

Baker Street Elementary

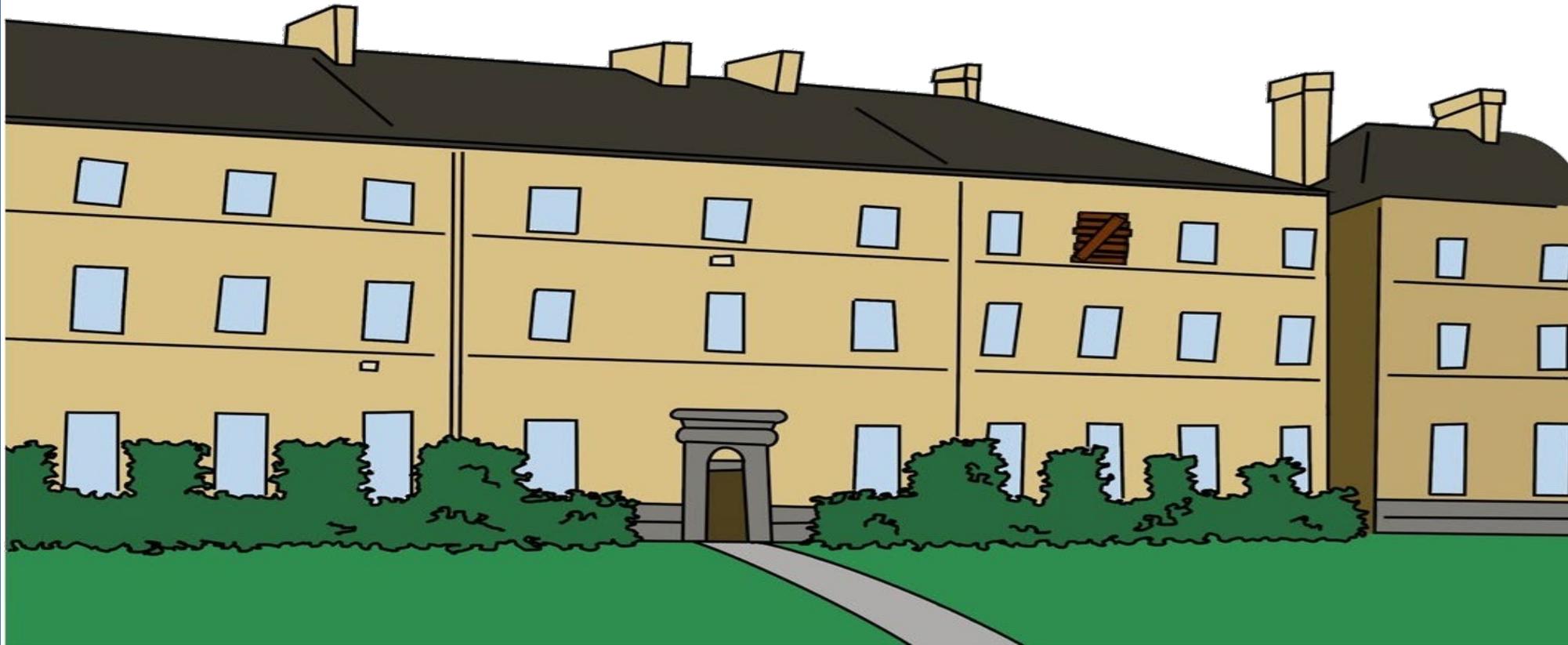
Presents

"The Life and Times in Victorian London"



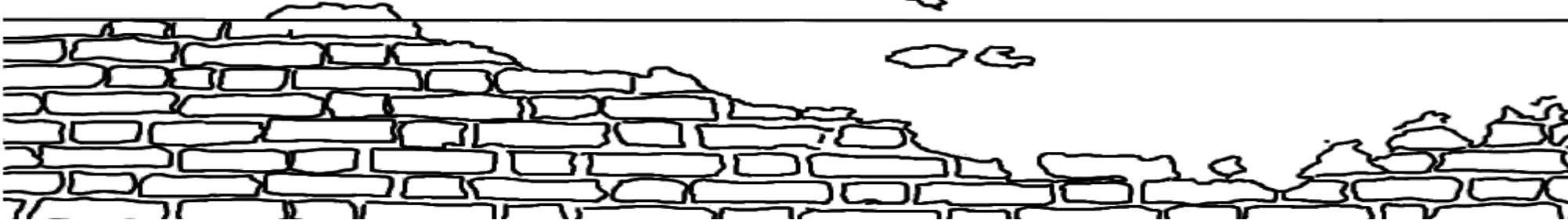
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The Life and Times in Victorian London
084 -- Taking Stock -- February, 2022

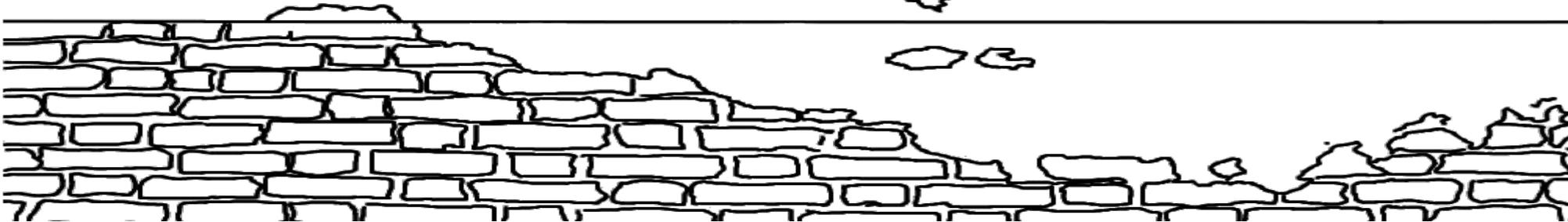


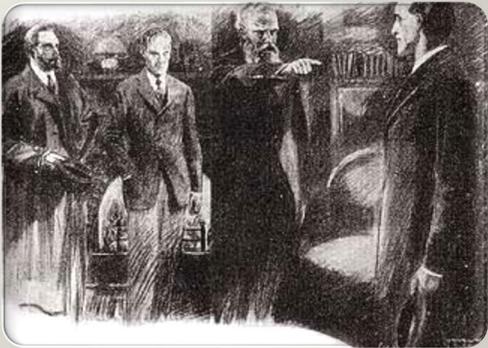


Welcome to topic # 084... today, Gregson, we will be looking at stocks, stock markets and stock brokers in the Victorian period.



