low and too intermittent to justify the attentions of specialized intermediaries such as stockbrokers, or more than the occasional attentions of a dealer, or stockjobber, trading on his own account.[3]

Clearly the development in joint-stock company formation at the end of the seventeenth century had placed the securities market on a permanent and more substantial basis than before, and the focus of that market was London. It was in London that the richest members of society were concentrated, whether their wealth came from land or trade. Even the Scottish Company—the Company of Scotland trading to Africa and the Indies (Darien Company)—which was formed in 1695 expected to raise half its capital there.[4]

Similarly, of the first 500 subscribers for the shares being issued by the Bank of England, some 450 lived in London, and this was typical of the position for other major joint-stock companies at the time. There now existed a small number of companies that were fundamentally different in scale and nature from the joint-stock undertakings of the past. They had been, essentially, large partnerships with only a limited turnover in their nominally transferable securities. Instead there now existed stocks and shares that were regularly bought and sold publicly in sufficient amount, to justify the publication of current price lists and to attract the attentions of those willing to carry out such transactions on commission or be willing to buy or sell in the expectation of reversing the deal at a profit. For example, it was estimated that in 1704 turnover in the shares of the Bank of England and the East India Company totalled £1.8m., or 85 per cent of the combined paid-up capital of the two concerns.[5]

[3] Davies, 'Joint-Stock Investment', 292, 294–6.

[4] Scott, *Constitution and Finance*, ii. 210, iii. 478–9.

[5] E. V. Morgan and W. A. Thomas, *The Stock Exchange: Its History and Functions*, (London 1961), 14, 17; P. Mirowski, *The Birth of the Business Cycle* (New York 1985), 272; L. Neal, *The Rise of Financial Capitalism: International Capital Markets in the Age of Reason* (Cambridge 1994), i. 275, 279, 281; P. G. M. Dickson, *The Financial Revolution in England: A Study in the Development of Public Credit* (London 1967), 466, 490, 529–30; L. D.

In the early eighteenth century company shares continued to be an important driving force behind the expansion of the securities market in London. New companies were formed, expanding the amount of securities to be traded and the number of interested investors. During the speculative mania of 1719/20—the South Sea Bubble—some 190 new joint-stock companies were proposed. They expected to raise £220m. from an investing public convinced that the application of the joint-stock form to all areas of the economy would bring untold riches to their shareholders. Though most came to nothing, before the belief was shattered there was great activity in the securities market as shares changed hands at greatly inflated prices. Share prices more than doubled between 1719 and 1720 before collapsing by two-thirds by 1722. More lasting were the longer established concerns such as the Bank of England, which had attracted 4,837 investors by 1726.[6] However, corporate securities were not to be the foundation upon which the London Stock Exchange was built, despite their early significance. The problem was that business required to be both financed and managed and the joint-stock form, where ownership and operation were divorced, was inappropriate for most areas of the economy at that time. In such major sectors as agriculture and manufacturing the level of individual capital required was low but the need for personal involvement was high. The use and supervision of labour rather than the mobilizing of capital was what was crucial, and this was best achieved on an individual, family, or partnership basis. It was only in novel areas, like the development of trade to distant and unknown lands, like India, Africa, or Canada, that the joint-stock company could make a special contribution by raising a substantial capital and spreading the risk. Consequently, though the late seventeenth and early eighteenth century did see the widespread experimentation with the use of the joint-stock form in business, few of the companies survived outside trade and banking. Subsequently, the use made of joint-stock companies remained very low until the late eighteenth century. Though the Bubble Act, passed in 1720 and not repealed until 1825, did outlaw joint-stock companies, unless specifically permitted by Parliament, it is most unlikely that this was the explanation for the unpopularity of joint-stock companies after 1720. In Scotland, for example, where the Bubble Act was considered not to apply, the joint-stock company was also little in evidence outside banking and trade. Also when an area of business did appear in the late eighteenth century, for which the joint-stock company was ideal, namely the canal, many were promoted, obtained a charter, and attracted the interest of investors. Similarly, many businesses were operated as large-

Schwartz, *London in the Age of Industrialisation: Entrepreneurs, Labour Force and Living Conditions, 1700–1850* (Cambridge 1992), 226, 233.

[6] J. H. Clapham, *The Bank of England, 1694–1914* (Cambridge 1944), 281; B. R. Mitchell, *British Historical Statistics* (Cambridge 1988), 687.

scale partnerships no different in form from joint-stock companies but lacking any form of legal recognition.[7]

The real foundation of the securities market, that eventually led to the formation of the London Stock Exchange, took place in the year 1693 when the government, for the first time, borrowed by creating a permanent debt that was transferable. Previous to that the government's borrowings had been on a short-term basis, with the debt being either redeemed or refinanced, depending on the state of national finances, when it became due. Those who held this permanent debt now required a market where they could sell it, if they wanted to realize the funds that they had invested, in the same way as holders of joint-stock company shares did. The success of this issue was quickly followed by a series of private-sector initiatives in which joint-stock companies swapped the capital they raised from their shareholders for largely unmarketable government debt. As a result the government got its debt permanently funded, in return for regular interest payments, and so avoided the possibility of crisis when it tried to renew its borrowings. Conversely, the investor got a safe and remunerative investment that was readily saleable, in the form of shares in a joint-stock company whose principal asset was its holdings in government debt. The Bank of England, when formed in 1694, paid over its entire capital of £1.2m. to the government in return for a regular payment of £50,000 every six months, as well as exclusive banking privileges. Similarly, the East India Company lent its entire paid-up capital of £3.2m. to the government in 1708, as did the South Sea Company in 1711.

Altogether, by the middle of the eighteenth century the Bank of England, East India Company, and the South Sea Company had lent some £42.8m. to the government. As a result their shares were being valued by investors not so much for their banking or trading success and prospects but simply as a variety of government debt. From 1717 onwards the government itself was increasingly conscious of the advantages to be gained from having all its borrowings in a fully funded form, as the need to finance a succession of wars placed a continuing burden on normal government finances. A major cause of the South Sea Bubble was the climate of speculation fostered by the conversion in 1717 of government debt from a floating to a permanent basis, as this was then imitated by joint-stock companies. Eventually, in 1749 the government consolidated most of its remaining borrowings into one single loan, paying a fixed rate of interest of 3 per cent per annum, known as 3 per cent consols. The result was that, whereas in

[7] P. Mirowski, 'The Rise (and Retreat) of a Market: English Joint-Stock Shares in the Eighteenth Century', *J. Ec. H.* 41 (1981), 577; M. Patterson and D. Reiffen, 'The Effect of the Bubble Act on the Market for Joint-Stock Shares', *J. Ec. H.* 40 (1990), 163, 171; R. C. Michie, *Money, Mania and Markets: Investment, Company Formation and the Stock Exchange in Nineteenth Century Scotland* (Edinburgh 1981), 7; A. B. Dubois, *The English Business Company after the Bubble Act, 1720–1800* (New York 1938), 11–12, 34, 36, 38–40, 217, 219, 222, 225.

