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Defalcations, Swindles, and Fraud: Ungentlemanly Capitalism in Victorian Babylon, 1800 – 1899

Examining the need for revision of Cain and Hopkins' model of *Gentlemanly Capitalism*

Jake Jacobs

*'Go where you will, in business parts, or meet who you like of business men,
it is – and has been the same story and the same lament.*

*Dishonesty, untruth, and what may, in plain English, be termed mercantile swindling, exists on all sides and in every
quarter'.¹*

In 1993, the noted historians Peter J. Cain and Anthony G. Hopkins published the first edition of *British Imperialism: Innovation and Expansion 1688-1914*², a milestone in the study of imperial history. Cain and Hopkins' thesis centred around the notion of *gentlemanly capitalism*, itself a response to the formative research of Ronald Robinson and John Gallagher. Their model inspired a large body of scholarship including two companion readers and numerous essays.³ Despite the impressive breadth and depth of *British Imperialism*, there are areas of the model of gentlemanly capitalism, which have only been given cursory attention by the authors. One such area that is fundamental to the model propagated by the Cain and Hopkins is the supposedly pervasive values of *trust* and *honour* which they argue characterised the gentlemanly capitalists. Such assertions are incompatible with contemporaneous observations such as those of the popular magazine, *Town Talk*, quoted above. This dissertation explores this fundamental component of Cain and Hopkins' work further through a discourse analysis based on original primary source research. It aims to inspire further interrogation of the thesis of gentlemanly capitalism in an effort to ensure the integrity of a model that underpins contemporary understanding of the British Empire. At a time when Britain is gripped by geopolitical uncertainty and a crisis of identity, such an endeavour is both pertinent and necessary.

* Jake Jacobs, War Studies BA dissertation; King's College London. *A Brief Note of Thanks*: It would be poor form for me to fail to acknowledge the significant role the following people have had not just on this essay but on my academic career to date. Firstly, Christopher Coker of the LSE; Maeve Ryan, John Bew and the rest of the Grand Strategy cohort at King's College London; Rudra Chaudhuri and Alan James for their encouragement to pursue publication of this piece and lastly; my wonderful, supportive family to whom I am forever indebted.

¹ 'Finance, Frauds and Failure,' *Temple Bar: A London Magazine for Town and Country Readers* 17 (1866) 393.

² They have since published two further volumes. This dissertation is based on the latest: A. G Hopkins, P. Cain, *British Imperialism: 1688-2015* (Routledge 2016).

³ See for example, J. Gallagher, R. Robinson, 'The Imperialism of Free Trade' (1953) 6 *The Economic History Review* 1, 1-15; D. K. Fieldhouse, 'Gentlemanly Capitalists and the British Empire', 22 *Journal of Imperial and Commonwealth History* 3 (1994) 531-41; J. Darwin, 'Imperialism and the Victorians: The Dynamics of Territorial Expansion.', *English Historical Review* (1997) 614-42; R. E. Dummett, *Gentlemanly Capitalism and British Imperialism: The New Debate on Empire* (1999); M Lynn, 'British Policy, Trade, and Informal Empire in the Mid-Nineteenth Century', in A. Porter (eds), *The Oxford History of the British Empire: Volume III: The 19th Century* (1999) 101-21; 118-19.

I. INTRODUCTION

People said that Mr Melmotte had a reputation throughout Europe as a gigantic swindler,—as one who in the dishonest and successful pursuit of wealth had stopped at nothing. People said of him that he had framed and carried out long premeditated and deeply laid schemes for the ruin of those who had trusted him, that he had swallowed up the property of all who had come in contact with him, that he was fed with the blood of widows and children.

Anthony Trollope, *The Way We Live Now* (1875)

Upon returning to London from abroad, Anthony Trollope was appalled by the greed and deceit the financial scandals of the 1870s exposed.⁴ ‘Magnificent in its proportions,’⁵ Trollope drew inspiration from the rife dishonesty, and fraudulent practices in constructing the central character, Augustus Melmotte, of his classic novel *The Way We Live Now*.⁶ Trollope was not alone either in his disgust at the state of the City of London or the literary inspiration he took from it. The character Mr Merdle of Charles Dickens’ classic work, *Little Dorrit*, was based on the defalcations and consequential suicide in 1856 of John Sadleir, a wealthy financier, and MP of Carlow. The case of Sadleir was not unique to Dickens who, in 1860, recorded a succession of almost unbelievable, interconnected instances of embezzlement and financial fraud.⁷

The Victorian City of London familiar to Dickens and Trollope provided different inspiration to the economic historians Peter J. Cain and Anthony G. Hopkins, who published the first of a series of essays on the spread of British Empire over thirty- five years ago.⁸ The essays, themselves responses to the seminal work of Ronald Robinson and John Gallagher,⁹ were ultimately synthesised into one magisterial work, *British Imperialism: 1688-2000*, in 1993 (the latest edition was published in 2016 and expanded to include the period 2000-2015). Cain and Hopkins’ central thesis argued that non- industrial forms of capitalism, primarily those in the ‘invisibles’ sector (such as insurance and banking), had been largely neglected by scholars of empire, legal history studies, area studies, and economic history.

Furthermore, they argued that more than just acting as a minor contributor to the wider economic milieu of the time, the invisibles sector was much more important regarding output and employment than standard interpretations of British legal history had previously argued.¹⁰ Their model for explaining the evolution of British imperial influence consists of several distinctive elements: the primacy of the metropole as the genesis of impulses which drove the expansion of the British Empire; the role of the service sector, rather than commercial or industrial sectors, as providing the momentum for colonial expansion; the confluence of the landed and city elites; and the defining characteristics of gentility.¹¹

⁴ Booth (1947) 294.

⁵ *Ibid.*

⁶ *Ibid.*

⁷ C. Dickens, ‘Convict Capitalists’, 6 *All the Year Round* 3 (1860a) 201-4; See also C. Dickens, ‘Very Singular Things in the City’, *All the Year Round* 3 (1860b) 325-26.

⁸ P. J. Cain, A. G. Hopkins, ‘Gentlemanly Capitalism and British Expansion Overseas I. The Old Colonial System, 1688-1850’, 39 *The Economic History Review* 4 (1986), 501-25.

⁹ J. Gallagher, R. Robinson, ‘The Imperialism of Free Trade’ 6 *The Economic History Review* 1 (1953) 1-15.

¹⁰ A. G. Hopkins, P. J. Cain, *British Imperialism: 1688-2015* (Routledge 2016) 43-44.

¹¹ *Ibid.*, 45

Despite its tremendous breadth and depth, there are several factors which *British Imperialism* pays only cursory attention to, hints at, or neglects entirely. R. E. Dummett in, *Gentlemanly Capitalism and British Imperialism: The New Debate on Empire*, highlights the lack of attention Cain and Hopkins afford the role of Christian humanitarianism as a 'civilising' factor, facilitating the spread of British influence.¹² Moreover, the Caribbean, a hub of trade and commerce for Victorian Britain, is also neglected by the authors. Research on these areas, however, would provide merely additional insight to the overall thesis. Neither subject is *essential* to the model of gentlemanly capitalism forwarded in *British Imperialism*.

As opposed to these areas of further thematic and geographic research, the characteristics of the gentlemanly capitalists themselves are fundamental to Cain and Hopkins' paradigm. Nine pages of *British Imperialism* are dedicated to defining this core aspect of the thesis.¹³ This paper provides a detailed profile of the 'gentlemanly capitalists,' the primary actors who galvanised the service sector at the centre of Cain and Hopkins' model. This dissertation specifically examines the elements of *honour* and *trust* which, according to Cain and Hopkins, were fundamental to this community and underpinned the spread of British influence. This notion, foundational to *British Imperialism*, is summed up in the following passages (emphasis added):

Gentlemanly ideals were vital to the success of the activities discussed here because they provided a **shared code, based on honour and. obligation**, which acted as a blueprint for conduct.

A gentleman possessed the qualities needed to inspire confidence; and. **because his word was his bond** transactions were both informal and efficient. Shared values, nurtured by a common education and religion, provided a blueprint for social and business behaviour.¹⁴

In *British Imperialism*, the authors merely hint at the *ungentlemanly* practices that were rife throughout the empire such as gratuitous and coercive violence, jobbery and larceny. More notable, however, was the neglect of so-called 'white-collar crime,'¹⁵ committed by the gentlemanly capitalists against their peers. Cases of fraud, embezzlement and reckless speculation, would have contravened the core values of honour and trust that are fundamental to the conception of gentlemanly capitalism. Despite the commonness and infamy of such practices, Cain and Hopkins pay scant attention to the role of white-collar crime in their model. Despite the lack of consideration afforded to such practices in their paradigm, Cain and Hopkins acknowledge the observations of Dickens and Trollope.¹⁶ To them however, such unsavoury practices were only committed by a separate group of "shysters and fraudsters [...] whose code of behaviour fell far short of standards of chivalry and honour."¹⁷

Contrary to Cain and Hopkins' assertions, this essay contends that 'white-collar crime' was in-fact a common and prominent feature of the financial services sector that was the vanguard of gentlemanly capitalism, bankrolling British expansion overseas. It is beyond the scope of this work to provide an alternative to the entire model of gentlemanly capitalism that *British Imperialism* propagates. Instead, this paper argues that a revision of the core elements of *trust* and *honour*, supposedly fundamental to the business practices of the gentlemanly capitalists, is necessary.

¹² *Ibid.*, 33-10

¹³ R. E. Dummett, *Gentlemanly Capitalism and British Imperialism: The New Debate on Empire* (Routledge 1999) 40.

¹⁴ A. G. Hopkins, P. J. Cain, *British Imperialism: 1688-2015* (Routledge 2016) 46-55.

