Liverpool and the American Trade, 1865-90

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Thesis submitted for the Degree
of Doctor of Philosophy of the
University of Kent

March 1989

Contents

Acknowledgements

My work has been greatly helped by the assistance and advice of a number of archivists and librarians both in this country and the United States. I would particularly like to thank those who went out of their way to make the documents in their care available to me, notably Dr J.Orbell, the archivist at Baring Brothers and Co. Ltd., and Mr R.Clapham, the former librarian of Brown, Shipley and Co. Ltd. When I was starting on this project, Dr J.R.Killick of the University of Leeds sent me valuable suggestions, and a copy of an article which he was about to publish in the *Journal of Southern History*. Most of all, my thanks are due to Professor Christine Bolt of the University of Kent, for whom I have been a burden for too many years, but who has been able, nevertheless, to provide throughout this time the most judicious combination of support, criticism and goading. Finally, I must thank Mrs B.Penning for all her efforts in turning my difficult draft into a presentable final version.

Abstract

By the middle of the nineteenth century, an apparently settled system of international trade was beginning to be affected by new influences, which largely came to fruition between 1865 and 1890. This period was characterised by faster communications, greater competition in international markets, vastly expanded world production of primary products and manufactured goods, and a changeover from a boom cycle in trade to one of recurring depression and uncertain profitability. Commercial houses in ports on both sides of the Atlantic suffered severe losses through an inability to adapt their trading to the new circumstances and opportunities, and valuable connections were destroyed.

As a leading port and international market, Liverpool was subjected to local manifestations of these influences, when the resumption of the full range of American trade after the Civil War seemed to herald the return of prosperous and settled conditions in transatlantic trade. With many misgivings, the commercial community found it necessary to abandon conservative attitudes, and to capitalise on the new business practices fostered by improved communications. Similarly, mercantile houses which remained active in trade in Liverpool found it desirable to reject concepts of exclusivity of function, insofar as these had ever become established. There was a belated realisation of the need to modernise the facilities of the port, in order to keep abreast of advances in transport and world production, and to preserve the market functions to safeguard the role of the port. Despite the challenge of established and newly promoted ports, and the introduction of direct trading between inland markets on each side of the Atlantic, Liverpool was able to retain a pre-eminent position among ports of the United Kingdom into the 1890s and beyond because of the extent of the facilities which she could offer, and her favoured position in the generally flourishing American trade.

CHAPTER ONE

Transatlantic Trade in the Nineteenth Century

(i) Introduction

The system of transatlantic trade which developed in the first half of the nineteenth century underwent considerable modifications later in the century, arising from technological innovations, increased speed in communications, and the consequences of the expansion of manufacturing worldwide, and the wider involvement of countries in international trade. The years 1865-90 constitute a period when many of the technological advances were first exploited internationally and on a large scale: telegraphic communication was greatly extended, first with the laying of an underwater cable to link both sides of the Atlantic, and later to link the United Kingdom and her other areas of chief trading interest, such as India; steamships became established as the preferred means of conveying passengers and goods (other than bulk commodites) across the Atlantic; and shipping generally increased in size and speed through the employment of steam power and construction in iron and later steel, and, as a result, began to require new and extended port facilities. The period was further marked by a considerable expansion in the volume and range of American trade following the end of the Civil War in the United States, the beginning of serious competition for the British in overseas markets from emerging industrial producers, notably Germany and the United States, and shared problems for manufacturing and trading nations, evident in over-production and supply, and declining prices and profits.

These changes had important implications for the health and vigour of the commercial communities on both sides of the Atlantic, and for the cities in which they were located, particularly if their economy was based on commerce rather than manufacturing. Of all the trading ports on the British side, Liverpool had, by 1850, shown greater development than any other, apart from the capital, as a port of entry and exit for goods coming from, or going to, markets worldwide. The town had access to a range of supporting facilities for marketing, credit financing, foreign exchange, and insurance. Yet, by the end of the period considered in this thesis, there were indications and local fears that the pre-eminence of Liverpool was passing and might not be revived. The problems of merchanting were such that adaptability and diversification of function were the only practicable responses for those who chose to remain in commerce in the town; while those who sought a more assured financial involvement in international trade could best achieve this by moving to London. New demands were made on the port, and new challenges and opportunities offered to the commercial community, in much the same way that British industry and overseas marketing capacity were put under pressure during the time of the 'Great Depression'.[1]

The purpose of this study is to examine the experience of Liverpool and her commercial community in understanding and responding to the economic conditions, technological changes, and increased competition, which affected

1 cf. D.H.Aldcroft, the Entrepreneur and the British Economy, 1870-1914, Economic History Review, XVII, 1964, pp. 113-34

S.D.Chapman, The Rise of Merchant Banking, London, 1984, pp.130, 137-9

P.Cottrell, Commercial Enterprise, in R.A.Church, ed., The Dynamics of Victorian Business: Problems and Perspectives to the 1870s, London, 1980, pp.245, 247-9

D.S.Landes, The Unbound Prometheus; Technological Change and Industrial Development in Western Europe from 1750 to the Present Day, Cambridge, 1969, pp.326-58

D.N.McCloskey and L.Sandberg, From Damnation to Redemption: Judgments on the late Victorian Entrepreneur, Explorations in Economic History, 9, 1971, pp.90-108

S.J.Nicholas, The Overseas Marketing Performance of British Industry, 1870-1914, Economic History Review, XXXVII, 1984, pp.489-504

S.B.Saul, Studies in British Overseas Trade, 1870-1914, Liverpool, 1960

The Myth of the Great Depression, 1873-96, 2nd edition, London, 1985 (and Bibliography therein)

etc.

world trade in the period 1865-90. Particular reference is made to transatlantic trade with the Americas, which was always the main concern of the town, and on which even greater reliance was placed in the later nineteenth century. The period is of significance in that it encompassed the restoration of full trade between the United Kingdom and the United States, and its subsequent expansion, in which Liverpool was a major beneficiary. On the other hand, the trading climate which obtained between 1865 and 1890, and the advances in communications, posed a potential threat to the activities of a trading port like Liverpool. Once telegraphic communication across the Atlantic was a reality, there was no obvious need for commercial and financial negotiations to be conducted at the port of entry or exit. Although Liverpool might retain her function as a seaport, her commercial activities could be transferred to an alternative market, just as financial arrangements were often made in London. This consideration had important implications for the composition and roles of the commercial community. For many, it was crucial for Liverpool to retain the functions of handling, storing and marketing goods from or for her region, as well as the foreign traffic of the port. A similar situation was apparent in the United States, where New York was establishing a dominance in commercial and financial affairs, while the leading export port of the South, New Orleans, was, by the 1870s, losing much of the marketing responsibility for the goods and produce of its hinterland.

There is an accepted tradition of the effects of improved communications and speed of transport across the Atlantic on the operation of commerce, which is put clearly by Sir John Clapham, writing in 1932. Not only had the original mercantile practice of 'adventuring' (by which the merchant consigned goods to a distant market, taking all the risks himself, as owner) died out during the nineteenth century; but also the business of consignment on commission, whereby the merchant acted on behalf of a producer or manufacturer, was doomed by the 1860s, because the transatlantic 'cables soon changed the whole position'. This enabled producer and manufacturer to be in direct contact with the consumer, and allowed the possibility of closely matching supply with demand. Clapham mentions locomotives, ships, steam engines, textile machinery and coal as examples of what could be ordered direct from the manufacturer or supplier without the need for intermediaries to negotiate the sale/purchase. It was also true of the major import trade of Liverpool - cotton. 'The selling of consigned cotton on commission had ceased altogether some time before 1886,...' (when Thomas Ellison wrote his Cotton Trade of Great Britain).