1691 the government owed £3.1m., none of which was funded, by 1750 it owed £78.0m., 93 per cent of which was permanently funded.[8]

As short-term government debt was little traded, being kept for redemption, but long-term debt was regularly bought and sold as the only means of disposing or acquiring it, the effect on the securities market was enormous. There now existed a large and permanent mass of securities in which there was a substantial and regular turnover. It is calculated that registered transfers in Bank of England, East India Company, and Government Stock, which fluctuated at between 1,000 and 6,000 per annum between 1694 and 1717, rose to 17,172 in 1718—the year after the conversion—and then reached 21,811 in 1720, before collapsing as the speculative boom died away. Even then transfers averaged between 4,000 and 7,000 per annum for the rest of the 1720s, through the 1730s, and into the 1740s, before peaking at the 25,000 level in 1749/50. It then fell back again but by then 20,000 transfers a year had become standard, suggesting a solid underlying volume of trading in the London securities market. Clearly this was the bedrock upon which an organized and established securities market could be built.[9]

With government consistently honouring its debts, and the payments it had to make upon them, and a market in existence whereby this debt could be bought or sold with little difficulty, transferable securities were an increasingly desirable investment in the eighteenth century. They attracted the interest of wealthy individuals like the Marlborough family or institutions such as the emerging insurance companies. Insurance companies or societies, for example, increased their investments from *c.*£0.3m. in 1720 to *c.*£4m. in 1800, by which time around 80 per cent was in securities, largely those issued by the government.[10] As Fairman, the accountant for Royal Exchange Assurance, explained in the 1790s:

> The regular payment of the interest on the government funds, and the number of persons in this country preferring the interest they afford to the hazardous profits of trade, occasion continual purchasers for those shares in them which are brought to market for sale. The facility, also, and trifling expense, with which transfers are

[8] Dickson, *Financial Revolution*, 466–7, 529–30; Mirowski, 'Rise and Retreat' 560–2; Clapham, *Bank of England*, i. 19–20; A. C. Carter, *Getting, Spending and Investing in Early Modern Times* (Assen 1975), 127; H. V. Bowen, 'Investment and Empire in the Later Eighteenth Century: East India Stockholding, 1756–1791', *Ec. H. R.* 42 (1989), 188; H. V. Bowen, 'The Bank of England During the Long Eighteenth Century, 1694–1800', in R. Roberts and D. Kynaston (eds.), *The Bank of England: Money, Power and Influence 1694–1994* (Oxford 1995), 9.

[9] Dickson, *Financial Revolution*, 529–30; A. C. Carter, *The English Public Debt in the Eighteenth Century* (London 1968), 4–5, 18, 23; R. D. Richards, 'The Bank of England and the South Sea Company', *Economic History*, 2 (1930–3), 357–8; A. H. John, 'Insurance Investment and the London Money Market of the Eighteenth Century', *Economica*, NS 20 (1953), 138–40.

[10] Dickson, *Financial Revolution*, 482, 489, L. S. Pressnell, *Country Banking in the Industrial Revolution* (Oxford 1956), 417; Carter, *Getting, Spending*, 17.

made in these funds, are inducements to prefer vesting money in them to laying it out on mortgages or other private security, which, though probably yielding a greater interest, is frequently attended with trouble and uncertainty.[11]

Generally, by 1760, when the National Debt stood at £101.7m. there were an estimated 60,400 holders, of whom the great majority were to be found in and around London. Around 69 per cent of all transfers of government and Bank of England stock in 1755 were on behalf of Londoners, with a further 10 per cent being done for those resident in the immediate vicinity.[12]

Organization

Within London this securities market had a definite location as early as the 1690s. Having begun in the Royal Exchange, where all manner of commodities were traded and deals struck, it had gravitated to the street and coffee houses of the neighbouring Exchange Alley. Here in coffee houses such as Jonathan's or Garraways potential buyers and sellers could meet and agree terms. However, with the growing number and type of securities, the likelihood of matching exactly the requirements of both buyer and seller at one particular time receded. One solution to this was the use of an auction, where all interested could bid for the securities on offer. These appear to have been a regular occurrence at Garraways. The problem with an auction was that it suited the needs of the vendor—to dispose of what they owned—but it did not allow a potential purchaser to make known his requirements.[13]

Another solution was intermediation, with individuals being entrusted with the task of finding buyers or sellers on behalf of clients who wished to dispose of or purchase securities. In return the intermediary received payment for the time and effort involved. Clearly by 1700 such intermediaries—or stockbrokers—had come into existence though it is doubtful if any wholly specialized in the business. They were easily recruited, frequently combining stockbroking with the other tasks that they conducted for wealthy customers. Bankers, goldsmiths, or the clerks who registered changes of ownership in the Bank of England or the East India Company, were all obvious candidates to add the new profession of stockbroking to their list of activities. Certainly, whatever the occupation they came from the number of stockbrokers appeared to have grown rapidly in the 1690s as the government tried to restrict the total to 100 by a law passed in 1697.

[11] W. Fairman, *The Stocks Examined and Compared* (London 1798, 3rd edn.), 2.

[12] Carter, *Getting, Spending*, 19, 67, 76; Dickson, *Financial Revolution*, 489, 514, 529–30; Bowen, 'Investment and Empire', 201; Neal, *Financial Capitalism*, 93, 96.

[13] Dickson, *Financial Revolution*, 490–4, 499, 507–11; Neal, *Financial Capitalism*, 33; Carter, *Getting, Spending*, 73, 91, 125, 127, 134, 136; S. R. Cope, 'The Stock Exchange Revisited: A New Look at the Market in Securities in London in the Eighteenth Century', *Economica*, 45 (1978), 2–3.