¹⁵ *Ibid.*, 48.

¹⁶ *Ibid.*, 55.

¹⁷ This Term was first coined by sociologist Edwin Sutherland, defined as 'a crime committed by a person of respectability and high social status in the course of his occupation'. See E. Sutherland, *White Collar Crime* (Dryden Press 1949) 7.

II. THEORY AND METHODOLOGY

In this dissertation, three tasks are undertaken to demonstrate the need for reflection regarding the values that supposedly characterised the gentlemanly capitalists. The first is to demonstrate the *prevalence and impact* of white-collar crime in the 19th century City of London. By doing so, the assertion that trust and honour were ubiquitous characteristics of the gentlemanly capitalists will be challenged. Secondly, it is essential to show what the perceptions of the gentlemanly capitalists were to their contemporaries. The third task is to demonstrate the significance of these crimes, both regarding infamy and magnitude. Aside from furthering the core thesis, the second and third tasks further probe the integrity behind the decision of Cain and Hopkins to relegate such crimes to the footnotes of *British Imperialism*.

To achieve these tasks and in the process forward the argument set out above, this dissertation is split into five sections. Initially, the contours of the City of London itself and the business environ in the 1800s are defined. Aside from just providing useful context, this preliminary section also demonstrates the social milieu and ingrained outlooks prevalent throughout the city. By examining the attitudes, motivations, and stresses of the gentlemanly capitalists, the actual standing of *honour* and *trust* as characteristics of this cohort becomes clearer. Additionally, this section establishes a fuller profile of the quintessential gentlemanly capitalist according to Cain and Hopkins. Doing so will provide useful criteria which will support the arguments forwarded in sections five and six. Section four provides a survey of white-collar crime in the 1800s to demonstrate the prevalence of crimes that contravene notions of honour and trust. Without this section, the case studies that are scrutinised next could be dismissed as outliers.

The analysis continues in section five and six with two particularly infamous cases of white-collar crime. The individuals central to the cases are discussed to show that these are indeed cases that demonstrate the dishonour and deceit of gentlemanly capitalists. Next, the course of the revelations will be discussed to show both the magnitude and the variance of such crimes. Finally, the coverage that the cases received will be discussed to show how given the infamy of both cases their omission from *British Imperialism* is a significant and questionable oversight. The cases have been specifically selected because the subjects at the centre of the cases either committed white-collar crimes to *attain* or to *retain* gentlemanly status. By addressing this variable, the fact that ungentlemanly practices were not limited to individuals who traversed a particular path to gentility is demonstrated.

Moreover, neither case of white-collar crime was perpetrated by a sole, corrupted individual; thus, any possible refutations that could arise against cases which centre around a single 'bad apple' are dispelled. The final section concludes by addressing points of contention that could be raised in response to this paper. In this section, future areas of scholarship are suggested, as are two alternative hypotheses regarding the actual standing of trust and honour as gentlemanly values. These hypotheses are hinted at and discussed throughout the dissertation/ are central to the argument presented by this dissertation. A notable aspect of *British Imperialism* is the authors' reliance on secondary source material, a dependence they admit to in the opening pages of their work.¹⁸ Contrary to *British Imperialism*, this dissertation draws on extensive primary source research (53 original sources cited) to forward a robust discourse analysis. This extensive range of material provides an appropriate starting point for future scholars who endeavour to 'take up the baton', while further demonstrating the perceptions of the gentlemanly capitalists held by their contemporaries. By forwarding our thesis in such a way, a multi-perspective account is provided, as opposed to a one-dimensional

¹⁸ A. G. Hopkins, P. J. Cain, *British Imperialism: 1688-2015* (Routledge 2016) 7.

interpretation, another criticism that has been levelled at Cain and Hopkins' work.¹⁹ It would have been beyond the scope of this work to do justice to the whole period dealt with in *British Imperialism* (1688-2000); therefore, this dissertation focuses on the 19th century exclusively.²⁰

Although the gentlemanly capitalists made their fortunes from a range of services,²¹ this dissertation focuses on the heart of the city: Banking. Bankers were archetypal gentlemanly capitalists; it was they who bankrolled and raised funds for the expansion of the British Empire. As one eminent banker of the time proclaimed: "Banks are by far the most important of all our commercial establishments [...] Business to any great extent could not be carried on without them."²² Cain and Hopkins afford primacy in their model to the bankers and financiers who facilitated the overseas expansion and the long-term development of an "international system centred on London and mediated by sterling".²³

The centrality of banking to their model makes it all the more surprising that Cain and Hopkins did not afford more attention to the white-collar crimes that were rife in the 19th century banking sector. *British Imperialism* was originally well received against the backdrop of uncertainty that Britain faced in the post-Thatcher world.²⁴ Politicians and social commentators of diverse persuasions seized upon the work as justification for their particular stance.²⁵ Today, Britain is again gripped by a crisis of identity embodied by questions that pervade contemporary culture.²⁶ The current uncertainty surrounding national identity is exacerbated by the step into the void that Britain's impending exit from the European Union represents.²⁷ It is clear that any future state architecture that alludes to a prosperous stable Britain will likely incorporate countries that have a unique and enduring memory of British colonialism and conquest.²⁸ With this methodology established, attention now turns to the truths of British Empire and imperialism are continually interrogated. It is with this auxiliary endeavour in mind that this dissertation seeks to incite renewed attention to the work of Cain and Hopkins.

III. THE ARENA AND ITS GLADIATORS

To fully appreciate the common nature of the ungentlemanly practices which characterised the City of London in the 1800s, it is necessary to establish the setting within which the following case studies occurred. To fully understand *what* they did, it is essential also to understand *why* they did it; by establishing this context, the motivations of the gentlemanly capitalists are revealed. As in any work in the field of legal

¹⁹ *Ibid.*

²⁰ This decision was made mainly due to the accessibility and variance of original source material.

²¹ *Ibid.*, 65

²² D. K. Fieldhouse, 'Gentlemanly Capitalists and the British Empire', 22 *Journal of Imperial and Commonwealth History* 3 (1994) 531-41.

²³ A. G. Hopkins, P. J. Cain, *British Imperialism: 1688-2015* (Routledge 2016) 44.

²⁴ Quoted in Cottrell and Anderson (eds), *Money and Banking in England* (1974) 224.

²⁵ A. G. Hopkins, P. J. Cain, *British Imperialism: 1688-2015* (Routledge 2016) 60.

²⁶ See R. Drayton, 'Where Does the World Historian Write From? Objectivity, Moral Conscience and the Past and Present of Imperialism,' *Journal of Contemporary History* 46 (2011) 671; R. Drayton 'Imperial History and the Human Future,' *History Workshop Journal* (60015974) (August 2012), 224.

²⁷ A. G. Hopkins, P. J. Cain, *British Imperialism: 1688-2015* (Routledge 2016) 2.

²⁸ See S. Erlanger, 'No One Knows What Britain Is Anymore,' *The New York Times*, (November 4, 2017) Available at: <https://www.nytimes.com/2017/11/04/sunday-review/britain-identity-crisis.html> [Accessed: 14th February 2018]; Paul Mason, 'Can England avoid a meltdown of national identity?,' *The Guardian*, (March 20, 2017) Available at <https://www.theguardian.com/commentisfree/2017/mar/20/can-england-avoid-a-meltdown-of-national-identity> [Accessed: 14th February 2018]; James Blitz, 'Can there be a global role for Britain after Brexit?' *The Financial Times*, (November 9, 2017) <https://www.ft.com/content/7adce24c-c543-11e7-a1d2-6786f39ef675> [Accessed 15th February 2018].

history, context is most integral. As will be shown, the arena was clearly not conducive to unwavering *honourable* and *trustworthy* conduct. Next, the characteristics which make up the profile of the quintessential gentlemanly capitalist are established. This will provide useful criteria to show that the central individuals of the chapters five and six were indeed gentlemanly capitalists, but nevertheless committed crimes of dishonour and deceit.

PERCEPTIONS AND PRESSURES

19th century London underwent a spectacular revolution befitting of the centre of global commerce.²⁹ Dickens' London was a paradoxical city which simultaneously reached for modernity while maintaining an acute connection with its past;³⁰ the presence of antiquarianism and innovation was ubiquitous. It is perhaps little wonder then, that some imagined the metropolis as the 'Victorian Babylon', drawing on the parallels of wealth, splendour and refinement which London shared with the fabled Mesopotamian city.³¹ Such comparisons also evoke an alternative comparison: that of Babylon of the Apocalypse, a city that was characterised by hubris, greed, harlotry and unrestrained devastation.³² To contemporaries, this was a fitting metaphor for Victorian London.³³ Interestingly, it seems that these negative aspects of the city were not random but were derivatives of a deeper ingrained element in the collective psyche of the gentlemanly capitalists.³⁴

In 1843, the eminent philosopher and social commentator, Thomas Carlyle, made a perceptive observation, articulating this omnipresent feature of the gentlemanly capitalists' environ:

"What is it that the modern English soul does, in very truth, dread infinitely, and contemplate with entire despair? What is his Hell...? With hesitation, with astonishment, I pronounce it to be: The terror of 'Not Succeeding'".³⁵

Carlyle's laments attest to the collective social pressure under which the gentlemanly capitalists toiled. This pressure clearly does not allude to an assertion that trust and honour were pervasive; While the ignominy gentlemanly capitalists faced if their malpractices were revealed was significant, the fear of 'not succeeding' or of losing standing was potentially more terrifying.³⁶ Furthermore, changes to the law throughout the 1800s, such as the Savings Bank Act of 1817,³⁷ the declassification of forgery and fraud as a capital

²⁹ T. Oliver 'A New British Identity is Key to Brexit's Success. So Who Do We Want to Be?' *The Guardian* (August 16, 2017)<https://www.theguardian.com/commentisfree/2017/aug/16/british-identity-key-brexit-crisis-negotiations> [Accessed 14th February 2018], and Reece Stafferton, 'A Millennial View: Brexit Has Caused an Identity Crisis,' *Huffington Post*, (January 2nd, 2018).