> 'The middlemen shed were commission merchants and brokers. The former either became importing merchants or disappeared; and so did some of the brokers...The cables facilitated...spinner-importing. They did more than that, by producing a fusion of the broker and merchant classes and the appearance of a hybrid type known for a time as a broker-merchant, a man who both imported and sold...
>
> 'Though the course of events is not so well known in the grain trade, there is no doubt that the telegraph, first between England and the Continent and then between England and America, helped to kill the consignment system there also.'[1]

Concurrent with the decline in consignment business in volume trades such as cotton and breadstuffs, was the development of trading in 'futures' contracts, distinct from the buying and selling of actual cargoes of commodities. The writings of Thomas Ellison, a Liverpool cotton broker, who helped to compile the Circulars of the Cotton Brokers Association, and acted as the cotton correspondent of the Liverpool Daily Post, demonstrated how the expansion of trading in cotton futures helped the brokers to flourish, often at the expense of the importing merchants.[2]

An even more extreme description of the effects on the Liverpool market, once the cable was in operation, is provided by John Crosby Brown,

1 J.H. Clapham, An Economic History of Modern Britain, Vol. I : Free Trade and Steel, Cambridge, 1967, pp.314-16

2 cf. T.Ellison, The Cotton Trade of Great Britain, London, 1886
Gleanings and Reminiscences, Liverpool, 1905

a senior partner in the investment and merchant banking firm of Brown Brothers and Company of New York, writing in 1909:-

> 'Communications between the Old and New Worlds by cable, successfully established in 1866, revolutionised trade between the two countries, leaving the Liverpool merchants connected with that trade without their usual occupation. In fact, the necessity for the intervention of merchants gradually ceased. Manufacturers in England, France and Germany bought their cotton by cable on samples previously sent to them from various places of shipment, i.e., New Orleans, Mobile, Charleston, Savannah, Galveston, Memphis, and other inland towns. Samples were sent to them from brokers and merchants in these cities, oftentimes accompanied by a firm offer price. These, they could examine carefully in their own offices, make their selection for the style of goods they desired to manufacture, and cable either the acceptance of the offer or a counteroffer, with authority, usually arranged through some banker, to draw against shipment. As a consequence, warehouse property in Liverpool, largely built for cotton storage, and which had heretofore brought a good return to the owners, was for a time, empty, and its value greatly diminished. Consignments of cotton and other produce to Liverpool for sale practically ceased, and to a great extent manufactured goods for shipment to this country, which had heretofore been attended to by Liverpool merchants, were shipped directly by the manufacturers to the buyers in the United States on a through bill of lading. The old mercantile firms which were the pride of Liverpool soon disappeared. They had either to change the character of their business or close their establishments...'[1]

Subsequent writers have emphasised the increasing difficulties which developed for consignment business in general from the middle of the nineteenth century. Sheila Marriner, for example, re-iterating the importance of the availability of telegraphic communication, also draws attention to the problems for Liverpool merchants in obtaining consignment business, to the financial inducements which had to be provided to suppliers, and to the falling rates of, and earnings from, commissions in the 1870s, after the record levels achieved during the 1850s and 1860s.[2]

In his study of Brown Brothers and Company, Edwin J.Perkins dates the ultimate decline of consignment business from the 1880s, following

1 J.C.Brown, A Hundred Years of Merchant Banking, New York, 1909, pp.123-4

2 S.Marriner, Rathbones of Liverpool, 1845-73, Liverpool, 1961, pp.53-8 61, 228-9

a revival in the 1860s and early 1870s. In the case of the related financing of commodity trading, Perkins quotes Francis Hamilton, a partner in the London House of Brown, Shipley and Company, on a return visit in September 1885, to the Liverpool House where he had been resident 20 years earlier.

> 'There is evidently growing up an entirely new system of Finance in all Produce...Everything is changing, old modes of Business and ideas vanishing and the minutest details calling for constant supervision.' [1]

It is clear that the trade of Liverpool was affected by the changes in the operation of commerce made possible by the technological innovations which were developed in the middle of the nineteenth century, and were readily available from the end of the 1860s. Similarly, the town had to live with the varying economic conditions for world trade between 1865 and 1890: good demand and high prices in its staple trades till the mid-1870s, followed by variable demand, low prices and excessive production. Furthermore, just as the United Kingdom began to face competition in overseas markets from industrialising countries, often with more advanced plant and facilities, so Liverpool was challenged by ports promoted through protected advantages.

What has not been made clear to date, however, is how far and for how long the traditional methods of stocking, buying and selling in the Liverpool commodity markets were able to survive; and to what extent there was still a role for the importing/exporting merchant. There is a need to assess the respective contributions of improved communications and technological developments, new commercial options, and an economic climate created by buoyant production but depressed trade, in furthering changes in business practices and organisation in Liverpool. Equally important, there is a need to examine contemporary local opinion about

1 E.J.Perkins, Financing Anglo-American Trade; the House of Brown, 1800-80, Cambridge, Mass, 1975, pp.76-7

what was happening in order to appreciate the responses within the town.

Among the trades of the town, special attention is paid to the import and marketing of cotton, as the basis of much of its prosperity. In addition to a consideration of the operation of the post-Civil War cotton trade, with its speculative distortions in the 1880s, there is an examination of the functional re-organisation in the Liverpool market. Apart from cotton, there is a review of the market trends in certain other exemplary transatlantic trades.

The experience is considered of two leading merchant bankers in Liverpool, Brown, Shipley and Company, and Baring Brothers and Company, in trying to continue their long-established involvement in direct trade in produce as well as credit finance. In the absence of records of other mercantile firms in Liverpool which traded regularly with American correspondents during this period, particular reference has been made to the correspondence of their Liverpool Houses. The records of Baring Brothers include a more or less complete series of letters from Liverpool; while a substantial amount of Brown, Shipley correspondence relating to Liverpool has been preserved in this country. A number of Liverpool letters are available in the records of Balfour, Williamson and Company, and these provide insights into the difficulties of trade at the time with the West Coasts of North and South America. Correspondence of Golsan Brothers and other cotton factors in the South, the Minutes of the New Orleans Cotton Exchange, and comment in the New Orleans Daily Picayune, etc., show that the problems of securing mercantile business, and preserving a role for the mercantile community in a traditional port, were not restricted to Liverpool.[1]

The way in which the port ran its affairs, and the success with which it responded to the needs of expanding trade, and resisted the encroachments of competing ports, are examined, as are the methods used in the town

1 cf. G.R.Woolfolk, The Cotton Regency, 1865-80: Northern Merchants and Reconstruction, New York, 1959

to provide finance for commercial activities. The Letter Books of the Liverpool Branch of the Bank of England contain an unbroken series of memoranda and supporting documentation to the Head Office in London, and include information on the financial circumstances of many firms which had an accont with the Branch, as well as occasional comments on commercial issues in Liverpool. Opinions within the commercial community on a variety of topics have been sought in the records of the leading trade associations in Liverpool, notably the Chamber of Commerce, the American Chamber of Commerce, the Cotton Brokers Association, and the later Cotton Association, Ltd. Their activities and attitudes may also be seen in their submissions to Parliamentary Committees of Enquiry, and also in the local, and sometimes the national, press.