This proved completely ineffective and the number of brokers continued to grow along with the market itself, with individuals being attracted either from other occupations in London or from other parts of Britain and abroad. Benjamin Cope, a stockbroker in London from 1733 had been a hosier while George Middleton arrived from Aberdeen and acted as a stockbroker in London in 1720, along with being a banker and goldsmith. Edmund and Philip Antrobus came from Congleton in Cheshire, and set up as stockbrokers in London in the 1770s. There was also a significant Dutch contingent who brought great expertise to London as Amsterdam was the leading securities market in the world at the time. One such was Abraham Ricardo who arrived in London around the year 1759, having been sent there by his father—Joseph—who was a successful stockbroker in Amsterdam. At the same time the profession of stockjobber or dealer became increasingly professional as wealthy individuals used their money or holdings of securities to buy and sell in the expectation of quickly reversing the deal at a profit. Samson Gideon, for example, the son of a London West India Merchant became a jobber in 1719 with a capital of £1,500 which had grown to £350,000 by 1759.[14]

Thus, fairly early in the eighteenth century there existed a group of individuals in London who made at least part of their living by handling the buying and selling of stocks and shares, on behalf of those who had neither the time, knowledge, opportunity, or inclination to do it for themselves. Nevertheless, stockbrokers could only arrange sales or purchases on behalf of clients when willing buyers or sellers could be found. For many securities this was no easy matter as the number of existing shareholders or interested investors were small, so restricting the potential to arrange a deal. In turn, this would reduce the incentive of individuals to specialize in stockbroking, rather than the other opportunities available to them in finance or trade. However, in the securities issued by the Bank of England, East India Company, or South Sea Company, plus the funded debt of the government, the possibility of easily and continually matching buyers and sellers was much greater because of the amount in existence and the number of investors involved. Furthermore, as it was the government that provided the final guarantee of payment, whether interest or dividend, all these securities were, to an extent, interchangeable. Hence investors looking for a safe and remunerative investment, secured on a trust in the government to service its borrowings, could be satisfied by any one of a number of securities that might be offered for sale. Consequently, as more and more

[14] E. Healey, *Coutts and Company, 1692–1992: The Portrait of a Private Bank* (London 1992), 45, 51; M. C. Reed, *A History of James Capel and Company* (London 1975), 1–3, 11–12: D. Wainwright, *Government Broker: The Story of an Office and of Mullens and Company* (East Molesey 1990), 1, 9; C. Wilson, *Anglo-Dutch Commerce and Finance in the Eighteenth Century* (Cambridge 1941), 97, 111, 116, 195; D. Weatherall, *David Ricardo: A Biography* (The Hague 1976), 3; Scott, *Constitution and Finance*, i. 345; L. Sutherland, *Politics and Finance in the Eighteenth Century* (London 1984), 387–9.

of the business of the securities market was composed of the buying and selling of government or related securities, it encouraged individuals not only to enter stockbroking but to specialize in it because of the steady income available, as well as the occasional bonus during a speculative boom. Despite that situation, when Edmund Antrobus was offered a partnership in the West End banking firm of Coutts & Co. in 1777 he gave up the stockbroking business he had established, leaving it to his brother Philip.[15]

This securities market became increasingly sophisticated in the eighteenth century, stimulated not only by the underlying growth of turnover but also by the arrival of Dutch Jews and French Huguenots who introduced continental practices. Even before 1700 buy/sell options were in use as was dealing for time. This became more refined in the eighteenth century with the custom of making deals for a month or more ahead, encouraged by a government attempt to reduce speculation by banning options in 1734. The ban on options had little effect but the use of a fixed date in the fixture, by which all stock had to be delivered and paid for, became standard practice in the London securities market. By the 1780s six-weekly settlements appear to have been in use, though by no means all bargains were done for time. Many transactions were also for cash or for varying periods depending on the preferences of buyer and seller. Nevertheless, the popularity of dealing for time also led to the use of other techniques such as continuation and backwardation. With continuation—or rescounters—a purchase could be continued from one settlement to the next by the payment of the difference in price between that prevailing when the deal was struck and that at the settlement date. Thus the buyers could delay payment of the purchase price at small cost until either the requisite funds became available or the price rose so as to make a profitable sale possible. Conversely, with backwardation the delivery of the stock whose sale had been agreed could be delayed until the next settlement date, for the similar payment of the price difference. The vendor could thus postpone handing over the securities in question until they became available, either from the client or through a price fall so that they could be bought in the market at a favourable price. Essentially, as these techniques and practices evolved in the eighteenth century, the securities market became better at meeting the varied needs of investors, ranging from those who simply wanted to buy or sell for immediate effect to those who sought to profit from a cycle of either rising or falling prices.[16]

Greatly assisting the flexibility of the market was the appearance, from

[15] Reed, *Capel and Company*, 1–3; Healey, *Coutts and Company*, 110.

[16] Cope, 'The Stock Exchange Revisited', 8–10, 12, 15, 17; C. F. Smith, 'The Early History of the London Stock Exchange', *American Economic Review*, 19 (1929), 207–8, 213; Dickson, *Financial Revolution*, 507, 510; S. R. Cope, 'The Goldsmids and the Development of the London Money Market during the Napoleonic Wars', *Economica*, NS (1942), 181, 201.

about 1700 onwards, of specialized dealers or jobbers, who bought and sold securities on their own account, and not for clients. Jobbers either employed their own money to buy securities in the expectation that the price would rise—and they could be sold at a profit—or had extensive holdings of stocks and shares available, which could be sold in the expectation that the price would fall, and they could be repurchased at a lower price—hence a profit would be generated. Between 1708 and 1755 a total of some 43 dealers in securities operated in the London market at various times. One, for example, was William Sheppard, a banker and goldsmith, who operated in Bank of England stock. In 1700 his 278 purchases and 371 sales of bank stock amounted to *c.*£0.5m. and represented a fifth of all such registered transfers. Similarly in 1754 William Cotsford made 870 purchases and 868 sales of 3 per cent consols, worth £0.6m. in total, and accounting for over one-third of all such transfers.[17]

These actions of the jobber, which were governed simply by self-interest and the desire for profit, made a major contribution to the London securities market. By being willing to either purchase or sell securities, without the prospect of immediate repurchase or resale, these jobbers were instrumental in creating a ready market for both securities and money in London. Those investors who wished to sell stocks could find a willing buyer—if the price was right—while those who wished to invest their money met with an available supply of securities—if the price was right. Naturally enough, jobbers were only willing to operate in the largest and most actively traded securities, like those issued by the government, as only in these could they have the expectation of reversing the deal reasonably quickly and safely, and so turn over their money and securities enough to generate a worthwhile return without accepting undue risks. Consequently, unlike many other types of investments, like property or mortgages, securities were more akin to short-term investments like bank deposits or 30- to 90-day bills of exchange, when they possessed an active secondary market serviced by jobbers.