³⁰ Particularly countries of the Indian subcontinent and those in the African Union. See Yueh, L 'Britain's Economic Outlook after Brexit,' *Global Policy*, 4 (2017) 8; N Wright, 'Brexit & The Re-Making of British Foreign Policy,' *UCL European Institute, Working Paper* (2017).

³¹ L. Nead, *Victorian Babylon: People, Streets and Images in Nineteenth-Century London* (Yale University Press 2005) 2.

³² *Ibid.*, 4

³³ J. Cumming, 'London, As It Strikes a Stranger,' *Temple Bar: A London Magazine for Town and Country Readers*, 5 (1862) 379.

³⁴ *Ibid.*, 37; A Lecture Delivered in Exeter Hall (British Society for Promoting the Religious Principles of the Reformation) (1851) 4-8.

³⁵ J. Lawrence, *London In the Nineteenth Century: A Poem in three books* (J & G Lewis 1844) 42.

³⁶ *Ibid.*, 10.

³⁷ T. Carlyle, *Past and Present* (Chapman & Hall 1843) 182.

punishment in 1836,³⁸ the Limited Liability Act of 1855³⁹ and the Companies Acts Amendment of 1867,⁴⁰ created opportunities for fraud and lessened the severity of potential repercussions.

The commonness of 'mercantile swindling' in the 19th century is summed up by the following passage from the magazine *Temple Bar*, published in 1866:

"Go where you will, in business parts, or meet who you like of business men, it is - and has been the same story and the same lament. Dishonesty, untruth, and what may, in plain English, be termed mercantile swindling, exists on all sides and in every quarter."⁴¹

Furthermore, the commonly-read magazine *Town Talk* provided its interpretation of the business environment within which the gentlemanly capitalists operated. The figure below is an example of two of these satirical illustrations. The first, *Robbery in Two Phases*, compares the reprehensible highwayman, armed with a flintlock pistol, to the conniving bank manager, armed instead with a deposit book.⁴² This cartoon was published in reference to the Limited Liability Act of 1855, which allowed bankers to recklessly invest other people's money, without the fear of personal consequences if their reckless speculations failed.⁴³ Widows, such as the one depicted in the 'Widows Suite', were as prime victims of such behaviour.

The second illustration, *Jack and the Giant Joint-Stock* again attests to the folly of the widow, this time at the hands of the Joint-Stock Banks. These institutions were the 'most prolific sources of bankruptcy and ruin'.⁴⁴ Companies, who did not require royal charter to incorporate after the 1844 Joint-Stock Act, employed promoters to deceive the public in order to encourage investment.⁴⁵ The confrontation between 'Jack' and the monster of the 'Giant Joint-Stock', is set against a background that references some of the more infamous cases of joint-stock banking fraud such as the Royal British Bank and the Eastern Banking Corporation.⁴⁶ Whether the motivation of the perpetrators was greed, opportunism, fear of 'not succeeding' or a desire to maintain a legacy, the contemporary perception of the gentlemanly capitalists did not hold them as *honourable, trustworthy* individuals.

³⁸ This is clear from the many cases of suicide that followed bankruptcies and other commercial failures. See G. Robb, *White-Collar Crime in Modern England: Financial Fraud and Business Morality, 1845-1929* (Cambridge University Press 1992) 165.

³⁹ Savings Bank Act 1817, 57 Geo. III, c. 130.

⁴⁰ Hansard's Parliamentary Debates, Vol. XCIII (1847) 329.

⁴¹ Limited Liability Bill 1855, Vol. 139, cc. 1445-58.

⁴² Companies Act 1862, Amendment Bill 1867, Vol. 188, c. 923.

⁴³ 'Finance, Frauds and Failure,' *Temple Bar: A London Magazine for Town and Country Readers* 17 (1866) 393.

⁴⁴ 'Robbery in Two Phases' (1858), See illustration on subsequent page.

⁴⁵ G. Robb, *White-Collar Crime in Modern England: Financial Fraud and Business Morality, 1845 – 1929* (Cambridge University Press 1992) 11.

⁴⁶ R. McCulloch, 'Joint-Stock Banks and Companies', *Edinburgh Review* 63 (1836) 423.

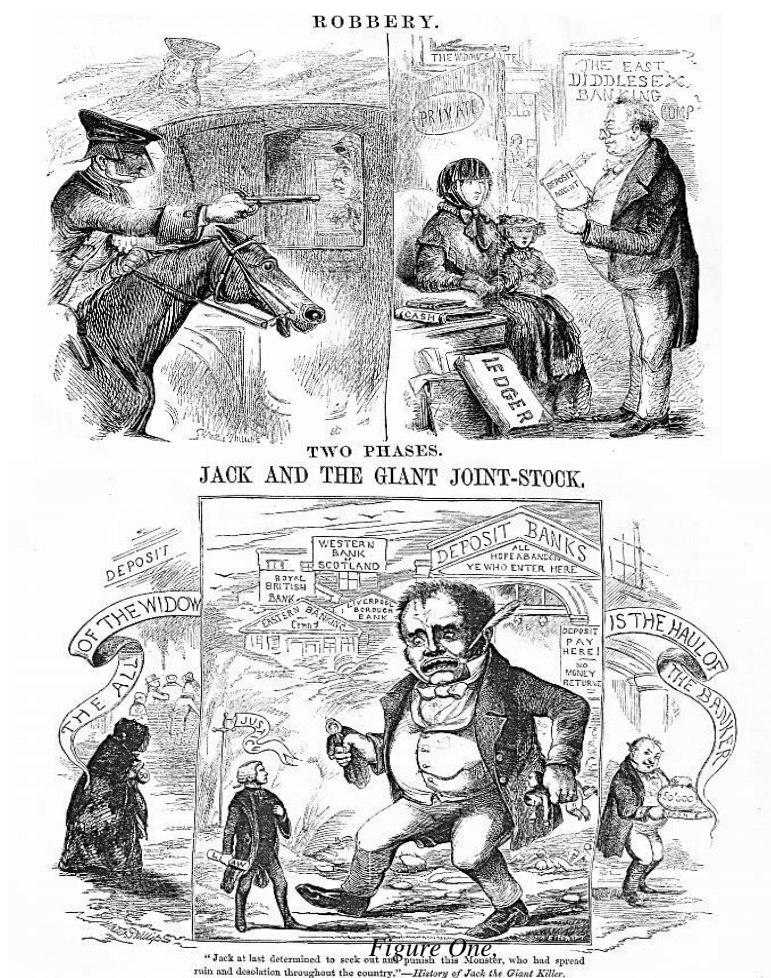


Illustration I 'Jack and the Giant Joint-Stock,' Town Talk (5 June 1858)

Illustration II 'Committed for Trial', Punch, (6 February 1869)

THE ARCHETYPAL 'GENTLEMANLY CAPITALIST'

Although the gentlemanly class evolved, Cain and Hopkins argued that the primary qualities of gentility remained constant.⁴⁷ To them, gentleman could be 'made as well as born'.⁴⁸ This criterion embodies the entrepreneurial nature of Victorian London that arose from the 'fear of *not succeeding*'. This is an important aspect to consider vis-à-vis the Liberator Frauds discussed in section six. According to Cain and Hopkins, the means by which wealth was acquired was also a fundamental feature of the gentlemanly capitalists.⁴⁹ As opposed to gaining capital through work in the factories, it was highly desirable that gentleman attained their wealth through the trade of 'invisibles', such as insurance and banking services, or by serving on the board

⁴⁷ Select Committee on Joint Stock Companies, *Parliamentary Papers*, (1844) VII Report, 361.

⁴⁸ 'Jack and the Giant Joint-Stock' (1858), (See above).

⁴⁹ A. G. Hopkins, P. J. Cain, *British Imperialism: 1688-2015* (Routledge 2016) 46.

of companies.⁵⁰ Thus, to be ‘something in the city’ was a necessary characteristic of the actors who, according to Cain and Hopkins, drove the spread of the Victorian Empire.⁵¹ Corporate standing meant that such individuals were able to intertwine themselves in Whitehall; gaining information and influence as the financiers of those who dictated policy while bankrolling the expeditions derived from such policies.⁵²

Furthermore, it was important that a gentleman attained positions in society that allowed sufficient opportunity for leisure, to engage in gentlemanly endeavours which enabled him to solidify social and familial bonds.⁵³ Along with the opportunity to form close personal relationships, it was also necessary for gentlemanly capitalists to demonstrate overt religiosity. That is in such a context, in order to attain social standing they had to exhibit spiritual integrity as well as business prowess.⁵⁴ Both of these features underpin the aspect of Cain and Hopkins thesis this dissertation seeks to examine: the former made business personal (although at times nepotistic), while the latter provided a supposedly common sense of Christian morality to underpin the allegedly common values. However, as will be shown in the following chapters, these features hint at an alternate hypothesis: the assumption that common values were retained by all gentlemanly capitalists perhaps *facilitated* crimes of dishonour and deceit. The correlation between this hypothesis and the context established in this chapter is significantly stronger than between Cain and Hopkins assertions and the reality of ‘Victorian Babylon’.

IV. SURVEYING THE 19th CENTURY FINANCE SECTOR

In-line with the methodology outlined previously, this section demonstrates the commonality of white-collar crimes in the 19th-century financial sector. It is argued that this reality challenges the notion that a code of honour and trust was implicit among gentlemanly capitalists. As was previously noted, despite the prevalence of crimes of dishonesty and deceit in other sectors of gentlemanly capitalism, this section focuses explicitly on the banking sector. Hence, it is argued that the commonality of banking fraud alludes to the fact that trust and honour, even if they were characteristic of the gentlemanly capitalists, did not have the effect Cain and Hopkins suggest.