Stock brokerage firms are mentioned in two different cases in the Sherlock Holmes' stories.





In addition to "The Adventure of the Stockbroker's Clerk," James Dodd in "The Adventure of the Blanched Soldier" worked as a stockbroker on Throgmorton Street.



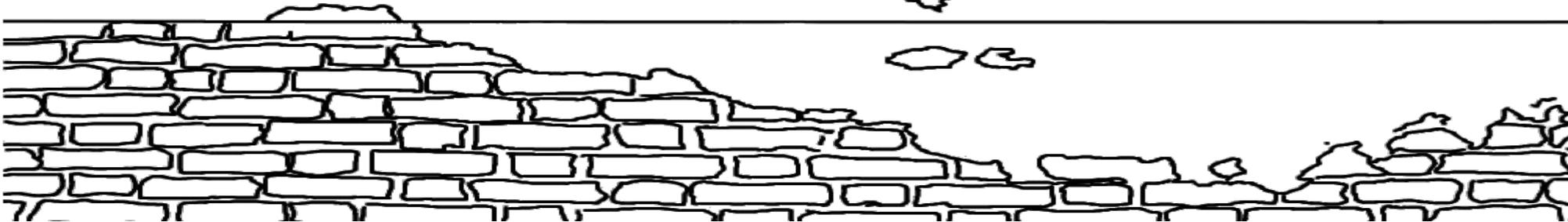
While stockbroking has existed for almost a thousand years, such firms did not become prominent in England until the 1800s.



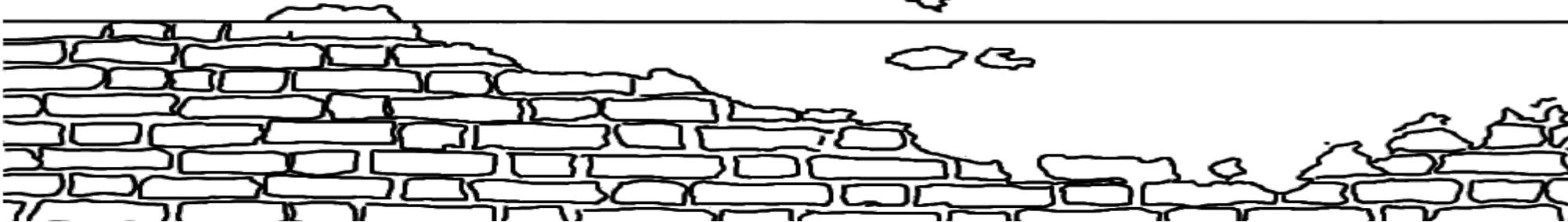
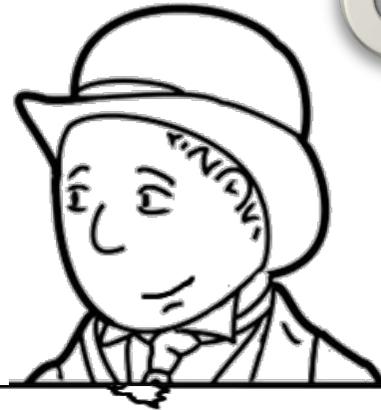
The role of the English stockbroker and the place where they operated — the "exchange" — evolved over time.



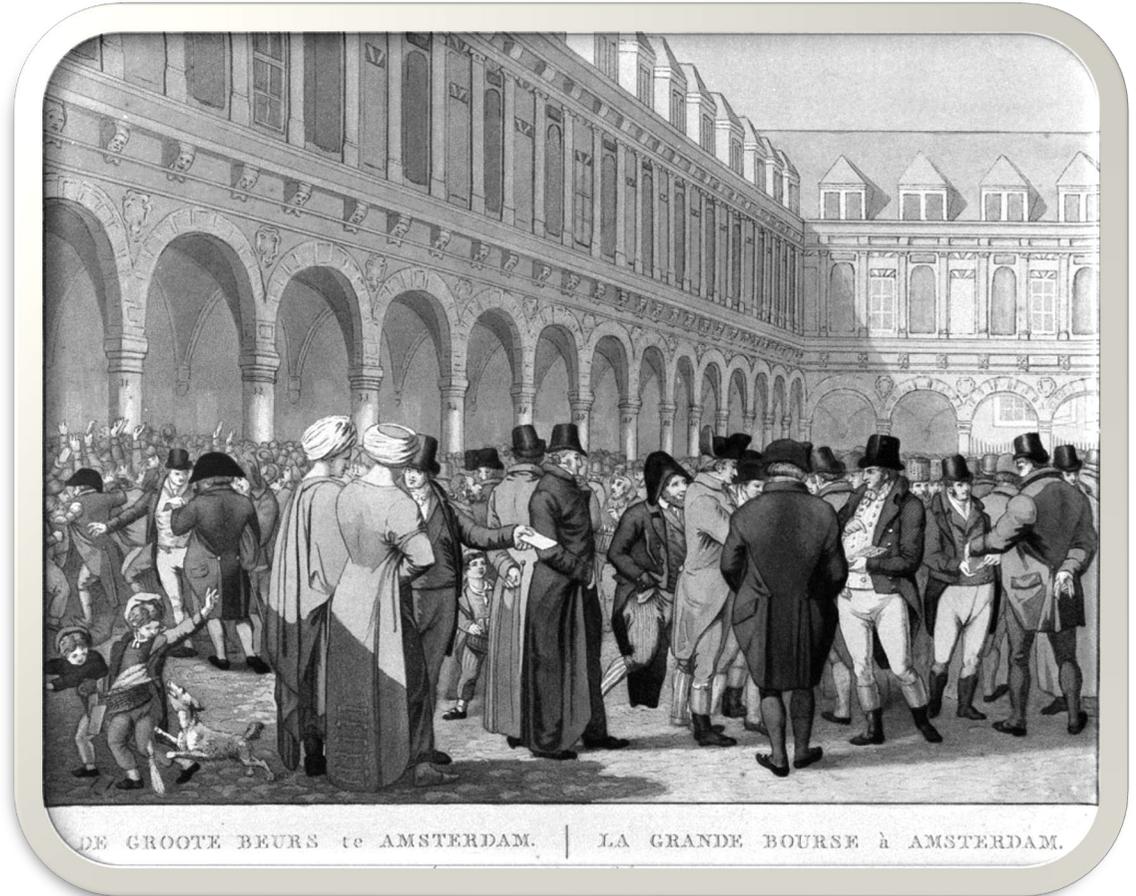
The first organized system began in France in the eleventh century as a means of regulating the buying and selling of agricultural debt.