It was this continuous buying and selling that astonished, and even appalled, contemporaries as they could not understand what lay behind it. As early as 1716 one anonymous contemporary had written a vitriolic attack on the securities market in general and stockjobbers in particular.

> From this corruption of companies in Trade, breeds the vermin called stockjobbers, who prey upon, destroy, and discourage all Industry and honest gain, for no sooner is any Trading Company erected, or any villainous project to cheat the public set up, but immediately it is divided into shares, and then traded for in Exchange Alley, before it is known whether the project has any intrinsic value in it, or no, . . . If a design was never so solid to promote Industry and Trade, stockjobbing will eventually damn it in its infancy.

[17] Dickson, *Financial Revolution*, 494, 497, 511; Davies, 'Joint-Stock Investment', 294–5.

This writer even went so far as to demand the banning of transferable securities as the 'Buying and selling of shares, transferring or stockjobbing, ruins, and is a bane to all Honesty and Industry'.[18] Familiarity with the securities market did not necessarily lead to greater understanding.

Thomas Mortimer, writing in 1761 could see no role for either stockbrokers, apart 'for the conveniency of the ladies . . .', or the even worse stockjobbers, on whom he blamed the fluctuations in the value of government stock.[19]

Even at the end of the eighteenth century it is doubtful if most contemporaries had any greater knowledge of the function of the securities market, and its intermediaries, than was possessed at the beginning.

In *The Picture of London*, published in 1802, the curious stranger was encouraged to visit the rotunda of the Bank of England '. . . for the throng, the hurry, the seeming confusion, and the busy eager countenances, he will perceive there . . . although he comprehends nothing of the detail . . .'.[20] To most interested observers securities were no different from other forms of property, which were sold through extended negotiation and with little variation of price from year to year. Land or property for example, were sold for the rent they would bring, and that was fixed by the terms of the leases that the farmers or occupants had signed. In these cases a lawyer was of more value than a broker or dealer. However, those who bought, held, or sold securities in the eighteenth century did so for a variety of reasons, and only one of these was long-term investment for a permanent income.

Clearly, for many eighteenth-century investors the transferable nature of stocks and shares was of little significance as they bought and held their securities for either the regular and safe return it brought, as with government debt, or the prospects of windfall gains it offered, such as in the case of the small number of joint-stock companies. Among investors in East India Company Stock, for example, there were many who were content to receive their annual dividend payment without altering their holding by sales or purchases. An estimate for January 1767 suggested that as many as 44 per cent of those holding East India Company Stock were of this kind. To the passive investor government or related securities were very attractive as they could be easily acquired in variable amounts and when needed, and required no subsequent management. During the eighteenth century there developed an inverse relationship between investments in landed property and the purchase of government debt. When government borrowing was high as a result of foreign wars and military expenditure, as in the 1740s and 1770s, investors switched away from purchases of land and, instead, bought national debt. In contrast, in periods of peace, when

[18] *Thoughts on Trade and a Public Spirit* (London 1716), 4, 16–17.

[19] Thomas Mortimer, *Everyman His Own Broker or A Guide to Exchange Alley* (London 1761, 2nd edn.), pp. xi, 17, cf. Carter, *English Public Debt*, 23.

[20] *The Picture of London* (London 1802), 107.

government borrowing was low, there was strong interest amongst investors in the yield offered by land holdings, and so purchases and prices increased. Gains made, for example, as government securities rose in prices after a war, encouraged holders to sell out and switch their funds into land.

Increasingly, investors came to regard government debt and landed property as alternatives to each other. Increasingly, the safety, convenience, and liquidity of National Debt attracted investors who, in the past, might have placed their funds into land. London insurance companies gradually turned away from mortgages and land, towards government debt because of the greater ease of realizing securities when a shipping loss or major fire required a large and immediate payment to a policy-holder.[21]

While the yield on government debt was low it was both almost risk-free and easily realizable. Land and property could offer a higher rate of return but sales could take time to arrange, which was completely unsuitable if money was required quickly, as could be the case with a bank or insurance company. Similarly, sums lent by way of mortgages on property were not immediately recoverable if the owner was not able to repay and the assets had to be sold. Bank deposits also offered great flexibility but they were not without risks. During the 1720–1790 period a total of 82 private banks went bankrupt, or more than one every year, and this included 58 in London itself.[22]

To long-term investors all that was required was a means by which acquisitions or disposals could be made with little trouble or expense and as expeditiously as possible. Options, continuations, backwardations, and fluctuating prices, were of little concern to them. If investors had all been of this kind then there would have been little pressure for the development of a large and sophisticated securities market in London. Brokers would have been needed to match buyers and sellers at an acceptable price, considering the growing number of investors, but there would have been little scope for jobbers as the volume of turnover would be too low to provide them with an income. In turn, without jobbers the ability to buy or sell stocks and shares, at the time and in the amount required, would have been seriously affected, so undermining the attractions of securities to investors compared to other investments. Thus, though long-term investors made only infrequent and partial use of the ready market for securities the very existence of that market was an important influence in persuading them to place their savings in stocks and shares in the first place. The fluctuating

[21] Bowen, 'Investment and Empire', 199; Carter, *English Public Debt*, 18; C. Clay, 'The Price of Freehold Land in the Later 17th and 18th Centuries', *Ec. H. R.* 27 (1974), 184, 186; B. A. Holderness, 'The English Land Market in the 18th Century: The Case of Lincolnshire', *Ec. H. R.* 27 (1974), 559, 562–3; C. G. A. Clay, 'Henry Hoare, Banker, His Family and the Stourhead Estate', in F. M. L. Thompson (ed.), *Landowners, Capitalists and Entrepreneurs* (Oxford 1994), 117, 132; P. K. O'Brien, 'The Political Economy of British Taxation, 1660–1815', *Ec. H. R.* 41 (1988), 2, 4; John, 'Insurance Investment', 147.

[22] Pressnell, *Country Banking*, 536.

prices emanating from the market were a public manifestation to all that securities could be readily bought and sold, and thus an inducement to either subscribe to new issues or to purchase additional or different stocks being sold by others.

Luckily for the development of the market the transferable nature of securities was attractive to other investors. Obviously there were those who were always willing to speculate by buying for a rise or selling for a fall. However large-scale activities of this kind were of a spasmodic nature, as with the South Sea Bubble of 1720, and were hardly the basis upon which professionals like brokers and jobbers could expect to make a permanent and prosperous living. Instead, there were other investors who saw in transferable securities not some form of permanent investment but a temporary home for available funds. Merchants in London, for example, could employ funds released through sales, and not yet tied up in new stock, in buying securities which would be later sold when the funds were required. As securities reached the date at which interest and dividends were paid they rose in value to take account of the money their holders would receive. By buying for cash and selling for time it would be possible to take advantage of this fact on a relatively risk-free basis, and receive a modest profit as a result. That was only one of the ways that the ability to buy and sell quickly in the securities market, and at little cost, made it attractive to investors who were not in a position to lock savings away for a long period, as with property and mortgages.