A CENTURY OF FRAUD

Every year, from 1815 until 1830 a minimum of three banks became bankrupt and failed, the total number of bankruptcies was 206, each led to revelations of fraud and mismanagement.⁵⁵ The high point of this period was the financial crisis of 1825 in which 61 English banks refused payments.⁵⁶ The notable case of Henry Fauntleroy occurred the year before. Fauntleroy was one of the last people to be hung for fraud or forgery in 1824 following revelations of his embezzlements that totalled £250,000 from the bank his father had founded Marsh, Sibbald & Co.⁵⁷ Following a couple of decades of relative stagnation, the Banking sector underwent a drastic growth spurt primarily stimulated by the ‘Railway Mania’⁵⁸ of the 1840’s ((291 new banks formed between 1844 and 1868)).⁵⁹ Such rapid growth was only possible with *laissez-faire* policies

⁵⁰ *Ibid.*

⁵¹ *Ibid.*

⁵² *Ibid.*, 43-46

⁵³ *Ibid.*, 60.

⁵⁴ *Ibid.*, 49-50, 79.

⁵⁵ *Ibid.*, 46-47.

⁵⁶ *Ibid.*, 46

⁵⁷ J. Clapham, *An Economic History of Modern Britain* 1 (Cambridge University Press 1926) 270-80.

⁵⁸ S. E. Thomas, *The rise and Growth of Joint Stock Baking* (Sir Isaac Pitman and Sons 1934) 53.

⁵⁹ D. M. Evans, *Facts, Failures and Frauds: Revelations, Financial, Mercantile, Criminal* (Groombridge & Sons 1859) 107.

and non-existent regulation. According to the distinguished 19th-century economist, David Morier Evans, “impediments reduced to a minimum” led to some of the ‘darkest pages in the commercial history’ of the City.⁶⁰

The temptation proved too much for many as was shown by several notorious instances of fraud throughout the 1840s. Firstly, the Commercial Bank of England which failed in 1840 with losses of £2million due to directors ‘borrowing’ bank funds, using bad debts as collateral, while paying themselves dividends even when the bank was losing money.⁶¹ This was followed by the Bank of Manchester, (1842, loss of £1 million); North of England Joint Stock Banking Company (1847, loss of £2.2 million); the Sunderland Bank (loss of £132,000); and the Shropshire Banking Company (1855).⁶²

It could be argued that these are not relevant cases to the debate in hand due to the regional nature of each. However, a substantial rebuttal is threefold. These failures arose from crimes of dishonesty, sent reverberations throughout the city of London, and were mostly committed by individuals who fit the profile of the gentlemanly capitalist. Thus, they still demonstrate that Cain and Hopkins’ assertions are questionable.⁶³

The lack of consideration in *British Imperialism* afforded to the revelations of white-collar crime in the 1850s, one further struggles to justify. The case of Strachan, Paul & Bates, was the most shocking to contemporaries. This was followed two months later by the scandalous exposure of John Sadleir’s frauds at the Tipperary Joint-Stock Bank. The MP, later appointed Lord of the Treasury, embezzled £200,000 from the bank where he was a director⁶⁴. The bank failed in January 1856 revealing the extent of his crimes. Sadleir committed suicide, his case inspiring Charles Dickens’ character of Mr Merdle in *Little Dorrit*⁶⁵. In correspondence with his brother, Sadleir detailed the creative methods he employed to carry out his fraudulent practices. He also included the following passage, which shows his perception of the commonality of dishonest practices employed by institutions that were central to gentlemanly capitalism:

I know many of the English joint-stock banks, in order to give a good appearance to their balance, have constantly trebled the amount of their balance, & by making a series of entries, whereby they appeared to have assets and liabilities to four times the amount they really possessed or had. This has always been kept very quiet, and what at first was a kind of fiction became gradually to be *bona fide*.⁶⁶

The Royal British Bank was probably one of the institutions that Sadleir was referring to in his letter; indeed, he implicated the Bank’s directors separately in a note published posthumously that caused a panicked run on the bank.⁶⁷ The directors had exhausted the entire reserves of shareholder capital and had embroiled the bank further in £500,000 of debt.⁶⁸ During sentencing, Justice Lord Campbell commented, “It was said that

⁶⁰ M. Poovey, *The Financial System in Nineteenth Century Britain*, (Oxford University Press 2003) 18.

⁶¹ G. Robb, *White-Collar Crime in Modern England: Financial Fraud and Business Morality, 1845 – 1929* (Cambridge University Press 1992) 57.

⁶² D. M. Evans, *Facts, Failures and Frauds: Revelations, Financial, Mercantile, Criminal* (Groombridge & Sons 1859) 1.

⁶³ G. Robb, *White-Collar Crime in Modern England: Financial Fraud and Business Morality, 1845 – 1929* (Cambridge University Press 1992) 60.

⁶⁴ *Ibid.*

⁶⁵ *Ibid.*

⁶⁶ D. M. Evans, *Facts, Failures and Frauds: Revelations, Financial, Mercantile, Criminal* (Groombridge & Sons 1859) 641.

⁶⁷ *Ibid.*, 57.

⁶⁸ John Sadleir’s Recipe for Cooking Accounts’, *The Illustrated Times* (21 June 1856) 470.

it [Banking fraud] was a common practice,”⁶⁹ this is another clear indication of the frequency of crimes of dishonesty and deceit among gentlemanly capitalists. Yet it is worth noting that Sadleir’s note and his assertions vis- à-vis the Royal British Bank do not just allude to the fact that white-collar crimes were common, they also hint at an interesting observation: those ‘in the know’ were aware of the rife dishonesty among their class. This observation suggests that the image of the upstanding gentlemanly capitalist is a relatively recent invention.

The rife frauds of the first half of the 1800s resulted in the Crisis of 1857. A committee consequently ordered to scrutinise banking methods found that fraudulent practices were indeed rife throughout the broader banking sector.⁷⁰ A director of the Bank of England, Kirkman Hodgson, explained to the committee that in the absence of honour and integrity, the law gave no protection, hence the commonness of crimes of opportunity.⁷¹ While it could be argued that this points to the sense of trust in business, key to Cain and Hopkins’ model, it could also be argued that it in-fact reveals a misplaced sense of naivety that meant *faux-honour* was, in fact, a facilitating factor in crimes of deceit.

The ‘darkest pages of commercial history’ continued throughout the 1860s and 1870s. Beginning with the Financial Crisis of 1866 and culminating with the catastrophic failure of the City of Glasgow Bank in 1878.⁷² Even with heightened regulations and the professionalisation of the banking sector,⁷³ crimes of dishonesty persisted. While the opportunities for defalcations became scarce, crimes of misrepresentation such as deceptive publicity, withholding information and publishing false balance sheets emerged as the *en- vogue* strain of ungentlemanly capitalism.⁷⁴ The case of the Liberator Frauds, examined previously in section six, was chosen precisely because it was based on false company promotion, balance sheet mismanagement and imprudent speculation, thus demonstrating the varied nature of crimes of deceit and dishonour.

IN SUM

While not an exhaustive summary, the preceding section has provided a clear survey of the *true* nature of 19th-century banking. By showing the commonality of practices that challenge the assertion that *trust* and *honour* were supposedly unwavering and pervasive, this section the first task that has been outlined – namely that the element of the gentlemanly capitalist model in question at least requires further scrutiny.

Moreover, this section also demonstrates that gentlemanly capitalists potentially *were* aware of the dishonesty and deceit that was common among them, and in-fact used their knowledge for their own gain. This argument along with the one alluded to in section three should be kept in mind the following case studies. The following sections demonstrate the notoriety of such practices, thus probing the integrity behind the lack of consideration afforded to *ungentlemanly capitalism* in *British Imperialism*.

⁶⁹ D. M. Evans, *Facts, Failures and Frauds: Revelations, Financial, Mercantile, Criminal* (Groombridge & Sons 1859) 279.

⁷⁰ *Ibid.*, 272-273.

⁷¹ *Ibid.*, 385.

⁷² Select Committee on the Bank Acts and Recent Commercial Distress, *Parliamentary Papers*, (1858) V Report.

⁷³ *Ibid.*

⁷⁴ Again, it could be argued that this does not forward our thesis due to the regional nature of the institution. A pre-emptive rebuttal to such contention is that Glasgow was the ‘second city’ of the Empire. Moreover, the frauds that brought down the City of Glasgow Banks (which had over a hundred branches in the United Kingdom), were perpetrated by gentlemanly capitalists. See G. Robb, *White-Collar Crime in Modern England: Financial Fraud and Business Morality, 1845 – 1929* (Cambridge University Press 1992) 72.

V. THE INSTITUTIONAL SWINDLES OF STRAHAN & CO.

The muse looked down a lengthened aperture, communicating with thy gilded halls,
and saw thee drunken, not indeed with wine; but thou wast drunken with excess of
wealth.

Extremes of fortune, like the maddening fumes of alcohol, had made thy head to swim,
thy steps to falter, and thy nerves to shake.

What's Avarice? Say you now know it best; Say is it not contagious? Is it not a moral
plague-spot, fatal in effect to thousands in this vast metropolis?