In the 1300s, commodity traders set up houses in major cities such as Amsterdam.



*Traditionally, companies
were owned by individuals
or a small group.*



As business ventures grew larger, however, they proved to be riskier as well as requiring greater funds.



*Discovery voyages, overseas trading,
and financing foreign military
campaigns offered stock to a large
number of investors...*



...who then left its management in the hands of the small group who originated the venture.



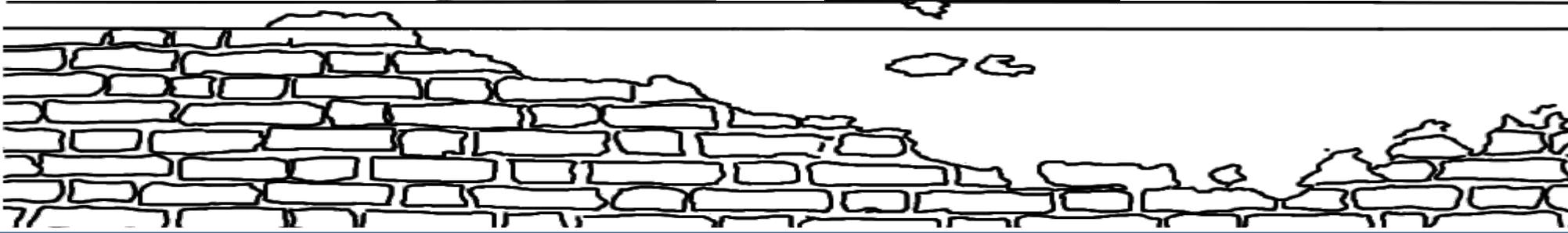
The Dutch East India Company became the first such publicly traded company in 1602.



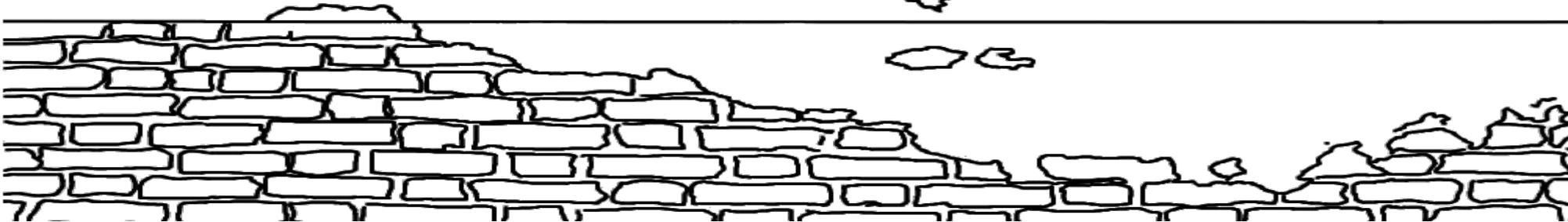
In England, joint stock companies were formed in the 1500s, but the sale of shares in such enterprises was limited and did not require a stockbroker.



In the late 1600s, changes in banking regulations increased the number of joint stock companies tenfold in only six years...



*...and the first stockbrokers —
who bought and sold shares as an
adjunct to another profession —
appeared at that time.*



Business was first conducted at the Royal Exchange, where other merchants also conducted business, but as the number of stockbrokers...



...grew and displayed a rowdy behavior not acceptable to others in the marketplace, the government sought to regulate them.





Rather than accept such interference, these men left to set up shop in the coffeehouses between Cornhill...