Before the eighteenth century, temporarily idle funds would not have been attracted to long-term debt. Instead merchants, bankers, and others with cash not yet tied up in business or loans would purchase short-term bills or bonds with the expectation of holding them until the date when payment became due. Bonds issued by the East India Company to finance its trade, as well as the variety of short-term securities created by government to meet its differing financial needs, were ideal homes for temporarily idle funds. However, as the government increasingly converted its debt from a short- to a long-term basis, and provincial banks appeared providing credit for their local business communities, many of the obvious openings for temporary funds disappeared. This was where the transferable nature of the National Debt, and the market that existed to facilitate its buying and selling, became all important. To the issuer of the securities the debt created was permanent, but to the holder the ability to sell quickly rendered it temporary, and thus a suitable and remunerative home for short-term funds.[23]

What made this a widespread occurrence in the eighteenth century

[23] John, 'Insurance Investment', 140; D. M. Joslin, 'London Private Bankers, 1720–1785', *Ec. H. R.* 7 (1954/5), 171, 184–6; D. Hancock, '"Domestic Bubbling": Eighteenth-Century London Merchants and Individual Investment in the Funds', in *Ec. H. R.* 47 (1994), 682–3, 690, 695–6.

was the development of the banking system as it greatly increased the volume of funds that were available for only short-term investment. Depositors expected to be able to withdraw their savings from a bank at their own convenience. However, banks could not force repayment of loans from those to whom they had lent the money. Loans could be tied up in unsold stocks of goods, for example, or in payments for raw materials. Consequently, banks had to maintain a margin between the funds they attracted in as deposits and those they lent out by way of loans. Unfortunately for the bank this margin—or idle balance—generated no income, making it necessary to charge a higher rate of interest on the amount that was lent and accept a higher level of risk as borrowers sought to service that debt. If the idle balance could be remuneratively employed, while at the same time remaining readily available to repay depositors, not only would banks charge lower rates of interest but the level of risk would be lower. In turn, fewer banks would collapse due to bad debts and panic withdrawals by depositors, and so more savings would be placed in the hands of bankers, greatly expanding the supply of credit available in the economy.

During the eighteenth century the practice grew up of banks, directly or indirectly, employing part of their idle balance in transferable securities. Either by investing directly in government or allied debt or lending to those that did, banks increasingly provided the funds that underpinned the growth of the London securities market. The stockbroker Edmund Antrobus, for instance, was largely employed by the West End bank of Coutts & Co. to buy and sell government stock on behalf of the bank and its customers from 1777. In 1786 around half of his firm's business, totalling £413,624, was from Coutts. Also it was not just London bankers who employed London brokers, for even provincial banks did so. The Worcester bankers, Berwick & Co., employed James Pilliner, a London stockbroker, from 1782. Between 1782 and 1787 Pilliner's buying and selling operations in, mainly, government stock averaged *c.*£150,000 per annum for that bank. More commonly, provincial banks deposited part of their idle balances at short notice with a London private banker, who paid interest upon it. In turn London bankers employed part of those funds in the securities market, through their broking connections there. As deposits that could be withdrawn at short notice paid a lower rate of interest than the irredeemable National Debt, the London banker could profit by purchasing government securities with depositors' funds. Without the existence of a market where these securities could be readily bought and sold, plus the growing sophistication of the operations conducted there, the risk involved in holding permanent debt with near-liquid funds would not have been sustainable. Consequently, what developed in the eighteenth century was the practice of banks but also of insurance companies and others, investing short-term funds in securities or lending to brokers and jobbers so that they could.[24]

Consequently, much of what the public saw as unnecessary speculation—and dismissed as such—was but the means necessary to ensure that bankers and others could employ short-term funds in long-term loans. As with a bank itself, where there was a continuous ebb and flow of funds as different customers deposited and borrowed, so the securities market witnessed continuous buying and selling of the most popular securities, reflecting supply and demand conditions in the money market.[25] Thus, though the London securities market was not directly involved in the provision of finance for economic growth in the eighteenth century, its ability to provide a large and remunerative outlet for short-term funds, for which it would be difficult to find an alternative use, did contribute to the maintenance of relatively low interest rates at the time and did give some partial stability to the emerging banking system. It also meant that the government could obtain the finance it required to wage war without putting such a strain on the capital market that productive areas of the economy would be disadvantaged. In the course of the eighteenth century, the London securities market thus became an integral part of both the nation's capital market, through the finance of the National Debt, and the money market, with the home it provided for bankers' balances. By expanding the supply of credit and capital, and facilitating the financial integration of the economy, the securities market made a significant contribution to eighteenth-century economic growth, though never central to the process.[26]

Internationally, the London securities market also played a role. During the eighteenth century it was the Dutch who were the major international investors, as well as large traders, and so it was through Amsterdam that flowed the currents of the world's payments system. The European economy was continuously moving away from a system where international payments were only in gold and silver currency and goods had all to be taken to and from specific locations where they could be traded. Instead, multilateral systems of payments and the use of credit were becoming standard practice. Inevitably this involved the continuous adjustment of balances between countries. At a time when internal currencies were denominated in terms of gold and/or silver this could be done in terms of the movement of metal. This was an expensive and time-consuming procedure much of

[24] Reed, *Capel and Company*, 11–12; Healey, *Coutts and Company,* 113; Pressnell, *Country Banking*, 36, 18, 76, 83, 85–6, 259–60, 264, 401, 412, 415, 417, 428, 431–2.

[25] Fairman, *Stocks Examined*, 20; R. W. Wade, *The Stock-holder's Assistant*, (London 1806), pp. iii, vi.

[26] J. Hoppit, *Risk and Failure in English Business* (Cambridge 1987), 63–4, 69–70, 133–4; M. Buchinsky and B. Polak, 'The Emergence of a National Capital Market in England, 1710–1880', *J. Ec. H.* 53 (1993), 18; B. L. Anderson, 'Provincial Aspects of the Financial Revolution of the Eighteenth Century', *B. H.* 2 (1969), 11, 18, 21; B. L. Anderson, 'Money and the Structure of Credit in the Eighteenth Century', *B. H.* 12 (1970), 85, 91.

which could be unnecessary as the balance of payments ebbed and flowed with shipments made and received. Instead, if a mechanism was in place which would match international credits and debits, even on a bilateral basis, then the transport of precious metals would only be required to settle the final balance, not every transaction. It was this service that merchant bankers, with connections and operations in two or more countries sought to provide. Essentially, a merchant banker not only provided the credit that international trade required, as payment was awaited on goods shipped, but also made available the means of payment at the place where it was required.