- John Lawrence, London in the Nineteenth Century, 1844⁷⁵

Having surveyed the more notable cases of banking fraud in the 19th century, one's focus turns to the case of William Strahan, Sir John Dean Paul and Robert Mekin Bates. This case was chosen because it shows a clear example of dishonourable crimes being committed to *retain* gentility. Moreover, the notoriety of this case further challenges the omission of fraud and white-collar crime from *British Imperialism*. By way of examining this case, the profiles of Strahan, Paul and Bates are initially examined to show how despite fitting the profile of the upstanding gentlemanly capitalist, they in-fact engaged in dishonourable practices that contravene Cain and Hopkins' thesis. The revelations themselves and consequential infamy of the case will be discussed, thus challenging the reasoning behind the lack of attention afforded to white-collar crime in *British Imperialism*.

THE GENTLEMAN IN QUESTION

Both Paul and Strahan were of highly credible, wealthy families; they inherited legacies that were intertwined with the very fabric of the City.⁷⁶ They enjoyed positions within society that allowed them to partake in appropriate leisurely pastimes, and mix in the correct social circles, two characteristics of the profile established in *British Imperialism*. Paul, perhaps best matched the profile of the gentlemanly capitalist, he was perceived as a "model baronet, a good banker and a pious man".⁷⁷ Paul held many honorary positions on the committees of almost all the Evangelical societies of London; consequently, his bank enjoyed a monopoly on the provision of banking services to these societies.⁷⁸ He was the eldest son of Sir John Dean Paul, 1st baronet, who had previously been the head of the bank.

Of Strahan, it was said that even a fortnight before the revelations of bankruptcy "to breathe a word of suspicion against his honesty would have been thought as unreasonable as to dispute the credit of the Bank of England".⁷⁹ He lived well and maintained the demeanour of someone who was very wealthy.⁸⁰ Of the three men, Bates was of comparatively humble means. He was the long-standing managing clerk of the firm; due to his extensive faithful service, he was installed as the third partner when Robert Snow retired in 1841.⁸¹

⁷⁵ Led by King's College London, *Gilbart's Lectureship on Banking*, see *Ibid* 72.

⁷⁶ *Ibid.*, 75.

⁷⁷ J. Lawrence, *London In the Nineteenth Century: a Poem in three books* (J & G Lewis 1844) 42.

⁷⁸ Indeed, the firm of Snow and Walton (the original name of the bank) was second only to Child & Co., as the longest standing banks, dating back to 1640. See D. M. Evans, *Facts, Failures and Frauds: Revelations, Financial, Mercantile, Criminal* (Groombridge & Sons 1859) 111.

⁷⁹ The Death of Sir John Dean Paul Bart', *Manchester Courier and Lancashire General Advertiser* (Saturday, 19th September 1868).

⁸⁰ D. M. Evans, *Facts, Failures and Frauds: Revelations, Financial, Mercantile, Criminal* (Groombridge & Sons 1859) 110.

⁸¹ D. M. Evans, *Facts, Failures and Frauds: Revelations, Financial, Mercantile, Criminal* (Groombridge & Sons 1859) 109.

The relationships he maintained with customers was one of the key reasons he was rewarded with a partnership.⁸²

The fit of the men to the profile of the quintessential gentlemanly capitalist is confirmed by the remarks of Mr Bodkin, who led the prosecution against them:

The defendants are] gentleman, hitherto standing high in the estimation of those who knew them, enjoying the luxury which rank, and wealth afford, and the unlimited confidence of those whose fortunes have been entrusted to their keeping.⁸³

The opening pages of this chapter hint at an interesting alternate hypothesis that will be discussed in the following pages. From the sources perused, it seems as though honour and trust were indeed traits attributed to Strahan, Paul and Bates. A reasonable supposition, however, is that such perceptions essentially *facilitated* the deceitful crimes that were perpetrated by the gentlemanly capitalists. Evidently, the case of Strahan, Paul and Bates, gives credence to the alternate hypotheses forwarded in chapter three.

THE REVELATIONS

Facilis descensus Averni est,
The descent to hell is easy.

- Virgil

In 1855, the highly respected, centuries-old company of private bankers, failed for over £750,000. The directors were charged with misappropriating trustees money to cover their losses.⁸⁴ The trial revealed further malpractices, such as how in the preceding year, the partners had attempted to raise loans, using customers' deposits as collateral without their knowledge or permission. Due to a number of foul debts, the bank had been running a loss for a considerable period; however, it was paramount to the partners to ensure the good name of the firm in public.⁸⁵ The pressure to maintain prestige was such that failing this initial attempt to claw back from insolvency, the directors sold £100,000 of the securities deposited with them.⁸⁶ The bankers were convicted and sentenced to fourteen years transportation.⁸⁷

While it is unclear when the bank's troubles first began, at least from 1816 Sir John Dean Paul Snr and the other directors of the firm had begun 'borrowing' customers' money without their acquiescence.⁸⁸ Thus, along with the chief partnership in the firm, J.D. Paul junior inherited a deficit of £71,990, composed of bad debts and defalcations.⁸⁹ A similar predicament was almost definitely faced by Strahan and Bates in due course: to be honest and expose the previous immorality of the business, or to breach the principles of custodianship and continue in the same vein. Here, the laments of Thomas Carlyle resonate, the 'fear of not succeeding' and the social ostracization the men would have suffered surely played a significant role in the collective decision to continue on. Moreover, lack of regulation and unquestioning trust invested in the

⁸² 'Sir J. Dean Paul & Co.' in Percy Fitzgerald, *Chronicles of Bow Street Police-Office*, London Chapman and Hall Ltd. (1888) 245.

⁸³ *Ibid.*, 246.

⁸⁴ *Ibid.*

⁸⁵ D. M. Evans, *Facts, Failures and Frauds: Revelations, Financial, Mercantile, Criminal* (Groombridge & Sons 1859) 197.

⁸⁶ *Ibid.*, 111.

⁸⁷ *Ibid.*

⁸⁸ *Ibid.*, 117.

⁸⁹ G. Robb, *White-Collar Crime in Modern England: Financial Fraud and Business Morality, 1845 – 1929* (Cambridge University Press 1992) 62.

partners and their institution made such a course an easy one to stay. The element of trust and credibility that Cain and Hopkins based the profile of the gentlemanly capitalist upon certainly ensured that “transactions were both informal and efficient”,⁹⁰ but not in the way that the historians envisaged.

Twelve years before the revelations of deceit and dishonour, the writer Catherine Gore, whom herself lost £20,000 due to the bankruptcy,⁹¹ dedicated her book *The Bankers' Wife*, to J. D. Paul Snr. The following exert is the introduction of Gore's main character, Richard Hamlyn:

Richard Hamlyn was one of those whose whole life was a system of semblance, of careful and consistent deceit. He was unable to recede from acts of dissimulation towards his customers and mercantile associates. The only thing he cared for in public life was to be cited as Hamlyn the great banker, Son of Hamlyn the great banker, head of one of the most substantial firms in the city.⁹²

Aside from the unsettling prescience and irony of this passage, Ms Gore's observations reiterate the common perception of the gentlemanly capitalists held by contemporaries. Evidently, honour and trust were not features that were associated with the 19th century bankers by peers.⁹³ This aspect of the case contravenes Cain and Hopkins' thesis and gives further credence to the suggestion that the image of the upstanding Victorian Banker is a recent invention, rather than an accurate representation of the gentlemanly capitalists.

THE MAGNITUDE OF THE SCANDAL

The institutional nature of the frauds perpetrated by Strahan, Paul and Bates make the seeming unfamiliarity of Cain and Hopkins to the case surprising. Despite the commonness of fraud in the 19th century, the reputation of the individuals and the institution in question made the case infamous.⁹⁴ One business magazine of the day opened its June 1855 issue with the following lament, “Few disasters have latterly occurred in connection with financial affairs, which have created greater consternation than this”.⁹⁵

The revelations made front-page news in the *Illustrated Times*⁹⁶ when they first broke, and often took up full-page spreads as the case unfolded.⁹⁷ They were also readily covered in magazines of the day such as *the Bankers' Magazine and Journal of the Money Market*,⁹⁸ and *The Athenaeum*.⁹⁹ The level of infamy attributed to the case by contemporaries is also clear from the reportage of the trial by a daily newspaper:

⁹⁰ D. M. Evans, *Facts, Failures and Frauds: Revelations, Financial, Mercantile, Criminal* (Groombridge & Sons 1859) 112.

⁹¹ *Ibid.*

⁹² A. G. Hopkins, P. J. Cain, *British Imperialism: 1688-2015* (Routledge 2016) 55.

⁹³ N. Russell, *The Novelist and Mammon: Literary Responses to the World of Commerce in the Nineteenth Century* (Clarendon Press 1986) 70-1

⁹⁴ C. Gore, *The Bankers Wife; Or, Court and City* (Knight and Sons 1843) 159-60

⁹⁵ For more on bank failures and frauds in Victorian novels, see T. L. Alborn, ‘The moral of the failed bank: professional plots in the Victorian money market’, *Victorian Studies* 38 (1995) 199-226.

⁹⁶ See *The Times*, 19 October 1855, 9 – “We have never had a grosser instance of villany than that of this ‘most seeming virtuous’ banker who, with his pockets stuffed full of the securities which he had abstracted from his customers, could go down to Exeter- hall, and take the chair of some religious meeting of which he was the leader and the idol”.

⁹⁷ The Failure of Messrs. Strahan, Paul and Bates’, in *Bankers' Magazine and Journal of the Money Market*, XV (1855) 409.

⁹⁸ *Illustrated Times*, Saturday, 30 June 1855.

⁹⁹ See *Illustrated Times*, Saturday, 14 July 1855.