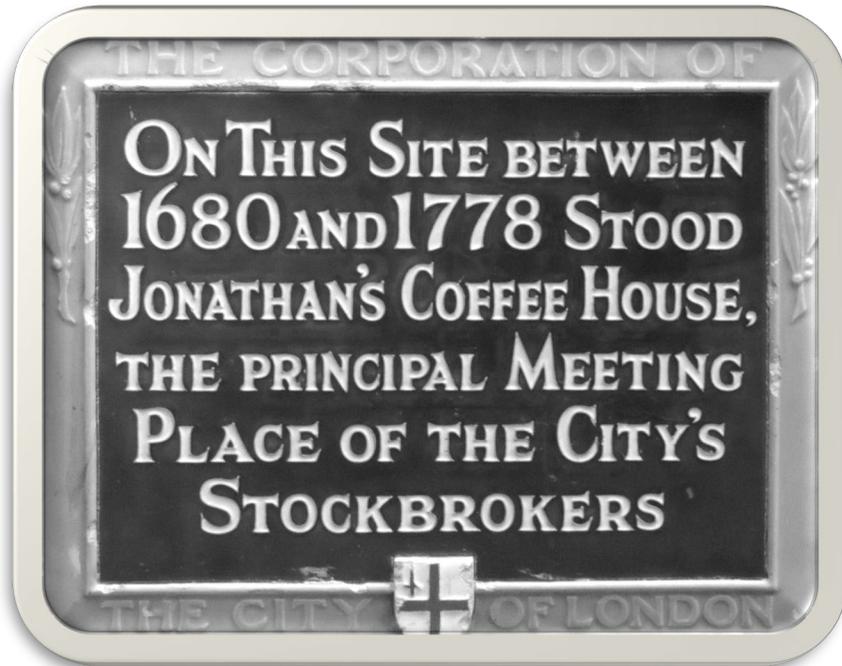
...and Lombard streets — with one of the most prominent being Jonathan's Coffeehouse on Exchange Alley.



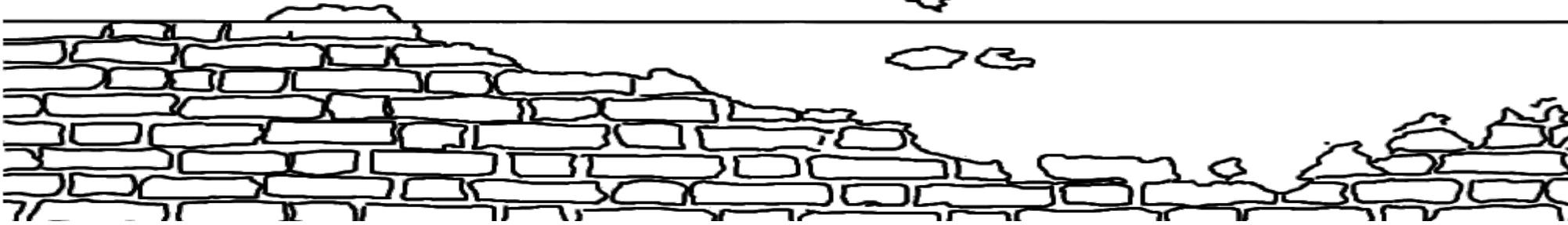
While most brokers in these exchanges were reputable, some followed less-than-acceptable practices.



To have greater control over who they allowed into the exchange, some brokers left Jonathan's and set up a new exchange — called "New Jonathan's" or "The Stock Exchange."



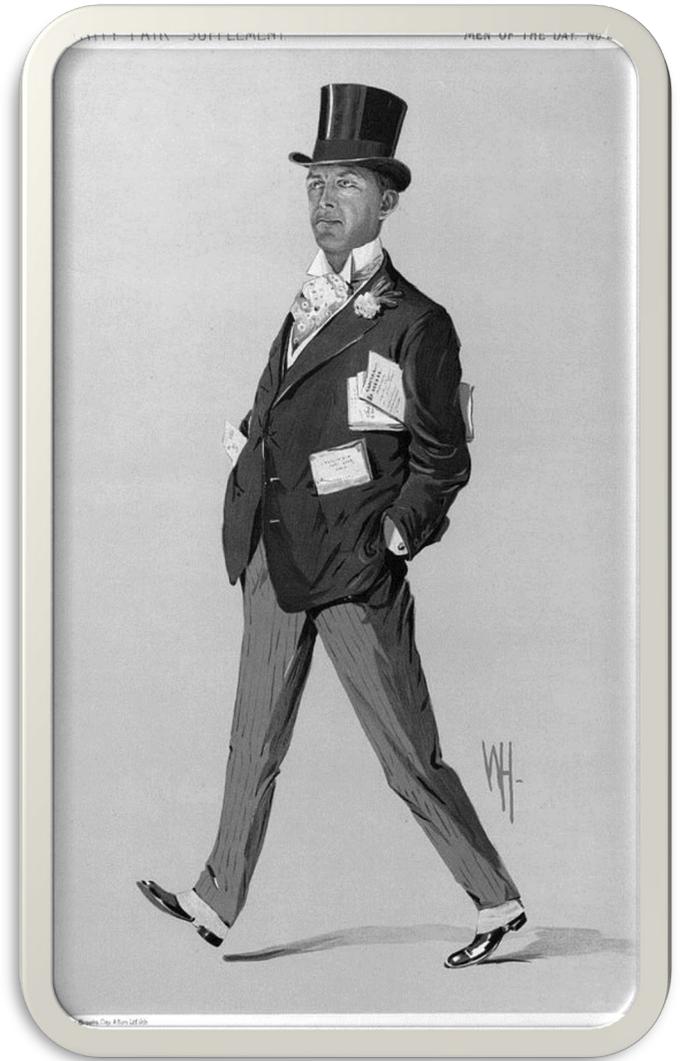
*Transactions were still not regulated
and any broker who could pay the daily
entry fee could conduct business.*