Thus, a market developed in the credits and debits arising from international commerce, and the securities market became a part of it by at least the middle of the eighteenth century. Foreign holdings of the National Debt, for instance, rose from 9 per cent in 1723/4 to 15 per cent in 1750, and most of this was Dutch. By then there was an active market in British government and related securities in Amsterdam as well as in London. As a result of this debt, and the market it produced, debits and credits could be produced in either London or Amsterdam which could be used to meet the needs of those merchants wanting to make payment in either country. If British government stock was sold in London to a British investor, but on behalf of a Dutch holder, the right to a payment in sterling in London would be created. This right could be sold to a Dutch merchant wanting to make a payment in London. Conversely, if the same stock was sold in Amsterdam, but on behalf of a British holder and to a Dutch investor, the right to payment in Holland would result. By the later eighteenth century the same procedure was in existence between London and New York. United States securities were being sent to Britain in order to pay debts incurred by American importers.

Thus, what contemporaries like Thomas Mortimer saw as unwelcome and undesirable speculation by the Dutch in the National Debt was, in reality, an integral part of the world's monetary system whereby the ability to make payments between countries was both facilitated and rendered less expensive by sales and purchases of securities in different markets. Inevitably this generated much activity in the securities market as prices of stocks rose and fell not only due to domestic monetary conditions but also those abroad, especially in Holland. Increasingly in the eighteenth century, until the French Revolution, London and Amsterdam interest rates were closely aligned, and the existence of active securities markets in both centres was of major importance in achieving this high degree of monetary integration. It was also becoming a transatlantic phenomenon with the inclusion of New York.[27]

[27] R. V. Eagly and V. K. Smith, 'Domestic and International Integration of the London Money Market, 1731–1789', *J. Ec. H.* 36 (1976), 207, 210–11; L. Neal, 'Integration of International Capital Markets: Quantitative Evidence from the 18th to 20th Centuries', *J. Ec. H.*

Consequently, in terms of turnover what was driving the growth of the London securities market was much less the general rise in the number of investors and the volume of stock—important as that was—but the constant need to buy and sell as money-market conditions altered at home and abroad. Mortimer, for example, castigated those who transacted

more business in the several government securities in one hour, without having a shilling of property in any one of them, than the real proprietors of thousands transact in several years.[28]

The requirements of those closely involved with the money market were also different from those acting on behalf of private investors. In particular, the brokers acting for private investors usually had ample time to arrange payment or delivery. In contrast, those acting on behalf of domestic banks, insurance companies, bill brokers, or foreign clients were required to act quickly before the opportunity was lost. This necessitated a much greater degree of understanding and trust among the participants in the market as they had to be certain that payment would be made and stock delivered, and they could not wait for evidence that that would be the case. It was for this reason that the Amsterdam stockbroker, Joseph Ricardo, sent his son David to London, as he was familiar with the way business was conducted and could be trusted. The clearest difference between the two types of market participant was that those using the market for long-term investment tended to buy and sell for cash, having the money or securities to hand, while the professionals, buying and selling for themselves or for money-market clients, dealt for time and did so frequently. The risk for them was that one default in the chain of operations could endanger their ability to pay or deliver in turn, and thus undermine the market itself. [29]

45 (1985), 225; L. Neal, 'The Integration and Efficiency of the London and Amsterdam Stock Markets in the Eighteenth Century', *J. Ec. H.* 47 (1987), 115; S. E. Oppers, 'The Interest Rate Effect of Dutch Money in Eighteenth Century Britain', *J. Ec. H.* 53 (1993), 40; E. S. Schubert, 'Arbitrage in the Foreign Exchange Markets of London and Amsterdam During the Eighteenth Century', *Explorations in Economic History*, 26 (1989), 17; Neal, *Financial Capitalism*, 21, 43, 90, 146, 151; Carter, *Getting, Spending*, 57, 77; Morgan and Thomas, *The Stock Exchange*, 20, 23, 49, 52; Bowen, 'Investment and Empire', 201; J. C. Riley, *International Government Finance and the Amsterdam Capital Market, 1740–1815* (Cambridge 1980), 122, 280; S. R. Cope, 'Bird, Savage and Bird of London, Merchants and Bankers, 1782–1803', *Guildhall Studies in London History*, 4 (1981), 209–12. Sutherland, *Politics and Finance*, 381–2; S. Quinn, 'Gold, Silver and the Glorious Revolution: Arbitrage Between Bills of Exchange and Bullion', *Ec. H. R.* 49 (1996), 473–4, 487–8; E. J. Perkins, *American Public Finance and Financial Services, 1700–1816* (Columbus, Ohio 1994), 200; G. Yoveb, *Diamonds and Coral: Anglo-Dutch Jews and the Eighteenth-Century Trade* (Leicester 1978), 55, 58, 194–5, 201, 204, 213; J. De Vries and A. Van der Woude, *The First Modern Economy: Success, Failure, and Perseverance of the Dutch Economy, 1500–1815* (Cambridge 1997), 142–4; M. Hart, J. Jonker, and J. L. Van Zanden, *A Financial History of the Netherlands* (Cambridge 1997), 55–8.

[28] Mortimer, *Everyman his own Broker*, 34.

[29] Cope, 'Stock Exchange Revisited', 17; Weatherall, *David Ricardo*, 3.

Therefore, it was not enough for the securities market to develop in terms of intermediation and technique in the eighteenth century. Also required was a system of control which guaranteed that sales and purchases would be honoured when they became due. This could not be done in law as Barnards Act, passed in 1734, had made time bargains illegal, regarding them as a form of gambling. It was thus left to the market participants themselves to create a code of conduct that enforced the conditions necessary for trade. Even without the legal impediments it was most likely that those who participated actively in the market would seek to find a solution to their own problems among themselves, without the use of either the law of the land or the government. London bankers, for example, set up the London Clearing House in 1773, with 31 members, in order to deal with inter-bank business while marine underwriters set up an organization—New Lloyds—in 1774 to meet the particular requirements of their business.[30] Essentially, what the professionals wanted so as to ensure speed and trust was a market in which all present were active participants, ready to buy or sell when the opportunity arose, and each possessing a reputation for honouring their part of a bargain. In turn, those who did not fit these criteria or meet the standards set would be excluded from the market. It was this that 150 brokers and jobbers attempted to establish in 1761 when they offered to pay Jonathan's Coffee House £8 each per annum for the exclusive use of the premises for about three hours every day in order to transact business. Though Jonathan's accepted the offer those who were excluded as a result objected, and in 1762 they obtained a court ruling declaring the action illegal. As Jonathan's had, by custom, been used as a market for buying and selling government securities, they could not refuse permission to anyone who wanted to participate.