Every available corner from which a view of the prisoners could be obtained was eagerly taken [...] The public were so desperate to catch a glimpse of the defendants that the scuffle for admission was literally violent.¹⁰⁰

Moreover, the institution itself was precisely the type that facilitated the spread of British influence overseas; the company embodied gentlemanly capitalism. The firm bankrolled the growth of the British Empire, through their separate navy agency which traded under the name Halford & Co.,¹⁰¹ and through the main bank operating as army agents, raising funds for expeditions.¹⁰² This aspect makes the case particularly interesting given the importance afforded to financiers of imperial expansion in *British Imperialism*.¹⁰³ Furthermore, the bank's private customers consisted of very well-known gentleman,¹⁰⁴ such as the Earl of Carnarvon, the Duke of Rutland, Lord John Manners and Lord Palmerston.¹⁰⁵ The firm also provided banking services to a host of charitable and religious institutions on the name of Sir. J. D. Paul, who as has already been mentioned was prominent in these communities.

The private and institutional clientele retained by the bank is crucial as it demonstrates how this case could have been particularly of note to Cain and Hopkins given the type of commercial activity it engaged in. Similarly, the notoriety of the case makes the fact Cain and Hopkins were seemingly unaware of it, curious. Furthermore, it was not just afforded attention by contemporaries, the swindles of Strahan & Co. have been acknowledged in a host of recent research into the commercial practices of Victorian London.¹⁰⁶ Thus, this case further challenges why cases of *ungentlemanly* commercial malpractice were not afforded more consideration in *British Imperialism* and shows the evident necessity of renewed efforts of reflection and revision.

FINAL OBSERVATIONS REGARDING STRAHAN, PAUL AND BATES

The case of Strahan, Paul & Bates was shocking contemporaneously because of the perception of the institution as a safe haven in a tumultuous period of widespread business immorality, and of its proprietors as exemplar bankers from highly credible families with equally strong morals. The case of Strahan, Paul and Bates not only furthers the notion that Cain and Hopkins conceptualisation of the gentlemanly capitalists needs further attention, it also furthers an alternate argument: the perception of them as upstanding, honourable men appears to have *facilitated* the malpractices they engaged in. Moreover, it was their standing as respectable gentlemen and the legacies they inherited that seemingly motivated them to carry. They engaged in ungentlemanly practices in an effort to *retain* gentility.

VI. THE LIBERATOR FRAUDS

Small were his gains and hard his work: besides, their slender household fortunes (for the man had risk'd his little), like the little thrift, trembled in perilous places o'er adeep: And oft, when sitting all alone, his face would darken, as he cursed his credulousness and that one unetuous mouth which lured him, rogue, To try strange shares in some Peruvian mine.

- Alfred, Lord Tennyson, *Sea-Dreams*, 1864

¹⁰⁰ *The Bankers' Magazine and Journal of the Money Market*, Vol. X (1855-1856) 724.

¹⁰¹ *The Athenaeum: Journal of Literature Science and the Fine Arts* (British Periodicals Limited, January-June 1859) 184.

¹⁰² *London Daily News* (28 June 1855) 6.

¹⁰³ D. M. Evans, *Facts, Failures and Frauds: Revelations, Financial, Mercantile, Criminal* (Groombridge & Sons 1859) 111.

¹⁰⁴ 'The Tale of the House that Snow Built', *The Spectator* (15 December 1855).

¹⁰⁵ A. G. Hopkins, P. J. Cain, *British Imperialism: 1688-2015* (Routledge 2016) 81.

¹⁰⁶ D. M. Evans, *Facts, Failures and Frauds: Revelations, Financial, Mercantile, Criminal* (Groombridge & Sons 1859) 111.

Similar to the aforementioned case of Strahan & Co., the case of the Liberator Frauds accrued significant notoriety due to the truly nefarious nature of the crimes and the drama associated with the case. However, in a different manner to the previous case, the Liberator Frauds occurred at the end of the 19th century. This shows that dishonour and deceit were evident throughout the period in question and were not confined to the mid- 1800s. Furthermore, because the revelations of the transpired at the end of the 19th century, they gained far more print coverage than previous cases. This fact again probes the integrity regarding the lack of regard Cain and Hopkins afford to cases of white-collar crime in *British Imperialism*.

Another aspect of the Liberator Frauds that is different to the case of Strahan & Co. is that the perpetrators at the centre of the swindles appear to have committed dishonourable crimes in order to *attain* gentility. This variable directly corresponds to the notion that gentleman could be ‘made as well as born’; demonstrates the *ungentlemanly entrepreneurism* that arose from the ‘fear of not succeeding’; and again shows the real effect trust and honour had as *facilitating factors* in white-collar crimes.

Five directors and three administrators, of similar profiles to Balfour and Hobbs, were charged in relation to the Liberator Frauds.¹⁰⁷ The protagonists this section focuses on have been selected because both most clearly exemplify profiles divergent from Strahan, Paul and Bates, thus pre-empting contentions that could be levelled regarding the variance of gentlemen who committed such crimes. Above all else, the argument presented furthers the notion that a revision of the principles of honour and trust, fundamental to Cain and Hopkins’ model of gentlemanly capitalism, is a necessary endeavour.

BALFOUR AND HOBBS

Crescit amor nummi quantum ipsa pecunia crescit

The love of wealth grows as the wealth itself grows

- Juvenal

Jabez Balfour’s parents were of modest beginnings, although in time they attained a significant standing in the non-conformist community, neither was particularly well off.¹⁰⁸ Jabez and his brothers gained basic schooling before being sent to make their way in the world.¹⁰⁹ Jabez’s father, a messenger in the House of Commons, managed to engineer an opening for ‘Little Jimmy Balfour’ with a firm of parliamentary agents in Great George Street;¹¹⁰ this was Jabez’s first involvement in the palace of Westminster.

Balfour started the Liberator Group aged just twenty-five.¹¹¹ One scheme led to another,¹¹² which led to Balfour becoming known as the ‘Champion Director’. At one time he held thirteen directorships with separate companies, some outside of the Liberator Group.¹¹³ He also became involved in schemes throughout the wider British empire, such as the *Imperial Ottoman Ice Company, Ltd.*¹¹⁴ Balfour’s ability to instil confidence in stakeholders while astutely manipulating assets and cash flow enabled him to maintain a

¹⁰⁷ The Death of Sir John Dean Paul Bart’, Manchester Courier and Lancashire General Advertiser (Saturday, 19th September 1868).

¹⁰⁸ See J. Taylor, *Boardroom Scandal: The Criminalization of Company Fraud in Nineteenth-Century Britain* (OUP 2013); P. Johnson, *Making the Market: Victorian Origins of Corporate Capitalism* (Cambridge University Press 2010); R. Stern, *Home Economics: Domestic Fraud in Victorian England* (Ohio State University Press 2008); Robb (2002)

¹⁰⁹ See *Regina v Balfour and Others* DPP.

¹¹⁰ D. McKie, *Jabez: The Rise and Fall of a Victorian Rogue* (Atlantic Books 2004) 3.

¹¹¹ *Ibid.*, 10.

¹¹² ‘The Story of the Liberator Crash’ (1893) 9, see illustration.

¹¹³ *Ibid.*, 2

¹¹⁴ Court of Justice Papers, HO 144/661/X39249C (1895) 70.

façade of respectability. Along with his apparent commercial acumen, Balfour's overt religiosity¹¹⁵ was another feature that made him a good fit to the profile of a 'gentlemanly capitalist.' An assertion from the magazine *The Story of the Liberator Crash* points to an interesting implication of this characteristic: "his religion, whether worn at first consciously as a cloak or not, served his purposes exceedingly well".¹¹⁶

The political side to Balfour is another interesting aspect of the protagonist worth noting *vis-à-vis* the conception of the gentlemanly capitalist. Gentlemanly capitalists supposedly maintained close relationships with the men of Whitehall;¹¹⁷ not only was Balfour close to such individuals, but he also attained a position in this cohort himself. He sat as M.P. for Tamworth from 1880 and then latterly for Burnley,¹¹⁸ giving up his position as the first mayor of Croydon to take up the seat for Tamworth. It was remarked of Jabez Balfour that "his eminence as a financier gave him weight as a politician, solidity as a philanthropist, and consideration as a man of religion".¹¹⁹ Thus, it is apparent that this façade, derived from the confluence of his religious inclinations, business prowess and political standing, actually *facilitated* his dishonourable crimes.¹²⁰ Moreover, his standing in each of these overlapping communities undoubtedly contributed to the notoriety his case garnered. These facts support a nuanced version of the alternate hypothesis forwarded previously: a semblance of gentlemanly values appears to have allowed gentlemanly capitalists to more easily commit crimes of dishonour and deceit.

James Hobbs is another example of a gentleman who *attained* gentility rather than being born into it.¹²¹ Born in Portsmouth in 1843, Hobbs' father died when he was eleven, so he entered the construction business to support his family.¹²² Hobbs was uneducated and 'had no special aptitude for figures'.¹²³ He moved to Croydon where he was introduced to Balfour and shortly after began his own business. In 1885, Hobbs & Co. was incorporated into the Liberator Group.¹²⁴ Hobbs' apparent business success allowed him to attain the social standing of a gentlemanly capitalist which is evident from his leisure activities. His home was a 'place for entertaining',¹²⁵ while his cricket team included two marquesses, three lesser lords and on a couple of occasions Prince Christian, son of the Queen.¹²⁶ Again, Hobbs' profile is clearly that of a gentlemanly capitalist, however, his standing did not deter him from the crimes of dishonesty and deceit he committed.

Aside from the Liberator Frauds, Hobbs separately 'embarked in the most questionable ways of 'making a bit'.¹²⁷ He was convicted with the solicitor Granville Wright, apart from the other directors, on charges such as falsification of wage sheets and drawing counterfeit cheques.¹²⁸ From near poverty, through dubious means, Hobbs attained gentility even succeeding Balfour as the second mayor of Croydon. In a sensational letter to the Rt. Hon. Sir Matthew White Ridley, Secretary of State for the Home Department, Mr Charles Matthews of the official prosecution¹²⁹ reasoned empathically that, "[Hobbs] lived well, as cannot be

¹¹⁵ *The Story of the Liberator Crash* (1893) 9, n111.