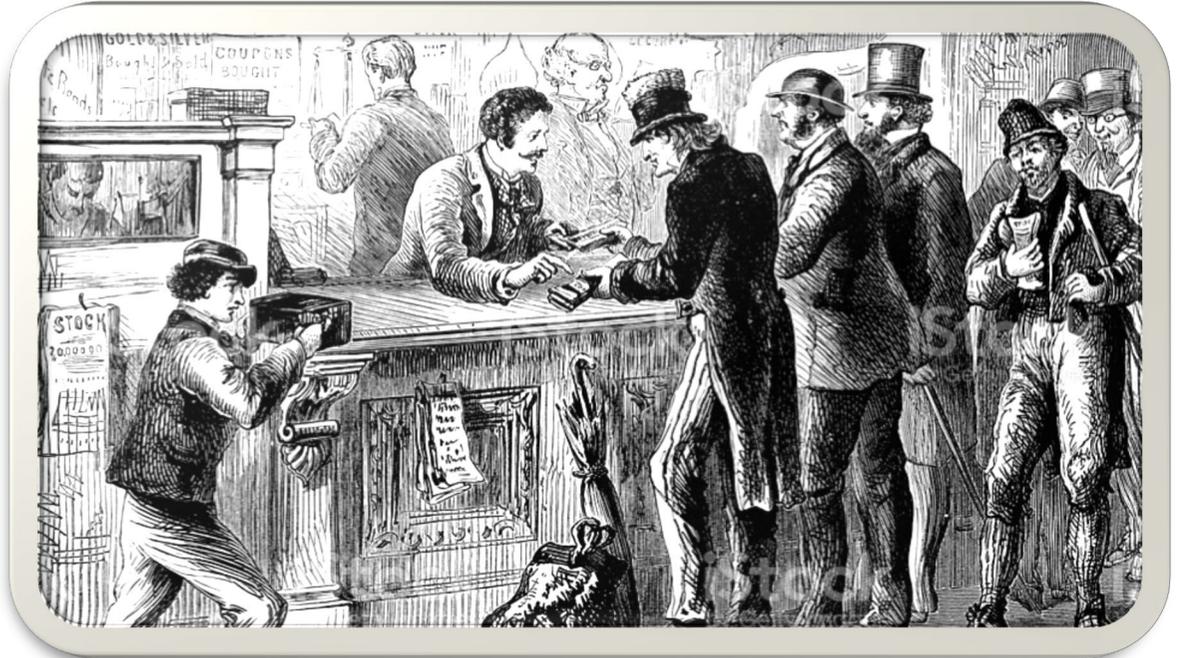
*Two specialists arose during
this time — brokers and
jobbers.*



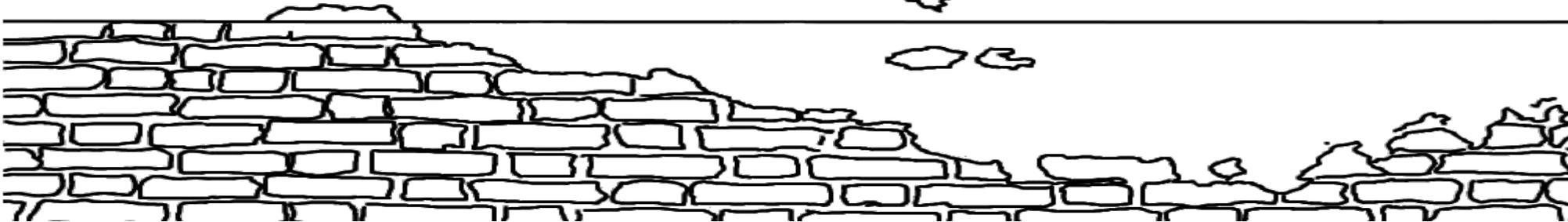
Brokers represented clients or investors who desired to buy or sell a particular security within a certain price range.



The broker's counterpart, the jobber, offered to buy or sell the desired security to the broker (but never directly to an investor).

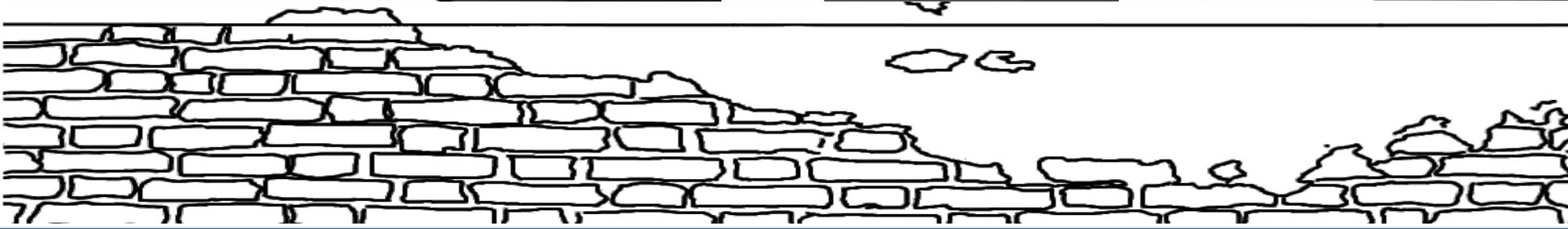


The broker worked on a commission charged to the client while the jobber made his on the "spread"...





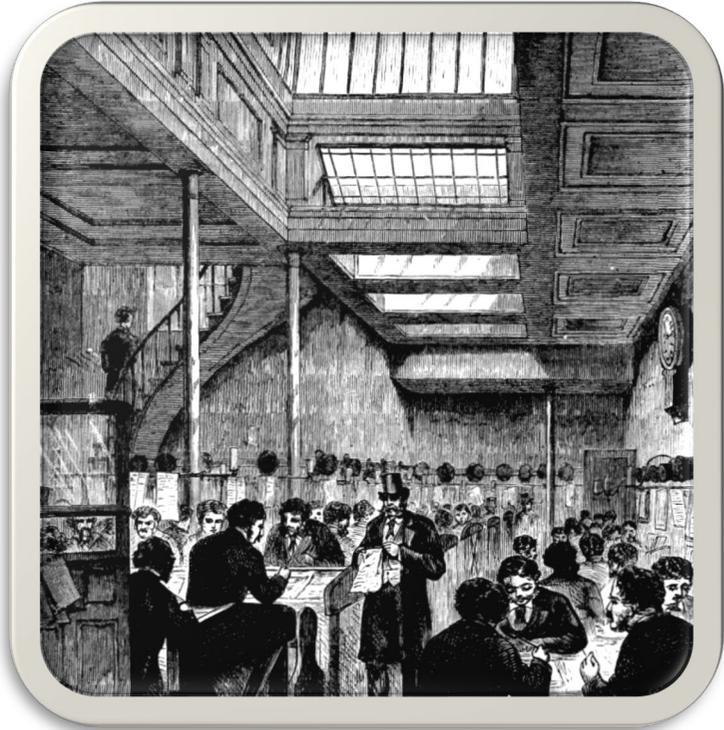
...between the bid and asked-for price (the notion of "buy low, sell high").