The next attempt to develop an exclusive organization was in 1772 when a group of stockbrokers decided to construct a new building in Sweetings Alley which was to be called a Stock Exchange. This was opened on the 12 July 1773. Mindful of the legal rebuff that had been delivered some 10 years earlier, admission to this building was on payment of 6*d*. per day, so that all could participate if they wished. This payment would also remunerate the owners of the building for the cost of construction and maintenance. Interestingly, if a broker attended six days a week all year the cost would be £7.80 per annum, which was remarkably similar to the £8 which was to be paid to Jonathan's. Clearly that offer had made a group of the wealthier stockbrokers realize that they could personally profit by setting up an establishment for the use of their fellow intermediaries and then charging them a fee for its use. However, this new building was not an outright success as trading in securities continued to take place in a number of locations throughout the city of London. In particular, the

[30] John, 'Insurance Investment', 184; A. H. John, 'The London Assurance Company and the Marine Insurance Market in the 18th Century', *Economica*, NS 25 (1958), 129.

Rotunda of the Bank of England, which had been opened in 1765, was a very popular venue as it was there that transfers of both Bank of England and government stock had to be registered in any case. All these alternative locations were also free, and so attractive to those with only a limited business to transact. Consequently, the new Stock Exchange building failed to control the London securities market as it was neither exclusive not dominant. This Stock Exchange building appeared to have replaced Jonathan's to become an important centre for securities trading but without altering to any great degree the way the market was organized and controlled. It is thus difficult to date the origins of the London Stock Exchange to the opening of this building in 1773 as it appeared to offer little that was different from the securities market that had been developing throughout the century.

Until near the end of the eighteenth century the London securities market continued to be served in this way. The professionals could pay their daily entrance fee and conduct business with fellow professionals at the Stock Exchange building. They could also frequent other buildings, especially the Rotunda of the Bank of England, where they could deal directly with investors or with more casual intermediaries, like bankers or solicitors. Throughout, the size of the National Debt, and hence turnover in the London market continued to grow. The government's indebtedness rose from £130.6m. in 1770, when 98 per cent was funded, to £244m. in 1790 (96 per cent funded), again driven by the costs of foreign wars, such as the American War of Independence. This growth appears to have been easily accommodated within the London market, occasioning no substantial change, though the doubling, in nominal terms, of government debt during the American conflict did strain the market for public securities in London. Clearly investors were worried about accepting a never-ending increase in the National Debt especially when the military engagements that created them resulted in the loss of a major part of the Empire. In fact, in this period it was outside London that the new developments were taking place. In the provinces there was a growing interest in joint-stock companies and their securities. This focused especially on canal projects from the 1780s, reaching a mania in the early 1790s.[31] Though London investors were interested in the shares issued by these new canal companies, the focus for trading activity was in the towns and cities of Britain where they were being built and operated. In London the buying and selling of canal shares was very much a fringe activity within a securities market that remained completely dominated by the National Debt. Between 1780 and 1793 some 87 per cent of the

[31] Mortimer, *Everyman his own Broker*, p. xiv; S. R. Cope, 'The Stock-brokers Find a Home: How the Stock Exchange Came to be Established in Sweetings Alley in 1773', *Guildhall Studies in London History*, 2 (1977), 213, 217–18; Morgan and Thomas, *The Stock Exchange*, 52; Smith, 'London Stock Exchange', 206; O'Brien, 'British Taxation', 21.

holders of the National Debt were to be found in London and the Home Counties.[32]

The event that was to push the London securities market towards that final step of creating a stock exchange did not take place within Britain at all. That was the Revolution in France in 1789 and the subsequent period of instability and war that was to effect continental Europe until Napoleon's defeat at Waterloo in 1815. With the overthrow of the established order in France, and the terror that followed, the financial system in Paris was thrown into chaos. Bankers and others with wealth to lose fled to other centres, such as Amsterdam and London. Finally in 1793 the Paris Stock Exchange was closed down, leading to people such as Walter Boyd, a prominent Paris banker, transferring his operations to London. Worse was to follow for continental Europe for revolution in France was followed by war and revolution in other countries. Of crucial importance was the occupation of Amsterdam by French troops in 1795 and the disruption that caused to what had been the financial centre of Europe. Prominent bankers and brokers, such as Henry Hope, Raphael Raphael, and Samuel de Zoete, all left Amsterdam at that time and set up business in London as best they could. The German states were also engulfed by the turmoil, producing their own flow to London, including Johan Schroder from Hamburg and Nathan Rothschild from Frankfurt.[33]

The implications for London were twofold—simultaneous removal of rival financial centres, principally Paris and Amsterdam, and an influx of wealth and talent. As a consequence London was thrust into a position of financial leadership. Those bankers, brokers, and merchants who had fled to London brought with them their expertise and connections and now directed their affairs from London rather than the Continent. London was well placed to take advantage of this opportunity as it was already a centre of major importance, and this was further enhanced by Britain's ability to capture much of Europe's trade with the rest of the world. All this was bound to have repercussions for the London securities market considering its well-established links to the money and foreign exchange markets. The instability alone, coming from political and military events, created a very volatile environment within which securities trading had to take place, as prices responded to changing circumstances and prospects at home and abroad.

[32] J. R. Ward, *The Finance of Canal Building in Eighteenth-Century England* (Oxford 1974), 82, 100–6, 142; D. Wainwright, *Government Broker: The Story of an Office and of Mullens and Company* (East Molesey 1990), 1; Anderson, 'Provincial Aspects', 18; Mirowski, *Business Cycle*, 248–9.

[33] S. R. Cope, *Walter Boyd: A Merchant Banker in the Age of Napoleon* (Gloucester 1983), 3, 26, 29; S. D. Chapman, *Raphael Bicentenary 1787–1987* (London 1987), 5–7; H. Janes, *de Zoete and Gorton: A History* (London 1963), 6; R. Roberts, *Schroders: Merchants & Bankers* (London 1992), 3; Riley, *International Government Finance*, 8, 294; Neal, *Financial Capitalism*, 171, 180, 200, 217; A. Elon, *Founder: Meyer Amschel Rothschild and His Time* (London 1996), 84, 89, 130; Hart, Jonker, and Van Zanden *Financial History*, 51.