¹¹⁶ *Ibid.*, 9.

¹¹⁷ 'Memorial on behalf of Jabez Spencer Balfour', x39.249C (1895) 64.

¹¹⁸ 'The Story of the Liberator Crash,' (1893) n111, 10.

¹¹⁹ A. G. Hopkins, P. J. Cain, *British Imperialism: 1688-2015* (Routledge 2016) 49-50, 79.

¹²⁰ 'The Story of the Liberator Crash,' (1893) n111, 9.

¹²¹ *Ibid.*, 10.

¹²² Court of Justice Papers, HO 144/661/X39249C (1895) 70.

¹²³ A. G. Hopkins, P. J. Cain, *British Imperialism: 1688-2015* (Routledge 2016), 46.

¹²⁴ D. McKie, *Jabez: The Rise and Fall of a Victorian Rogue* (Atlantic Books 2004) 20.

¹²⁵ Mr Charles Matthews to the Rt. Hon. Sir Matthew Ridley, Secretary of State for the Home Department, A55335/5 (25 June 1896).

¹²⁶ 'The Story of the Liberator Crash,' (1893) n111, 24.

¹²⁷ D. McKie, *Jabez: The Rise and Fall of a Victorian Rogue* (Atlantic Books 2004) 22.

¹²⁸ *Ibid.*

¹²⁹ 'Shall Hobbs be FREE: To Enjoy Ill-Gotten Gains at Norbury Hall?' *The Star* (6 January 1897) 9.

doubted, the temptation to do so to a person of his humble beginnings, who found himself a man of distinction in his own town and its neighbourhood, was considerable.”¹³⁰

It is clear then, that the case of Balfour and Hobbs forwards an interesting challenge to the Cain and Hopkins model. Both are excellent examples of the prototypical gentlemanly capitalist, who not only attained status but did so through ungentlemanly entrepreneurship. Moreover, the perception of Hobbs and Balfour as upstanding gentlemen appears to have facilitated their practices of deceit¹³¹ and to have contributed to the infamy the Liberator Frauds incurred.

THE FALL FROM GRACE AND CONSEQUENTIAL INFAMY

In a different manner to the case of Strahan & Co, the Liberator Group was indiscriminate regarding its clientele, so long as they were trusting enough to part with their securities.¹³² To contemporaries, the name had a double entendre meaning implying both a free home and free church whilst also hinting (falsely) at a connection with the *Religious Liberation Society*.¹³³ In the main, it cultivated investment from the thrifty classes of non-conformist Christians, often opportunistically employing unsuspecting ministers as promoters. This feature of the case again hints at the use of religion as a facilitator of malpractice. The question ‘why should “good things” in the City sense of the term be reserved only for the ungodly?’ elicited investment from personal investors, that was initially consolidated into the Lands Allotment Company in 1867.¹³⁴ The Liberator Building Society was established in 1868, and appeared to prosper mightily; by 1879 it had supposedly surpassed the Leeds Permanent as Britain’s largest building society.¹³⁵ The House and Land Trust followed in 1875, along with the London and General Bank in 1882, the Building Securities Company in 1884 and J.W. Hobbs and Company in 1888.¹³⁶

The house of cards came tumbling down in the Autumn of 1892. In truth, the group had been unsound for quite some time; however, several independent audits brought about the inevitable realization that the group was in serious trouble. Reckless speculations in Argentina increased the pressure on the group¹³⁷; whispers started to proliferate which led to a run on the bank. On 1st September 1892, cheques were returned unpaid; on 2nd September, depositors attempted to withdraw their savings only to find the banks doors locked with a temporary suspension of business notice pinned to them.¹³⁸

The collapse of the London and General Bank (which bankrolled corollary endeavours) led to a chain reaction throughout the city and several other institutional failings.¹³⁹ The eventual trial of the directors revealed that from the inception of the group it had existed on the deposits of its stakeholders which had been used to pay directors’ dividends, even when the group was operating at a loss. Furthermore, the group had misrepresented, fraudulently, its fiscal health, ‘cooking the books’ to retain investors and encourage new

¹³⁰ *Ibid.*

¹³¹ Matthews retrospectively felt the sentence handed to Hobbs was excessive, particularly given his background. See below.

¹³² Mr Charles Matthews to the Rt. Hon. Sir Matthew Ridley, Secretary of State for the Home Department, A55335/5 (25 June 1896).

¹³³ The Story of the Liberator Crash,’ (1893) n111, 20.

¹³⁴ The Story of the Liberator Crash,’ (1893) n111, 8.

¹³⁵ *Ibid.*

¹³⁶ *Ibid.*, 24.

¹³⁷ *Ibid.*, 16.

¹³⁸ *Ibid.*, 24.

¹³⁹ It had been similar over confidence that had nearly destroyed the great city house of Barings in November 1890. See J. D. Turner, *Banking in Crisis: The Rise and Fall of British Banking Stability, 1800 to Present* (Cambridge University Press 2014).

investment. Moreover, the stakeholders' deposits had funded the directors' lavish lifestyles through unagreed 'loans'. Meanwhile, the few tangible assets of the group were passed from company to company to feign commercial activity.¹⁴⁰ The group's failings amounted to circa £7 Million (Equivalent to £870 million today), which meant financial ruin and the workhouse for 'hundreds of aged, destitute and afflicted victims'.¹⁴¹ While the ungentelemanly nature of the Liberator Frauds was common, the scale of the frauds was not. As one newspaper noted, "[It was] one of the most calamitous and devastating swindles of modern times, a swindle which has already slain its scores, and the effects of which will be felt for two generations."¹⁴²

The crisis led to the establishment of relief funds and public appeals. To encourage donations, pamphlets were distributed detailing the tragic stories of the many unlucky victims who ended up in *debtors' prison* or homeless.¹⁴³ The scale of the frauds undoubtedly contributed to the infamy the case garnered. Indeed, these frauds ultimately led to the 1894 Building Societies Act which ensured that any repeats would be unlikely.¹⁴⁴ The reverberations that were sent throughout the commercial world due to the sheer scale of the frauds were by no means limited to the City of London.¹⁴⁵ The drama that followed also incited significant interest throughout the British Empire. Jabez Balfour fled for Argentina, his story provoking sensational reportage that became a regular topic of interest at the time (See subsequent illustration)¹⁴⁶. The foreign office took his case so seriously they circulated an overseas warrant for his arrest¹⁴⁷ and signed a treaty of extradition with Argentina.¹⁴⁸ Furthermore, Hobbs' case specifically held the attention of notable individuals such as the Secretary of State, who was engaged in a lengthy exchange with the convict's friends about his unfair sentence and the potential for early release.¹⁴⁹

The case of Balfour, Hobbs and the Liberator Frauds is infamous in commercial and British legal history. Aside from the extensive attention the case garnered at the time, the Liberator Frauds have been covered in several scholarly works printed since.¹⁵⁰ In addition to his published memoirs, Balfour has been the subject of an autobiography,¹⁵¹ is featured in the National Portrait Gallery,¹⁵² and even gained the dubious honour of being turned into a waxwork at Madame Tussauds.¹⁵³¹⁵⁴ Yet despite the extensive coverage the case, and the individuals at the heart of it garnered, it is another that has been overlooked by Cain and Hopkins. Again, the question comes to mind: *how* or *why* were such cases not considered in the conceptualization process of the gentlemanly capitalism model?

¹⁴⁰ D. McKie, *Jabez: The Rise and Fall of a Victorian Rogue* (Atlantic Books 2004).

¹⁴¹ 'Jabez Balfour's Future', HO 144/661/X39249C (1906), 27.

¹⁴² See *Regina v Balfour and Others* DPP 431.

¹⁴³ See S Watts, *Echoes from the 'Liberator' Prison* (Unwin Brothers 1899) X39249c/8 85.

¹⁴⁴ 'Shall Hobbs Be Free?', HO H55335/9 (6 January 1897).

¹⁴⁵ *Echoes from the Liberator Prison*, HO 144/661/X39249C (1899) 85.

¹⁴⁶ P. Stanford, *How to Read a Graveyard: Journeys in the Company of the Dead* (Bloomsbury Continuum 2009) 152.

¹⁴⁷ See 'Mr Jabez Spencer Balfour Appears to be Cropping up Jack-in-the-Box Fashion in Various Quarters of the World', *Financial Times* (Friday, 14 April 1893), 2.

¹⁴⁸ See 'Where is Spencer Balfour?', *Financial Times* (7 January 1893), 3.

¹⁴⁹ Warrant of Arrests, FO 118/230 (1893-5).

¹⁵⁰ 'Letters Concerning Jabez Balfour's Extradition', FO 118/230 (1893-5).

¹⁵¹ 'Criminal: The Liberator Building Society Frauds', HO144/1710/A55335 (1896-1900).