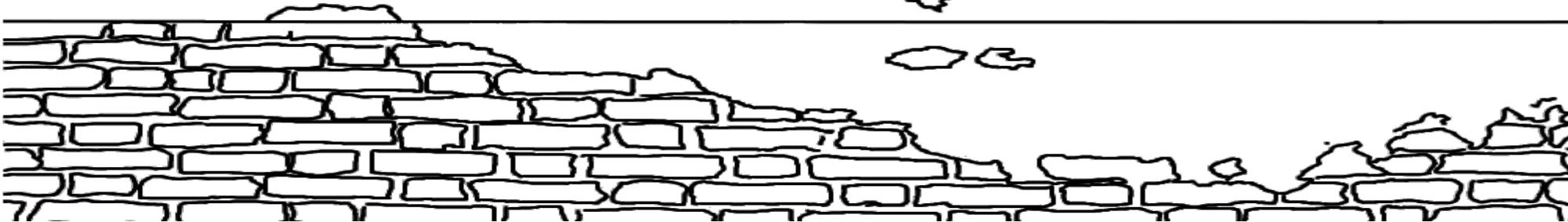
*A tension developed between
the owners of the new
coffeehouse and the brokers.*



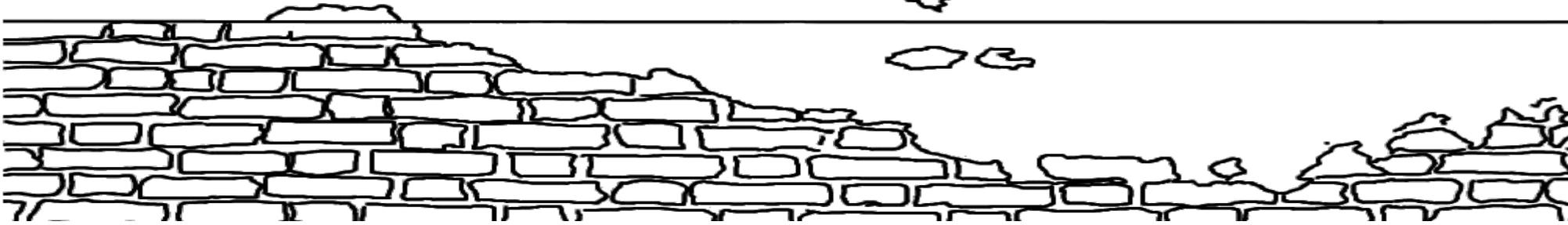
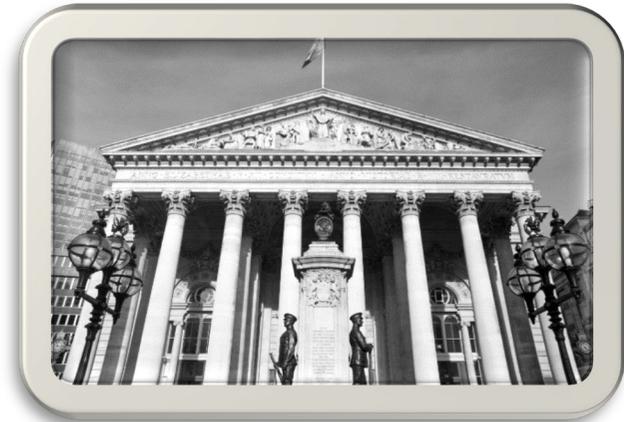
Those running the coffeehouse preferred allowing in more patrons because of the fee charged, while the brokers were concerned about still dealing with their less reputable colleagues.



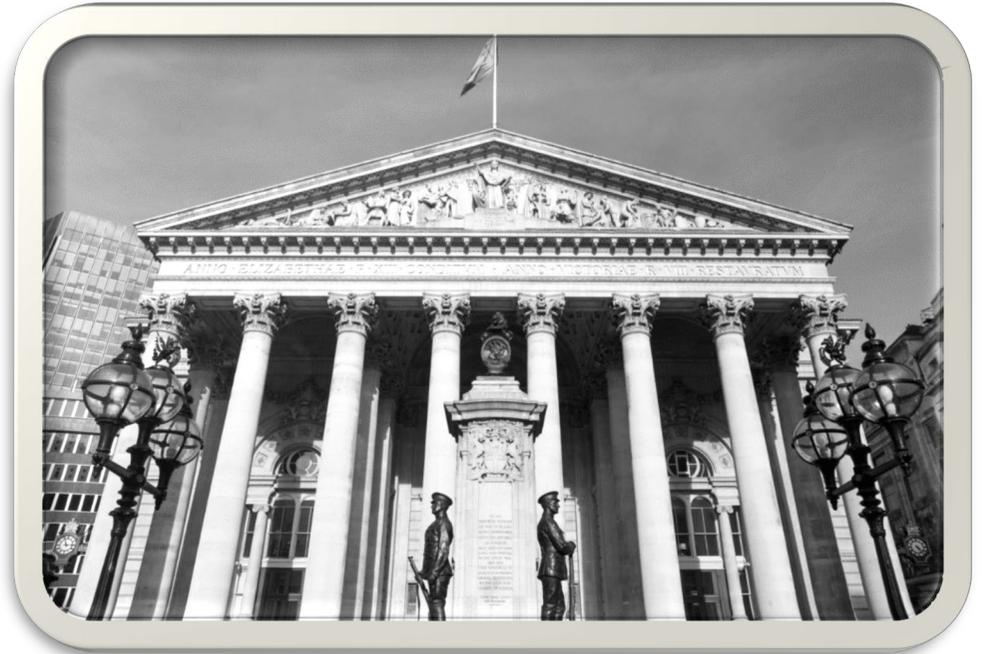
In 1801, the brokers left again for a new establishment governed by written regulations for conducting business and the modern London Stock Exchange (LSE) was created.