The half-dozen or more daily newspapers in the town provide an irregular commentary on the commercial situation either in general or in relation to specific issues. Three have been especially consulted: the Liberal *Daily Post* and *Mercury*, and the Conservative *Courier*, supplemented by some issues of the Liberal *Daily Albion*, and the *Journal of Commerce.* According to Thomas Ellison, the circulation figures in the middle of the nineteenth century averaged 6,100 per day for the *Mercury*, 3,000 for the *Courier*, and 3,100 for the *Albion*. In the 1880s, the *Daily Post*, with its subsidiaries, the *Echo* and the *Weekly Post*, claimed to sell 3.25 million copies per month, which suggests a daily circulation for the *Daily Post* of around 50,000.[1] Journalistic perspectives on Liverpool from outside the town have been sought in the *Economist*, *The Times*, and the *Manchester Guardian*. An American viewpoint on trade in general, and on the commercial

1 Ellison, *Gleanings and Reminiscences*, pp.309-11

P.J.Waller, *Democracy and Sectarianism: the Political and Social History of Liverpool*, Liverpool, 1981, p.68

activities of Liverpool and the North-West region in particular, has been provided by the New York Times, and, irregularly, the correspondence of the American consul in Liverpool.

(ii) Liverpool and Transatlantic Trade in the First Half of the Nineteenth Century

The early development of Liverpool as a port was based on a local coastal trade in the early seventeenth century for the distribution of home-produced salt. During the century, trading contacts expanded to Ireland, Spain, France and the Baltic. In return for salt, coal, iron, copper, hops, alum, soap, woollen cloth from Yorkshire, and various foreign luxuries, which were re-exported, Liverpool imported sheepskins, tallow, linen, flax, frieze, mantles, wool, salted herrings, salt beef, and occassionally grain from Denmark and Hamburg. The flight of merchants from the Thames to the Mersey in the later seventeenth century, in order to escape the Plague and Fire in London, and also the attacks by the Dutch, brought an influx of comparatively wealthy entrepreneurs. The commerce of Liverpool benefited from a renewed impetus, especially in the sugar and tobacco trades, resulting in the establishment of a sugar refinery, and furthering contacts with the West Indies.

By the eighteenth century, the port had developed sufficiently to justify a customs administration separate from that at Chester. The first commercial dock in Britain, with offices and warehouses, was completed by 1719 (although ships had been admitted to it since 1717); the channel of the Mersey was improved; and so also were the channels of tributary rivers: the Irwell to Manchester, the Weaver to central Cheshire, and the Douglas to Wigan. These were supplemented with canal connections which linked Liverpool with centres of production and consumption in the North and Midlands: the Leeds and Liverpool, Sankey, Mersey and Irwell, Bridgewater, Trent and Mersey, and Ellesmere navigations all concentrated on the Mersey estuary. As a result of this development of waterways, and an expanding number of turnpike roads to important markets, such as Manchester, Lancaster and York, Liverpool was able to overcome the problems of its original location, surrounded by difficult terrain. Thus, the waterways established the commercial position of Liverpool with regard to the interior of her region, transporting manufactured goods for export and re-distribution (e.g., Wigan iron, Potteries earthenware, Manchester cottons), in return for raw materials (hemp and flax, metals and ores, cotton, coal, salt, etc.) and foodstuffs. In all this activity, Liverpool acted as an entrepôt, linking the products and needs of her region, a flourishing coastal trade, and a developing transatlantic trade, especially with the West Indies, which supplied imports of cotton, sugar, rum, coffee and dyewoods.

At the same time, Liverpool was also industrialising through the promotional activities of local landowners, and subsequently immigrant craftsmen, and through the availability of local coal. Before 1800, glass works, sugar refineries, iron foundries, breweries, metal works, shipyards and supportive manufacturing such as roperies, potteries, china works, clock and watch manufactories, dye and colour works, tobacco pipe manufactories, etc., were all established. However, from 1800, many of these industries were forced to close as the trade of the port was hit by the European and American wars, while competing regional industries proved more successful in attracting skilled labour and the local coal supply. As a result, and in the light of the expanding transatlantic trade, the future emphasis of the economic life of Liverpool was on commerce.

During the eighteenth century, the tonnage of merchant shipping operating out of Liverpool increased four-fold, with nearly one-third of the vessels engaged in the trade with North America and the West Indies. As the second port after Bristol in the transatlantic trade in the first half of the eighteenth century, and the leading port in the second half, Liverpool enjoyed considerable prosperity through the involvement of its merchant community with the slave trade. This was valuable not only in itself but also for the opportunities which it provided for the merchants to make contact with new markets, and to expand the import of staples like sugar and tobacco.[1]

Although excluded from the trade with the Far East till the ending of the East India Company monopoly in India in 1813, the port took the lead in the trade with North America, the West Indies and Africa. As early as 1808, one of the Rathbones estimated that the American trade accounted for more than a quarter of all the trade in the town.[2] According to Baines, by 1850, about 40% of the trade of Liverpool was with American ports: in the United States, these were, in order of importance, New York, New Orleans, Boston, Philadelphia, Charleston, Mobile, Savannah, Baltimore, and Apalachicola.[3] The dominance of the American trade, and particularly of that with the United States, is reflected in the tonnage of shipping entering and clearing the port around 1850: 1,483,000 tons overall in the foreign trade, of which 852,600 tons were engaged with the United States, 187,500 with Canada, 71,100 with the West Indies, and 76,100 with Brazil and the River Plate region.[4]

In the middle of the nineteenth century, the port of Liverpool accounted for 45% of the United Kingdom export trade, and one-third of the imports. With the declared value of her exports as £34,891,847 for 1850, Liverpool

1 F.E.Hyde, Liverpool and the Mersey, Newton Abbot, 1971, pp.2-19, 26

Times, 20 April 1876, p.10

D.J.Owen, Ports of the United Kingdom, London, 1948, pp.69-70

S.Marriner, The Economic and Social Development of Merseyside, London, 1982, p.36

J.Langton, Liverpool and its hinterland in the late eighteenth century, in B.L.Anderson and P.J.M.Storey, eds., Commerce, Industry and Transport: Studies in Economic Change on Merseyside, Liverpool, 1983, pp.1-2, 3-7, 11-20

2 N.S.Buck, Development of the Organisation of Anglo-American Trade, 1800-50, Newton Abbot, 1969, pp.32-3

3 T.Baines, History of the Commerce and Town of Liverpool, London and Liverpool, 1852, pp.772-81

4 Hyde, Liverpool and the Mersey, pp.50-1

was far ahead of her closest competitors, London (£14,137,527) and Hull (£10,366,610).[1] Of the total value of imports into Liverpool by the 1850s, cotton, at its most profitable, supplied about 40%. During the nineteenth century, the proportion of the import of cotton to the United Kingdom which came to Liverpool never fell below two-thirds, and was usually nearer 90%.[2] The only other ports with significant deliveries of cotton in the first half of the nineteenth century were London, Greenock and Glasgow.[3]