At the same time the amount of securities to be traded expanded enormously as the government sought to fund its greatly enlarged army and navy expenditure. By 1815 the National Debt stood at £744.9m. (92 per cent funded), having grown by some £500m. since 1790. This massive expansion of government debt sucked in investors from all over the country, ending the provincial flirtation with canal shares. In 1815 there were an estimated 250,000 holders of the National Debt, compared to the 60,000 of 1760. Also the only market for this debt was London, as Amsterdam no longer possessed a functioning securities market, though foreigners still held around 10 per cent of the total in 1806. One illustration of the increasing activity in the market was the business done by Benjamin Cole, the stockbroker who acted for the government. In 1786 he was handling £250,000 per annum but this had doubled to £550,000 by 1798 and reached £8m. in 1806. The consequence of all this was that the London securities market was being placed under greater and greater pressure as the volume and volatility of business increased, attracting in ever more participants—from home and abroad—who saw the daily fluctuations in prices as an ideal opportunity to make a quick fortune for themselves. Inevitably, this left the market professionals very exposed as it was difficult to know what trust to place in the new people with whom they were doing business.[34]

By the late 1790s a crisis had been reached in the London securities market. In December 1798 the Committee (Committee for General Purposes) responsible for the day-to-day running of the market in the Stock Exchange building were pressing for greatly increased powers so as to enforce discipline. In particular they wanted the authority to exclude from the building those who had defaulted on deals, unless there were clear and acceptable reasons why this had taken place. Generally, this committee was being forced to take more and more decisions on disputes between members concerning such matters as the penalty for non-delivery of stock or the acceptable commission on a deal. As all these committee members were practising brokers and jobbers this was becoming a serious diversion from their own business, through which they earned an income. Eventually, on 15 December 1798 they appointed a secretary to the committee. To this secretary could be devolved the administrative tasks related to the work that the committee carried out. However, this raised the matter of costs, for the secretary was to have a salary of 10 guineas per annum. The solution was the decision in January 1799 to charge those who frequented the Stock Exchange building 5*s*. each, which would meet the salary of the secretary and the other costs of the committee. Modest as this sum was, many who used the building on a casual basis would have

[34] Carter, *Getting, Spending*, 136; Neal, *Financial Capitalism*, 211; Wainwright, *Mullens*, 6, 8, 14, 17. For the experience of the Dublin securities market at this time see W. A. Thomas, *The Stock Exchanges of Ireland* (Liverpool 1986), 44, 48–9.

resented being expected to pay it. The result was a real dilemma for the committee—how were decisions to be enforced when the expansion of business was drawing into the market ever more new brokers who were unwilling to abide by accepted customs; and how was the necessary administration of the market to be financed if not all those using it would pay, voluntarily, the annual fee.[35]

On 7 January 1801 the Committee of Proprietors, representing those who owned the Stock Exchange building, suggested that it should be converted into a Subscription Room. These proprietors were also major users of the market like John Capel and David Ricardo. The proprietors calculated that they would get an acceptable return on their investment in the building if a minimum of 200 subscribers were recruited, with each paying 10 guineas per annum. The income of £2,100 per annum that would result was deemed sufficient to pay an acceptable return on their capital investment as well as to meet all running and administrative expenses. Clearly, the expansion of business and the appearance of an increasing number of full-time brokers and jobbers created sufficient optimism that those numbers would sign up as members. On 12 January 1801 the Committee for General Purposes, representing the users, met and endorsed the plan. On the following day, the following notice was posted in the Stock Exchange building under the signature of E. Wetenhall, secretary to the proprietors.

> The Proprietors of the Stock Exchange, at the solicitation of a very considerable number of the Gentlemen frequenting it, and with the unanimous concurrence of the Committee appointed for General Purposes, who were requested to assist them in forming such regulations as may be deemed necessary, have resolved unanimously, that after 27 February next this House shall be finally shut as a Stock Exchange, and opened as a Subscription Room on Tuesday 3 March at ten guineas per Annum ending 1 March in each succeeding year. All persons desirous of becoming subscribers are requested to signify the same in writing to E. Whitford, Secretary to the joint committees on or before 31 inst. in order to their being balloted for by the said committees.[36]

Thus, on 3 March 1801 a London Stock Exchange formally came into existence that not only provided a market for securities but also incorporated regulations on how business was to be conducted. Furthermore adherence to these rules and regulations was monitored and adjudicated by a committee, including full-time administrative staff, and enforced by the threat of expulsion from the market. By this act the trading of securities in London had moved, decisively, from an open to a closed market as the only way of ensuring that all those who participated both obeyed the rules and

[35] Minutes of the Committee of the Old Stock Exchange, 19 Dec. 1798, 3 Jan. 1799, 9 Jan. 1799, 3 Apr. 1799, 8 Aug. 1799.

[36] Old Stock Exchange minutes, 12 Jan. 1801; Wainwright, *Mullens*, 8.

paid for the necessary administration. With 363 members by February 1802 the move did appear to have been a successful one.[37]

Though those who were members of this new Stock Subscription Room in 1802 traced their origins back to the opening of the Stock Exchange building in 1773, that was but a stage in the transition of a securities market into a stock exchange.[38] Close as they were to what was taking place they were unaware that by controlling admission, introducing full-time administration, and enforcing rules and regulations, they had actually formed an institution that was far more than the collective actions of those who traded in securities. Certainly, the development of a securities market in London can be traced back to the seventeenth century, with the creation of a permanent government debt in 1693 being of fundamental importance. Certainly the opening of a building in 1773 which was dedicated to the provision of a market for securities was of importance in furthering that market. However, so were a series of other developments and improvements such as the appearance of brokers and jobbers and the use made of options, time bargains, and settlement dates. Taken together it can be suggested that the creation of the Stock Subscription Room in March 1801 was not simply another milestone in the progress of the London securities market but the beginning of a formally organized institution which was to have an important influence on the way the securities market itself developed at home and abroad, in the years to come.

[37] Old Stock Exchange minutes, 13 Jan. 1801, 23 Feb. 1801; LSE: Committee for General Purposes, minutes, 2 Mar. 1801, 4 Mar. 1801, 27 Mar. 1801, 17 Feb. 1802.

[38] LSE: General Purposes, 24 Feb. 1802.