While the LSE was the United Kingdom's most important, the Industrial Revolution brought about a number of new companies as well as infrastructure...



...projects that required large capital investments, prompting the creation of about twenty stock exchanges throughout the UK.



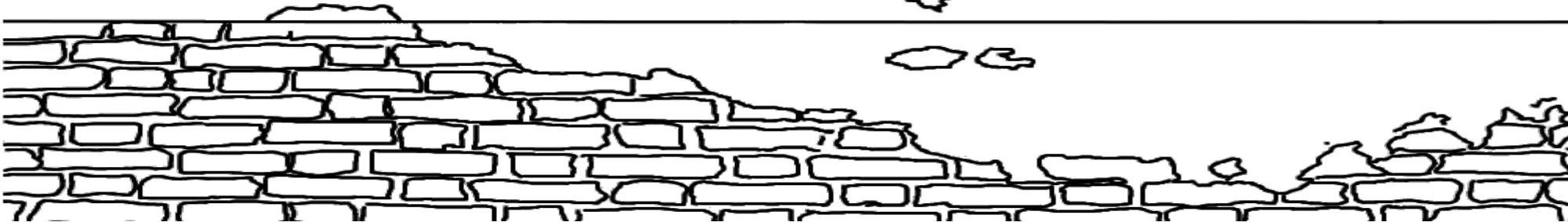
New technologies were added to link both the English and international exchanges.

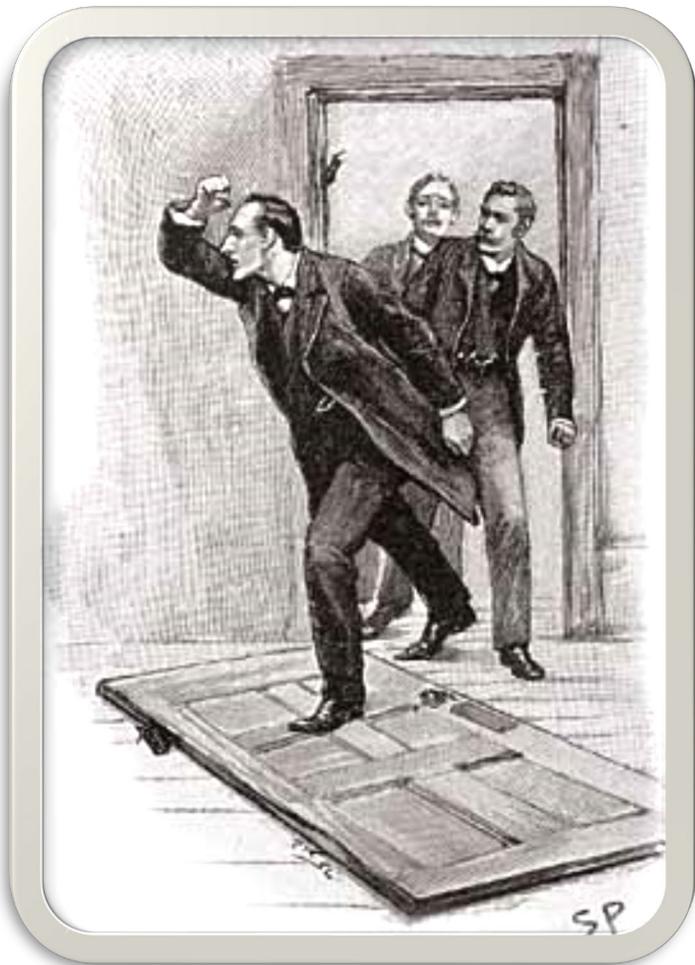


In 1840, the telegraph provided trade information from the New York exchange in only 20 minutes (vs. sixteen days by mail).



The ticker tape replaced the telegraph in 1872, and the telephone replaced it in 1880.





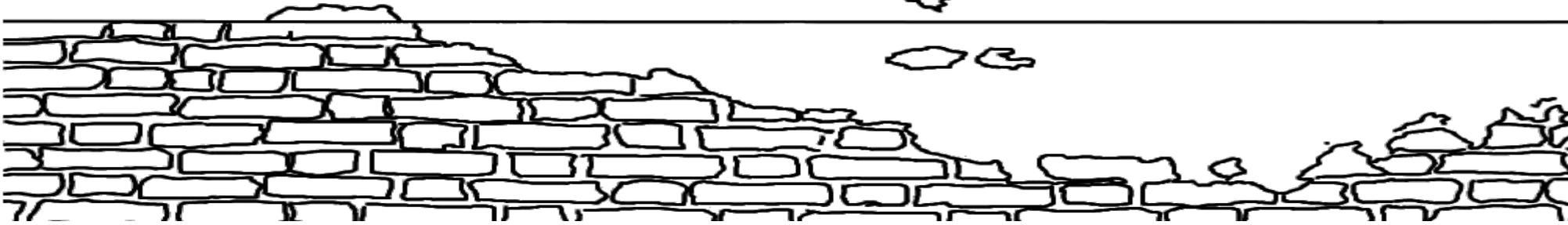
"The Adventure of the Stockbroker's Clerk" provided an example of the variety of investments available.