Liverpool acted as a distribution centre for the industries and population concentrations of South Lancashire, West Yorkshire and the West Midlands, in the case of provisions and foodstuffs, and of industrial raw materials, of which cotton was the most important example. From the 1830s, railway connections were established with the major towns in Britain, starting with the Liverpool and Manchester Railway in 1830, built to secure the trading link between the two towns for the carriage of goods and cotton more effectively than the Leeds and Liverpool Canal.[4] Merseyside capital went into the building of several lines which joined Liverpool to other parts of the rail network, but the outcome was not supportive of the trading position of Liverpool as had been the network of waterways. After initial competition between railways and canals, many of the canal companies were taken over by the railway companies. Liverpool, which was frustrating the aspirations of commercial centres like Manchester and Glasgow, and limiting the growth of canal ports such as Widnes and

1 Hyde, Liverpool and the Mersey, pp.96-7
Parliamentary Papers, 1851, vol.LII p.217

2 Hyde, Liverpool and the Mersey, pp.98-9

3 Parliamentary Papers, 1839, vol.XLVI,p.175

4 Baines, Commerce and Town, pp.746-72, 828-9
H.R.F.Bourne, English Merchants: Memoirs in Illustration of the Progress of British Commerce, London, 1886, p.430
G.L.Rees, Britain's Commodity Markets, London, 1972, p.87

Runcorn, was left unfavoured at the end of railway lines.[1]

Nevertheless, the position of Liverpool as a meeting place for waterway, rail, road and sea traffic was, before 1850, more or less unassailable in the North-West. Liverpool was the most important port of export for British and foreign manufactured goods to markets in the Americas. Not all the produce which was imported was re-distributed for local consumption, and a substantial proportion was re-exported to countries in Europe before they established direct trading relations with producing countries in the Americas. Quite often, American goods were re-exported back to an American market, if prevailing prices there were higher than those current in Britain or Europe - a practice which was facilitated by the Atlantic cable at the end of the 1860s. However the shipment of goods between the Americas and Europe was handled, so long as the trade passed through the port, or was controlled in some way, usually financially, from it, the commerce of Liverpool stood to benefit.

In the course of the nineteenth century, the involvement of different commercial interests in the trade of the port, relative to one another, tended to change. Direct participation in trading, a comparatively high-risk activity, although one which had brought prosperity to the commercial community in Liverpool, ultimately proved less attractive, and in some cases less practicable, to middlemen, than indirect participation, with all its opportunities for speculation at less risk. These changes in the operation of trade were not necessarily disadvantageous to all sections of the commercial community in Liverpool, since the volume of trade continued to increase. However, the financial support for trade, which had always been heavily dependent on resources in London, became more dispersed, and particularly so as merchant bankers began to concentrate more on their

1 Marriner, Economic and Social Development, pp.25-8, 33-4, 103

financial rather than their mercantile interests.[1]

Up to the middle of the nineteenth century, most of the trade of Liverpool was operated by a fluctuating number of importing and/or exporting merchants, some of whom dealt in specific commodities, but many of whom handled a variety of goods. Gore's Liverpool Directory for 1860 lists general and specialist merchants as follows:

general merchants	c900
merchants dealing in specific commodities which formed part of the American import or export trade	c770
cotton brokers and dealers	c170

Non-specialist merchants and dealers are listed more than once. In addition to cotton, the (American) trades listed are: corn, fruit, hide, provisions, timber, copper - chiefly imports; coal, iron, lead, linen, oil and colour, salt, tin, wine and spirits, tea - chiefly exports.[2]

The functions of the merchant were normally to effect the purchase or sale of goods in his own market (as did a dealer), or in a market elsewhere, in which case he would be represented by an associate or correspondent. A merchant might purchase or sell goods on his own account, or jointly with others. 'Own account' and 'joint account' operations provided an opportunity for substantial profits, but left the merchant and his associates to arrange all the finance, and assume all the risks. Alternatively, a merchant might act on behalf of an owner who wished to sell his goods in a local or distant market, or a buyer who wished to make a purchase, in return for a commission. In either case, the merchant provided the finance, advancing, say, two-thirds of the value of a consignment, or more, where these were difficult to acquire; paid the costs as appropriate -

1 Chapman, Merchant Banking, pp.9-11, 109-10

2 Gore's Liverpool Directory for 1860

freight, insurance, warehousing; and assumed certain risks on behalf of the principal. Merchants with limited resources relied on credit accounts with banks or larger merchant bankers to underwrite their operations. Merchant bankers often preferred to finance trade rather than dealing directly with commodities - foreign exchange business and accepting proving less risky than volatile markets, so long as they dealt with reliable operators.

The more substantial Liverpool merchants engaged in the transatlantic trade maintained correspondents in commercial centres in the United States and Latin America, if they had not opened branch houses. In turn, the correspondents appointed agents in provincial markets, and monitored their performance on behalf of the British house. The main purpose of these trading associations, apart from the exchange of information and advice, was to facilitate the consignment of goods between the Liverpool and American markets, and to effect business in exchange, such as the purchase and transmission of sterling bills for merchants bankers in Britain. Consignments were secured abroad by a merchant by means of advances, which often drew on credit provided by a financing house. The shipping documents - bill of lading, insurance, etc., - were then sent either to the merchant as consignee, or to the financier, who retained a lien on the goods till they were sold. Consignment business usually attracted a commission of 2½%, which competition, after 1865, reduced to 1½%. It was customary to return a proportion of the commission to the correspondent or agent who had obtained the consignment. There was an attraction in consignment business on commission for many in preference to own or joint account business, particularly if the market was volatile, or influenced by speculators, since the risk was not ultimately borne by the merchant.

Most merchants seem to have been prepared to deal in a variety of commodities, although an increasing number in the nineteenth century moved towards specialisation. Traditionally, many of the functions of the merchant were concerned with shipping, insuring and storing goods. Some of the larger merchants owned their own warehouses, and so did not need to rent space, just as they might own, or have shares in, shipping, particularly if they dealt in bulk cargoes of low-value commodities such as timber or grain. Investment in shipping could prove financially restricting, but it did open the possibility of earning commissions and freight charges from leasing cargo space.[1]

Merchants, dealers and others usually conducted their transactions through a selling and a buying broker, neither of whom had possession or ownership of the goods being traded. Although a broker was normally retained for transactions as required, it was not unusual for him to take the initiative and advise his principal on the potential for a sale or a purchase, especially where a long and close association had developed. In the early nineteenth century, it was customary for brokers to handle a selection of commodities, originating, perhaps, in the same location; but specialist brokers were always found in certain volume trades - e.g., tea, tallow, coffee, sugar, wool, cotton or spices. Like commissions, brokerage fell during the century from 1 to ½%, normally paid by the seller.[2] Brokers published regular reports on the state of the market for a particular commodity, and, in their specialist associations, established rules and usages for different aspects of the trade, and procedures for settling disputes.[3]

1 Perkins, Financing Anglo-American Trade, pp.108, 253-4

R.Hidy, The House of Baring in American Trade and Finance,1763-1861,Cambridge, Mass, 1949, p.142

Marriner, Rathbones of Liverpool, pp.35-7, 53-8, 66-73

D.M.Williams, Liverpool Merchants and the Cotton Trade, 1820-50, in J.R.Harris, ed.,Liverpool and Merseyside, London, 1969, pp.192-201