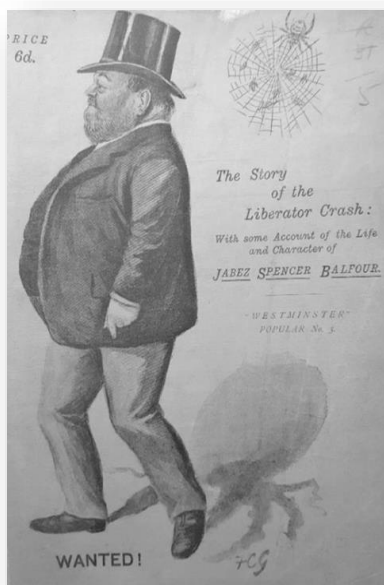
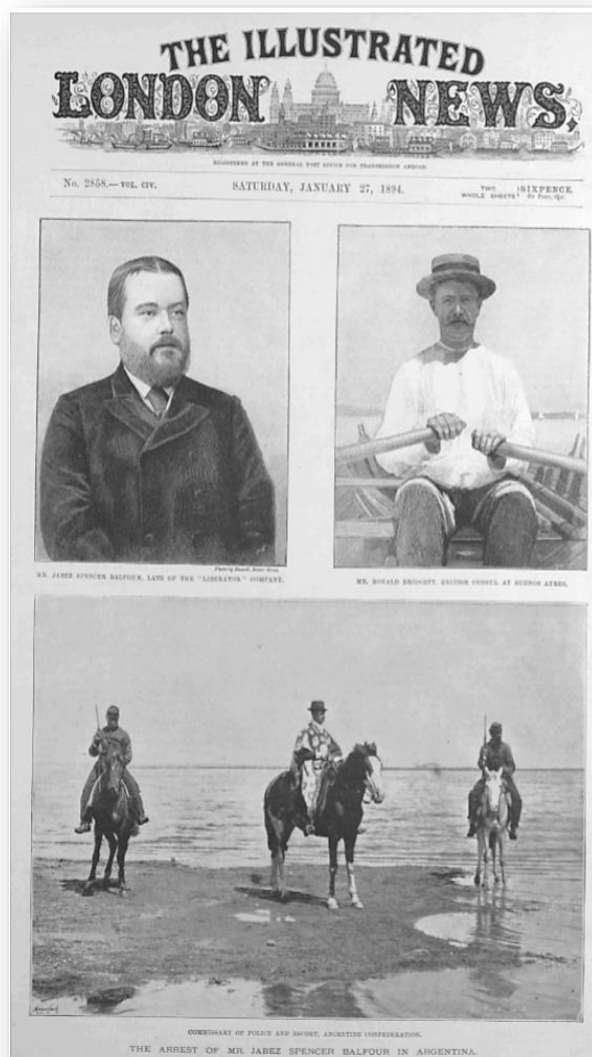
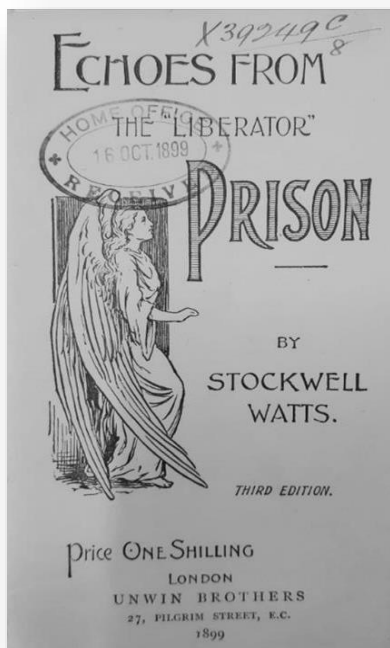
¹⁵² Jabez Spencer Balfour, Sir Leslie Ward, Watercolour, published Vanity Fair (19 March 1892) National Portrait Gallery 4606.

¹⁵³ See M. Parris, *Great Parliamentary Scandals* (Robson Books Ltd 2004); A. Hughes, *History of Political Scandals* (Pen and Sword Books Ltd 2013); J R Nash, *The Great Pictorial History of World Crime* (Rowman & Littlefield Publishers 2004).

¹⁵⁴ 'A Portrait Model of Jabez Spencer Balfour has now been added to Madame Tussaud's exhibition,' *Financial Times*, (1893) 4.

FINAL OBSERVATIONS REGARDING THE LIBERATOR FRAUDS

By relying extensively on primary source research, the section above has examined the notoriety garnered by the case that makes it obvious to historians of various disciplines. Aside from further challenging the reasoning behind the lack of attention afforded to white-collar crimes in *British Imperialism*, this section has also furthered two alternative hypotheses: the naïve assumption that values based on Christian morality were universal, in-fact had a facilitating effect regarding the white-collar crimes that pervaded Victorian London; and that the 'fear of not succeeding' motivated individuals to *attain* gentlemanly status even through *ungentlemanly entrepreneurship*. Ultimately, the case study outlined further emphasises the notion at the heart of this dissertation: It shows that the idea that values of trust and honour were ubiquitous in the class of gentlemanly capitalists, is in-fact questionable. Hence, the need for reflection of this aspect of the Cain and Hopkins paradigm is reinforced.



Clockwise from top Left: 'Echoes from the Liberator Prison,'
Front page news: 'The Arrest of Mr. Jabez Spencer Balfour in Argentina,'
Popular Interest: 'The Story of the Liberator Crash,' Westminster Popular (1893)

VII. SUGGESTIONS FOR FUTURE RESEARCH & CONCLUDING THOUGHTS

In short, this dissertation has argued robustly that a revision of the notion that trust and honour were ubiquitous characteristics of the gentlemanly capitalists is pertinent. Throughout the process of forwarding this thesis, possible contentions have also been pre-empted and addressed. However, there are still some that need answering. Moreover, this final section addresses such considerations and suggests areas of future research that would further the debate. It also forwards two potential alternate hypotheses regarding trust and honour as key elements of the gentlemanly capitalist paradigm, which have been inspired by the initial research of this paper.

The contentions yet to be addressed mainly concern either the depth or breadth of this paper. One such contention could be that inadequate context was provided in chapter three for the environ of the core thesis. A simple refutation to this contention is that had more attention been paid to either element of the study, the focus of the thesis would have been diluted. Moreover, these points do not necessarily detract from the overall efficacy of the argument presented, but instead, point to interesting aspects that would augment the debate. The third chapter sufficiently demonstrates how the social pressures and motivations that were prevalent amongst the gentlemanly capitalists do not correlate with Cain and Hopkins assertion that the class in question for unwaveringly honourable and trustworthy. The imposed constraint of space on this essay is the main reason for not including further case studies; this is another area that future research would do well to augment. Further research into other cases of fraud, particularly in other sectors such as insurance or infrastructure finance would be a valid undertaking.¹⁵⁵

Similarly, from the perspective of legal and commercial history, it would also be useful to research cases of fraud and embezzlement that occurred in other geographic locations throughout the empire. In the preliminary stages of primary source research, a series of interesting cases of fraud in Trinidad and Jamaica were discovered.¹⁵⁶ Despite the enthralling nature of the dispatches in question, there was not enough coverage of these cases to provide detailed, multi-perspective accounts. These cases could have been dismissed as outliers that were not accurate representations of the character at the nexus of *British Imperialism*; such a point would have been damaging to the overall efficacy of the dissertation. Instead, a survey of the 19th Century banking sector was included which showed the commonness of white-collar crimes among gentlemanly capitalists, a necessary undertaking in support of the core thesis.

Thus, moving forward a useful undertaking would be to conduct future research to formulate alternative conceptualisations of the gentlemanly capitalist's values and the role that trust and honour actually had in underpinning the British Empire. From the initial research undertaken for this dissertation two potential alternatives seem viable:

- i. The naïve assumption that honesty and integrity underpinned the machinations of the City of London *facilitated* the many frauds and embezzlements by making victims more trusting and unsuspecting, thus negating an essential check

¹⁵⁵ During the research phase, several appropriate cases were discovered, as stipulated by McKie. However, it was decided due to the limits imposed the inclusion of these cases would appear scattergun, and these cases would seem like outliers and risking incoherence of the overarching thesis. See D. McKie, *Jabez: The Rise and Fall of a Victorian Rogue* (Atlantic Books 2004).

¹⁵⁶ Jabez Spencer Balfour, Sir Leslie Ward, Watercolour, published Vanity Fair (19 March 1892) National Portrait Gallery 4606.

on the actions of fraudsters. This was particularly apparent of those who were not of the cohort of gentlemanly capitalists themselves.

ii. An alternate (though not exclusive) hypothesis is that trust and honour were not seen as typical characteristics of the gentlemanly capitalists by those 'in the know'. This would support the notion that the image of the upstanding gentlemanly capitalist is a relatively recent invention.

While it is unlikely that an alternate explanation would be too divergent from any of the hypothesis forwarded, the primary source research at the heart of this dissertation has revealed a host of sources neglected by Cain and Hopkins previously. A closer reading of some of these could well allude to different hypotheses than the ones suggested.

As was discussed at the outset, it was not the intention of this dissertation to forward an entirely new model of gentlemanly capitalism, more to challenge a specific element of the paradigm to incite further revision of this feature as well as the broader argument of this paper. Other interesting observations that have arisen from this initial research are that the desire to succeed motivated individuals to *attain* gentility through ungentlemanly means; while the fear of losing social standing motivated individuals to engage in ungentlemanly practices in order to *retain* gentility.

In forwarding this argument then, three issues have been addressed by this paper. Firstly, the commonality of practices that amounted to dishonesty and deceit was demonstrated mainly in section four. In a similar manner, the perceptions of the gentlemanly capitalists held by contemporaries again were shown to contravene the profile forwarded by Cain and Hopkins. This task was further achieved through the inclusion of contemporaneous social commentary and newspaper reportage. Thirdly, it has been shown that the fraud and defalcations that pervaded the 19th century City of London were by no means unreported or ignored. Hence, this paper has also hinted at a challenge of the integrity regarding the lack of consideration afforded to white-collar crimes in *British Imperialism*. Each of these tasks has been achieved through extensive, original research that has provided a multidimensional account (and has augmented the existing historiography) of a crucial moment in British history. Regardless of contentions and areas for future research, this essay has irrefutably demonstrated that values of *honour* and *trust* were not necessarily pervasive among the gentlemanly capitalists. Thus, Cain and Hopkins model of gentlemanly capitalism clearly requires further revision.