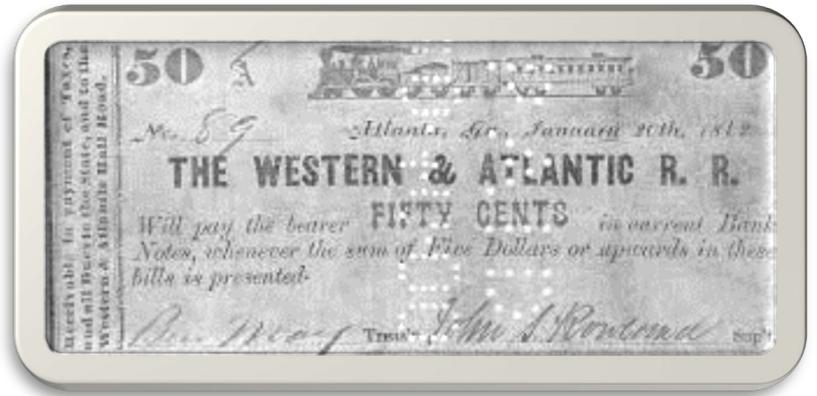
Beddington stole both American railway bonds as well as mining and other company scrip from the firm Mawson and Williams.



Bonds are legal evidence of the provision of long-term debt (the holder to receive reimbursement plus interest when the loan was repaid).



*Scrip, on the other hand,
indicated ownership of a
portion (share) of a company.*

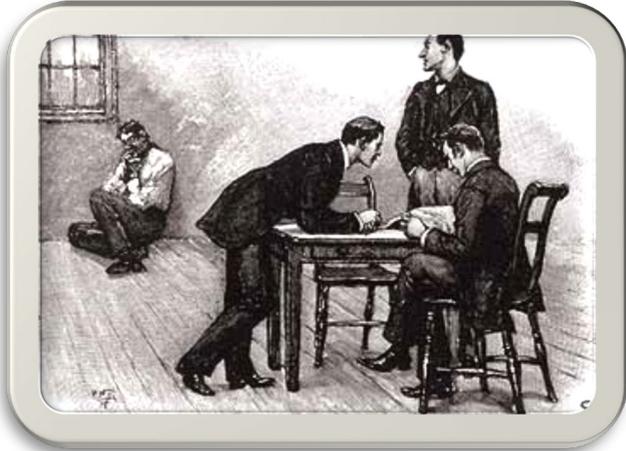


*As this theft indicated,
stockbroker dealings could involve
hundreds of thousands of pounds,
but risk was also involved.*

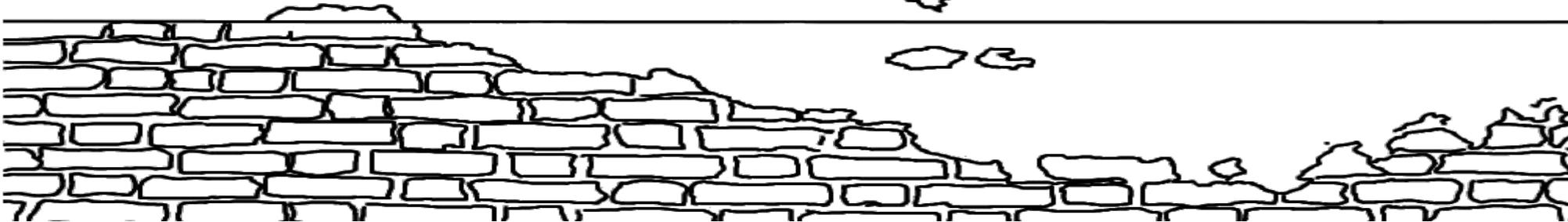


*Hall Pycroft lost his position
with Coxon and Woodhouse
when they folded after a bad
investment.*

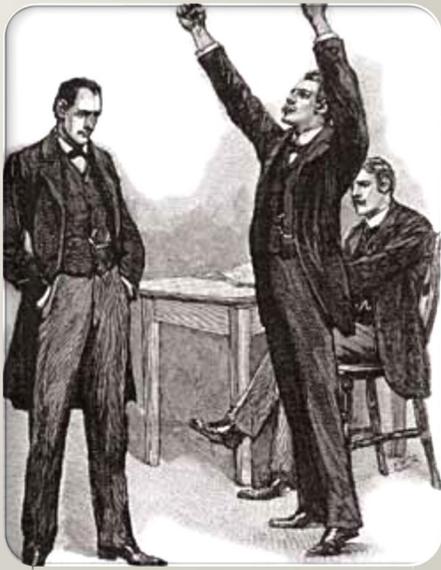




Thanks to a quick-thinking police officer and Holmes' assistance to the stockbroker's clerk in apprehending...



*...the culprits in this case, however,
Mawson and Williams failed to suffer
similar losses and disgrace.*



*So we have completed
topic # 084 in our
series...*

*Yes, but we'll be back
with another topic
soon...*



References for this topic:

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- 3) Edward Stringham, "The Emergence of the London Stock Exchange as a Self-Policing Club," *Journal of Private Enterprise*, January, 2002.
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- 5) <https://hsc.co.in/difference-between-jobber-and-broker/>
- 6) Ranald Michie, *The London Stock Exchange: A History*. Oxford: Oxford University Press, 1999.
- 7) <https://wikidiff.com/bond/scrip>



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IS CREATED THROUGH THE INGENUITY & HARD WORK OF:

JOE FAY

LIESE SHERWOOD-FABRE

RUSTY MASON

&

STEVE MASON