S.D.Chapman, The International Houses: the Continental Contribution to English Commerce, 1800-60,Journal of European Economic History,VI,1977,p.43

Buck, Anglo-American Trade, pp.4-17, 37-49, 99-107

2 Ibid., pp.17-20, 27-8, 50-7

3 Ellison, Cotton Trade, pp.179-81, 274

The establishment of Liverpool as the chief port of import for cotton, and the market stocked with the widest variety of types and grades, undermined the continued existence of a market at Manchester. The dealers at Manchester had the resources to buy large lots of cotton from brokers in Liverpool, which they then broke up to sell to spinners in smaller parcels. Wealthier and more substantial spinners became less reliant on the financial support of the dealers, and preferred to go direct to the Liverpool market. During the 1830s and 1840s, in order to survive in the trade, Manchester dealers gradually transformed themselves into buying brokers on behalf of the spinners.[1]

Coinciding with the emergence of Liverpool as the most important port of entry and market for cotton for British consumers, was the triumph of the American product. Before the nineteenth century, the West Indies, Brazil, and lands bordering the Mediterranean were usually the chief suppliers of the British market; whereas, after 1830, the only serious competitor to American cotton was that grown in India. From 1840, imports of American cotton remained at about 80% of the total British supply, with Indian accounting for no more than 17%.[2] Over-reliance on American cotton produced periodic alarms among British consumers, but production in the United States continued to expand, doubling during the 1850s. British consumption also increased at this time, rising to a figure at least 50% higher than the average for the 1840s. The proportion supplied by the American South remained fairly constant, so that the contributions of other sources - India, Brazil, Egypt - were increasing at a higher rate. Disappointing American supplies in the mid-1850s, which, with

1 Buck, Anglo-American Trade, pp.31-2, 45-9
Rees, Commodity Markets, p.87
J.H.Clapham, Economic History of Modern Britain, vol.1, p.259

2 Buck, Anglo-American Trade, pp.34-6

a fall in the demand for cotton goods, produced short-time working in the Lancashire industry, led Manchester spinners to support the establishment of the Cotton Supply Association in 1857, to promote the cultivation of cotton outside the United States.[1] In 1860, Britain took 2,580,700 bales of the record American crop of 1859, as part of an aggregate import of 3,366,500 bales. British consumption amounted to 2,523,196 bales, and a further 608,400 bales were re-exported to Europe. At this date, British spindles numbered 30 millions, European spindles at least 12.5 millions, absorbing annually some 1,713,000 bales of American exports and British re-exports, and American spindles 4.3 millions, for which 978,043 bales of the 1860 crop were retained for consumption.[2]

Before 1850, most cotton was imported into Liverpool on the account of a local merchant, or of an American merchant or planter.[3] The data presented by D.M.Williams in his survey of leading cotton importers in Liverpool in 1820, 1830, 1839 and 1850, seems to imply that few firms were consistently and heavily involved in the import trade, and that many were short-lived. In 1839, some 30 importers were responsible for nearly three-quarters of the total import. By 1850, the situation is more confused, since as much as 60% of the cotton was consigned to '"order"' (sold afloat, Williams suggests), and not to a particular merchant. From the listings of leading importers, particularly active houses (in that they appear more than once in the leading group) were W. and J.Brown/Brown, Shipley and Company, A.Dennistoun and Company, Cropper, Benson and Company,

1 J.L.Watkins, King Cotton; a Historical and Statistical Review,1790-1908, New York, 1969, pp.14-19, 30

Hidy, House of Baring, pp.436-7

2 See Chapter 3 (i); Appendix 3

Watkins, King Cotton, p.30

M.B.Hammond, The Cotton Industry, Part I: The Cotton Culture and the Cotton Trade, New York, 1897, pp.253 note, 254

3 Rees, Britain's Commodity Markets, p.86

Rathbone Brothers and Baring Brothers.[1] Cotton was always among the major trading interests of Rathbone Brothers, and they may have been the first Liverpool house to receive American cotton in the eighteenth century. They maintained an agency in New York, and, from 1867, a branch house, Busk and Jevons. Credits and exchange facilities were provided on behalf of Rathbones in the United States by Goodhue and Company of New York; and there were also correspondents in Boston, Mobile, New Orleans, Norfolk, Savannah and California.[2]

Up to the 1840s, W. and J. Brown and Company, later Brown, Shipley and Company, were likely to be one of the two leading cotton importers, and as prominent in other bulk trades such as breadstuffs and tobacco.[3] Richard Cobden noted in 1844:

> '(William Brown) has in his hands one-sixth part of the trade between this country and the United States. There is hardly a wind that blows, or a tide that flows in the Mersey, that does not bring a ship freighted with cotton or some other costly commodity for Mr Brown's house; and not a lorry in the streets but what is destined to carry cloth or other commodities consigned to the care of Mr Brown, to be shipped to America, China, or other parts of the world'.[4]

From about 1845, the cotton operations were run down, partly because the business policy of the Browns was tending more towards credit operations and foreign exchange, and partly because of the growing difficulty in acquiring consignments on commission (as Rathbones also found), owing to increased competition. The beneficiary of the partial withdrawal

1 Williams, Liverpool Merchants and the Cotton Trade, pp.185-9, 202-9 Marriner, Economic and Social Development, pp.40-1

2 Ibid., Rathbones, pp.5, 57-8, 75-80, 154-7

3 Perkins, Financing Anglo-American Trade, p.93

4 quoted in Bourne, English Merchants, p.441

of Brown, Shipley from direct involvement in cotton importing was Baring Brothers.[1]

Under the direction of their London House, Baring Brothers in Liverpool expanded their involvement in the cotton trade by taking shares in shipments from American commission houses, especially Goodhue and Company of New York; by supplying credit for shipping facilities (thereby gaining control over cargo space); and by acting as agents for packets from New York and Boston. In the 1830s, their chief competitors were often Humphreys and Biddle (4.55% of the Liverpool market in 1839), the agent in Liverpool of the Second National Bank of the United States.[2] Between 1839 and 1842, Barings were the largest importers of cotton into Britain, and in the 1840s, they aimed to market 80,-100,000 bales each season. The proportion of own or joint account cotton bought in the United States averaged more than 50%, and in 1849 reached as much as 90%.[3] Direct purchases were reduced during the mid-1850s, years of commercial and financial difficulty, but consignments were still received in quantity, with cargoes sold afloat where possible, or soon after arrival.

At the end of the 1850s, unstable political conditions in the United States, the relatively low price of Indian cotton, and the fall in demand for textiles in Europe and the Far East, persuaded Barings to tighten their conditions for credit, and restrict consignments: only 10,000 bales

1 Perkins, Financing Anglo-American Trade, pp.13-14, 50-4, 101-3

J.R.Killick, Risk, Specialisation and Profit in the Mercantile Sector of the Nineteenth Century Cotton Trade: Alexander Brown & Sons, 1820-80, Business History, XVI, 1974, pp.1-16

2 Hidy, House of Baring, pp.185-9, 240-2, 250

Williams, Liverpool Merchants, p.207

cf. R.Hidy, The Organisation and Functions of Anglo-American Merchant Bankers, 1815-60, Journal of Economic History, I, 1941, Supplement, pp.53-66

3 Hidy, House of Baring, pp.298, 359, 361, 403-4

A.J.Goofey, Account of the Liverpool Office of Baring Brothers (unpubl.) p.14

of the 1860 American crop were ordered from their chief agent, Ward, Campbell and Company, later, 1869, S.G. and G.C.Ward. Despite a similar recession in the wheat and flour trade, and in the operations of sailing packets, prudent management and diversified financial activities enabled Barings, like the Browns, to come through the American crisis of 1857.[1] Together, the two Houses were responsible for financing 13% or more of the value of goods imported into the United States.[2]

Trade in Liverpool, as elsewhere, was supported by a vast system of inter-looking credits, of which, in the absence of any degree of deposit banking much before the 1870s, the chief medium was the bill of exchange. Credits might be supplied by almost any sort of commercial operator to another, in addition to the banks. Thus, mercantile firms in New York would grant credits to their agents in the South in order to obtain consignments of produce; in turn, houses in New York would draw on sources in London and Liverpool; merchants in Liverpool would draw on brokers, or on one another, as would local dealers, consumers and manufacturers. Some wealthier and long-established merchant houses in Liverpool, such as Baring Brothers, Brown, Shipley, Cropper, Benson and Company, or Rathbones, operated increasingly as suppliers of credit for other traders.[3] Client firms held accounts with them on the basis of 'revolving' or renewable credits, whereby they could rely on a supply of funds up to an agreed amount which could be outstanding at any one time. Like single trade transactions, credit accounts were operated through bills of exchange,

1 Hidy, House of Baring, pp.436-8, 456-65, 470-1, 477
Goofey, Liverpool Office, pp.15-16

2 Perkins, Financing Anglo-American Trade, p.115

3 Chapman, Merchant Banking, pp.11-12, 59-60, 139
B.L.Anderson, Financial Institutions and the Capital Market on Merseyside in the eighteenth and nineteenth centuries, in B.L.Anderson and P.J.M.Storey, eds., Commerce, Industry and Transport: Studies in Economic Change on Merseyside, Liverpool, 1983, pp.28-30

in which the drawer requires the drawee to pay at a fixed or determinable time in the future a sum of money to the order of a specified party. The drawee guarantees to pay the bill by endorsing it, at which point it becomes an acceptance with the maturity date established - usually between one and six months from sight (by the acceptor). The bill may now be treated as a negotiable instrument, and traded before maturity through discounting. A holder or beneficiary of a bill may acquire an advance of the value of the bill, less the market rate of interest, for the period of time before the bill matures. On maturity, the full value of the bill is paid to the holder.

In the absence of note-issuing banks in Liverpool, apart from the Bank of England Branch, bills were used frequently as currency, apart from being particularly appropriate for commercial transactions involving lengthy voyages. Discounting facilities were available from the Bank of England Branch from 1827, as well as facilities for remitting and deposits. From time to time, discount houses in London, such as Overend, Gurney and Company, or Fletcher, Alexander and Company, were able to undercut the Bank of England rate of discount, while the Liverpool Branch rate was often 1% above that quoted by the Bank in London. It was therefore worth sending bills from Liverpool to London for re-discounting (despite the risks involved), unless a lower rate could be obtained from one of the provincial joint stock banks, which, in the 1850s, were attracting increased deposits which they were prepared to lend at call. Originally, the joint stock banks had been promoted by merchants to provide additional discounting facilities through deposits, and local mercantile houses were usually well represented among the directors. William Brown of W. and J.Brown and Company was already operating as a banker and money lender in his own business when he played a leading role in the foundation of the Bank of Liverpool in 1831.[1]

The great value of the bill of exchange in facilitating international trade, in which sterling bills held the most favoured position, led to considerable business in foreign exchange. Given the importance of Anglo-American trade, the mercantile and finance houses of Anglo-American foundation, of which the Browns was the only one primarily based in Liverpool on the British side, were well placed to pay a significant role in foreign exchange. In 1836, Brown Brothers and Company in the United States were able to take over the commercial position vacated by the Second National Bank.[2] The following year, however, W.& J.Brown and Company in Liverpool, together with Morrison, Cryder and Company, and F.Lizardi and Company in London, had to be sustained by the Bank of England, and their bankers, A.Heywood, Sons and Company in Liverpool, and Denison and Company in London, when three Anglo-American houses collapsed, unable to meet an unprecedented volume of acceptances.[3] Subsequently, continental houses - Lizardi, J.H.Schroder and Company, and Frederick Huth and Company - opened branches in Liverpool as well as London.[4] Pre-eminent among British houses in the financing of Anglo-American trade was Baring Brothers, with a branch in Liverpool from 1833. They enjoyed a close association with several

1 W.T.C.King, History of the London Discount Market, London, 1936, pp.XV-XVIII, 55-60, 113
M.Collins, The Bank of England at Liverpool, 1827-44, Business History, XIV, 1972,pp.144-65

G.Chandler, Four Centuries of Banking, vol.I: The Grasshopper and the Liver Bird, London and Liverpool, 1964, pp.171, 236, 243-56

Bourne, English Merchants, p.437

Anderson, Financial Institutions, pp.28-9, 37-8

2 Perkins, Financing Anglo-American Trade, pp.156-8

Killick, Risk, Specialisation and Profit, pp.1-16

3 Buck, Anglo-American Trade, pp.156-8

Hidy, House of Baring, pp.216-24

4 Chapman, International Houses, pp.16, 29, 44

American bankers, such as T.W.Ward and Company in Boston, Goodhue and Company in New York, and the Union Bank of Louisiana in New Orleans. They also held accounts for the Second National Bank till its closure, and for the State Department for much of the period before the American Civil War (and afterwards).[1]

Given the established system of transatlantic trade by 1860, and the many links between houses in Liverpool and the commercial centres of the United States, the intervention of the Civil War and the resultant effects on trade and industry seemed to provide severe (if temporary) damage to the system. In fact, however, fundamental changes were already in train before 1860, even if their full effects were not apparent till much later: the inland telegraph was in place in several areas on both sides of the Atlantic, facilitating futures trading and speculation, particularly in the United States; the iron steamship was in service in several Atlantic trades; and record levels of crop production and manufacturing output were leading to stockpiling in many trades.

Liverpool had secured its position as the major trading port with the Americas by capturing lucrative trades of which cotton was the most important example, and excluding old-established competitors, like Bristol and Glasgow, and newer aspirants among the canal ports. Manchester and South Lancashire were tied to the Liverpool markets for their supply of raw materials and foodstuffs. Yet, the post-Civil War future for Liverpool was not a little ominous when the developing changes in trade were established and extended; and also new opportunities provided, and new ambitions fostered, for port competition. It was not long before the shortcomings of the port and its facilities, and the conservatism of the local mercantile and financial resources for commerce, were exposed.

1 Hidy, House of Baring, pp.68-76, 98-106, 194-7, 316, etc.

CHAPTER TWO

Transatlantic Trade, 1865-90

(i) The Restoration of American Trade

Since transatlantic trade formed the basis of the commercial wealth and vigour of Liverpool, it was vital that trade between the United Kingdom and the Americas should continue and expand, if the port was to retain its pre-eminent position. This was clearly understood by local commentators, and particularly the Liberal Free Trade press. Great anxiety was expressed over anything which appeared to interfere with the normal course of transatlantic trade - the American War, subsequent wars in Europe, the implications of new methods of business, the policy of Protection as practised by the United States and competing European trading countries, as well as extremes of commercial and economic performance, whether to do with supply, competition or profitability.

In September 1865, ever anxious to underline the importance of the American connection, the Daily Post emphasised the serious interference with British manufactures and commerce which had occurred as a result of the American War of 1861-65.[1] At the end of the conflict, a correspondent (a cotton broker) wrote that virtually all branches of trade had been affected, but especially cotton, wool and linen; and that manufacturers had been obliged to seek raw material elsewhere, and to look for other outlets for their produce. Yet the situation had not merely produced negative results: there had been a great increase in business in tea, coffee and sugar, since this produce had been consigned during the War to London and Liverpool rather than New York and Boston, much of it for re-export. Thus, in 1861, 83 million pounds of coffee were imported to Britain, and 46 million pounds re-exported; and 96 million pounds of tea were imported, with 13 million pounds being re-exported. In 1864,

1 Daily Post, 11 September 1865, Supplement, p.1

the figures for coffee were 109 million pounds imported, and 79 million pounds re-exported; and for tea, 124 million pounds imported, and 27 million pounds re-exported. A similarly buoyant trade in tropical produce was carried on between the North and Britain in British vessels, which were immune from capture by Confederate forces.

It was felt that once the War was over the Americans would wish to re-gain some of this indirect trade. Furthermore, much of the grain from the West and the North which had been sent to Europe in recent years would be in demand in the South. Without good harvests in Europe, prices of breadstuffs would be bound to rise more than was usual, with the inevitable results on the purchasing powers of working people and on the home market for manufactured goods. The continuation of the War into 1865 aggravated the depressed state of the produce markets, most of which (e.g., cotton, tea, sugar, etc.) were experiencing losses, with the exception of coffee. Rumours of peace negotiations between North and South brought unease to the produce Houses in Liverpool, and something akin to panic to the holders of cotton and piece goods in Bombay. Anxiety was caused by the fear of large withdrawals of deposits from Britain in the event of peace, and the prospect of the export of gold to the United States; while relations between the British and American governments were thought to be less than comfortable.[1]

The dislocation to Anglo-American trade during the War aided the appreciation of the advantages of trade with other parts of the Americas, such as Brazil, a market for manufactured goods, and a source of cotton, tobacco, coffee, tea, india-rubber, sugar, molasses, rice, hides, cocoa, woods, dyewoods, nuts, fruits, etc. Brazilian commerce with Britain was doubling every two years, and the country was now only three weeks away by sea.[2] Equally important was the trade with the Chilian ports,

1 Daily Post, 13 March 1865, Supplement, p.1
Brown,Shipley Mss, 20,113/3, B.S.London to B.B.New York, 4,11 March 1865

2 Courier, 6 February 1865, p.6

worth more than £4 millions per annum, but blockaded by the Spanish towards the end of 1865.[1] When Valparaiso was bombarded in the spring of 1866, the indignation of the mercantile community in Liverpool sprang from the fact that the chief property was British, if not Liverpool, owned, and that nine-tenths of the damage was sustained by neutrals.[2]

Uncertainties, both political and commercial, were prolonged by the assassination of Lincoln, and the produce markets continued sluggish till the late summer of 1865. The stagnation helped the price of money to remain stable, while the feared export of gold and deposits did not materialise.[3] Southern ports, reopened to British (and European) vessels, as well as American shipping temporarily transferred to British ownership, were slow to resume trade with the interior of the country, and across the Atlantic.[4] Nevertheless, the second half of 1865 showed that there was new life in British manufacturing industry, and opportunities for manufacturers, importers and shipowners to make good some of the losses of the years of the American War.[5]

By September 1865, Baring Brothers were reporting enthusiastically from their Liverpool House on the amount of business in all kinds of goods for export which was being done in Liverpool and Manchester.[6] A comparison of the export from Liverpool to American ports (New York, Boston, Philadelphia, and New Orleans) of packages of piece goods (from cotton, wool, silk, and flax), and cloths (silks, dress stuffs, laces, and embroidery), in the last six months of the years 1860-65, indicated that the figures

1 Mercury, 18 November 1865, p.6

2 Daily Post, 16 May 1866, Supplement, p.1

3 Brown, Shipley Mss, 20,113/3, Collet to B.S.Liverpool, 13,14 March 1865
B.S.Liverpool to B.S.London, 5 May 1865

4 Courier, 12 March 1866, p.6

5 Daily Post, 8 January 1866, Supplement, p.2: Annual Circular of T.& H. Littledale

6 Baring Bros Mss, 18,321/24: B.B.Liverpool to B.B.London, 18 September 1865

for 1865 were four times greater than those for 1864, and even in excess of those for 1860:-

	1860	1861	1862	1863	1864	1865
Goods -	111,172	30,792	69,716	74,075	34,138	131,804
Cloths -	20,824	10,016	17,209	24,235	12,906	62,335

1

The value of exports overall to the United States showed a similar pattern of recovery:-

1860 - £21,667,000
1861 - £9,000,000
1865 - £21,235,790

Not surprisingly, American exports to Britain between 1860 and 1865 followed a different course:-

1860 - £44,727,202
1861 - £49,309,602
1862 - £27,715,000
1863 - £19,572,000
1864 - £17,949,000
1865 - £21,549,000

2

The trend was confirmed in the results of 1866. British exports to the United States increased in value by 25% over the figure for 1865; while American exports to the United Kingdom were double in value in 1866 over the figure for 1865. The contribution of the South was:-

1864 - £365,000 out of £17,949,000
1865 - £5,000,000 out of £21,549,000
1866 - £22,000,000 out of £46,000,000

3

Although the course of Anglo-American trade seemed set fair once more, and it was to be expected that there would be a large trade in British

1 Daily Post, 8 January 1866: Supplement, p.2 - Annual Circular of T. & H. Littledale & Co.

2 Courier, 24 July 1866, p.6

3 Ibid., 22 July 1867, p.6

manufactures at the end of the American War, the reliability of American merchants (particularly in New York), and the credit involved in the trade, gave rise to some anxieties. The indebtedness of American merchants was reflected in the sterling bills with which they paid for British manufactures. In January 1866, The Times (which was, in the opinion of the Courier, often wrong on American issues) queried the wisdom of what it saw as excessive exports of manufactured goods going to New York from Liverpool with little produce and no specie in return. The Times warned against the risks which were being courted by British interests through their headlong involvement in American commerce. The reckless deployment of British capital in pursuit of American gains, and the ramifications of free trade, which ensured that 'men in commerce move in rapids and must be carried forward helplessly', were matters of considerable alarm. The Times foresaw major difficulties between President Johnson and the Congress over the settlement of the issues of slavery and Reconstruction; and it feared a monetary crash which would surpass that of 1837, and possibly involve Liverpool.

The Courier felt that the United States, with a rising population and more immigration, could now absorb a larger quantity of manufactured goods, which could be offset by the increased value of cotton shipments. The Daily Post referred with approval to a report, elsewhere in the same edition of The Times, of the demand in the United States for shipments of British goods; of the prompt and full payment for these shipments; and of the unprecedented profits gained by the shippers. In fact, the only facet of American commerce which the Daily Post was inclined to criticise was the commitment to protection; but 'the greater the trade between England and America, the sooner will free trade be adopted'.

The Daily Post made clear its own position on American trade:

> 'It is in vain for The Times to endeavour to persuade commercial men that American business is unsafe. They know that there is no business less likely to lead to loss, and none so sure to provide by its own profitableness an ample margin in case of risk. The old-fashioned habits of ultra caution are out of date. We must be prepared to see our trade in a good sense Yankeeised; and it is the readiness with which Liverpool has adapted itself to this feature of modern commerce that has more than anything, except its natural advantages, secured its great and progressive prosperity'. [1]

In June 1866, the Daily Post returned to the theme of the unique position and destiny of Liverpool, which 'is virtually the commercial emporium of a world beyond the Atlantic'. In this achievement, the inter-relationship between Liverpool and North America was of crucial importance: 'To the republic of America we owe our advancement, and as the republic advanced we kept side by side with her in her greatness and her wealth'. The development of industry, sustained first by local coal and now by anthracite, had guaranteed a continuing demand for raw materials, brought in most properly by way of the Mersey. At the same time, the population of North America was increasing as a result of European emigration; and the result of its

> 'industry will appear in the trade of Liverpool; and as that trade increases, as increase it will five hundred fold within a very few years, Liverpool will increase in corresponding ratio, until she overshadows all other ports in Europe, including the port of London'.
>
> 'Despite the war, however, the trade of Liverpool has gone on. It requires no judgment, and must challenge no censure, when we say that the trade of Liverpool depends upon the progress of the United States, and the progress of the United States will go on in an accelerated ratio for centuries to come; and our trade at this moment ought to be considered preliminary to a trade immeasurably greater, a trade which it would be presumptuous to calculate, but there is no presumption in regarding it as immense'. [2]

1 Courier, 11 January 1866, p.6
Daily Post, 12 January 1866, Supplement, p.1
Times, 9 January 1866, p.6

2 Daily Post, 26 June 1866, Supplement, p.1

In the aftermath of the American War, it was not likely that these expectations would be entirely realised before certain issues which threatened to divide Britain and the United States had been resolved. As a neutral, Britain had received orders from both sides in the Civil War for materials of war and shipping. Unable or unwilling to satisfy each contestant, she opted to supply the South with vessels fitted out in English ports, including Liverpool. According to the New York Times, this was in the hope of an eventual alliance with the South based on free trade; which would result in a supply of cheap cotton and a market for manufactured goods unhindered by protective duties. The Daily Post felt that it had been folly for Liverpool to encourage the Confederacy to persevere in its rebellion; while the Americans were happy to blame the protraction of the last two years of the War on British interference.[1]

The commercial exploitation of the American War in Liverpool produced short-term gains through blockade-running: most of the 588 vessels involved operated from Liverpool, and 36 at least were built on Merseyside, including the Alabama; and also through trading with the North.[2] The penalty for supporting the losing side was particularly felt by Fraser, Trenholm and Company, Confederate financial agents in Europe, who provided credit for arms, ships and supplies. Following several profitable years of trading during the War (1863-c£57,000; 1864-£93,000; 1865-£85,000), they and their Charleston House, John Fraser and Company, were ultimately pursued by the United States government for their delinquency. The claims were settled out of court, but the Confederate debts on the two Houses amounted to £207,594. Shortly afterwards, in May 1867, Fraser, Trenholm were brought down by long-term doubts about their over-trading in cotton.

1 Daily Post, 8 September 1869, p.1
Daily Courier, 20 February 1869, p.6
New York Times, 17 September 1869, p.4

2 M.Ellison, Support for Secession: Lancashire and the American Civil War, London, 1972, pp. 27, 152, 156, 162, 169, 172

With losses in cotton, shipping property and shares, their deficiency in Liverpool amounted to £228,966 although they numbered seven iron blockade-running steamers among their assets. Their bills went back on a number of houses in the United States (e.g., T.G.Metcalfe of Augusta, Ga., their chief cotton shipper, A.J.Ingersoll of Mobile, Duncan, Sherman and Company of New York, the English and American Bank, the Bank of Louisiana, etc.); and Bombay (Graham and Company, E.C.Bate, etc.); via financiers in Liverpool (Bank of Liverpool, Dennistoun, Cross and Company, Rodewald and Company, etc.), and London (Union Bank, J.G.Morgan and Company, Brown, Shipley and Company, etc.).[1]

The long drawn out resolution of the claims by the American government against the British government, arising from the wartime activities of the Alabama created considerable anxieties in the Liberal press in Liverpool. The Daily Post supported a speedy and honourable payment of the compensation claimed, since this would be a trifling sum compared with the financial consequences of cotton and corn being sent by the Americans direct to the continent of Europe. It was not unreasonable that there should be anti-British feeling in the United States since England encouraged the Southern rebellion, while Liverpool sent materials of war to the South in return for cotton. The American sailing trade suffered much damage from the activities of the Alabama and other blockade-runners built on the Mersey; and Britain should take responsibility for properly estimated losses, since it could not afford to lose American cotton, or a market for British manufactures.[2] The Mercury similarly argued that arbitration was cheaper than war, and that the trading policy of the country demanded

1 M.Ellison, Support for Secession, p.151

Baring Bros Mss, 18,321/25, B.B.Liverpool to B.B.London, 2 January, 21,23,25 May, 19 June 1867

2 Daily Post, 15 April 1869, Supplement, p.1

that Britain should be on friendly terms with all countries.[1] The Conservative Courier, on the other hand, was less convinced of the weakness of the British position, and less inclined to believe the warlike threats of the Americans.[2]

The Mercury welcomed the settlement embodied in the Treaty of Washington, although the Courier felt that Britain had given way to American threats.[3] When the settlement was left to arbitration at Geneva, the Daily Post dismissed the suggestion that war might once more become a possibility, for the British did not want it, and the Americans lacked the resources. It was argued that a war might actually make the fortunes of British holders of cotton and cereals, and would enable Britain to join forces with the 'still rebellious' South. Expressing utter confidence in the unbeatable strength of the British Navy, the Daily Post assured its readers that 'the Americans will not provoke war by finally pressing claims which offend the commonsense of mankind'.[4] Eight months later, in September 1872, the matter was finally concluded by the Geneva Arbitration, which reduced the indemnity payable by Britain from £10 millions to £3 millions. The Mercury thought the judgment of the arbitrators was 'honest and fair'; while the Courier accepted it as the cheapest way of disarming the hostility of the United States, although it accorded Britain neither honour nor dignity.[5]

1 Mercury, 24 September 1867, p.6
18 December 1869, p.6

2 Courier, 20 February 1869, p.6

3 Mercury, 10 May 1871, p.6
Courier, 16 May 1871, p.6

4 Daily Post, 1 February 1872, Supplement, p.1

5 Mercury, 28 September 1872, p.6
Courier, 17 September 1872, p.4

(ii) New Influences in the Conduct of Business

The Atlantic Cable was successfully laid at the fourth attempt in July 1866. Contemplating this dramatic improvement in communications, the Courier accepted that 'In monetary and commercial affairs, its information will be sufficiently full and accurate to warrant enterprise and speculation'.[1] Nevertheless,

> 'There is a general feeling that the telegraph can be used against the general interests of the public by speculators and monopolists; and before men entertain in telegraphic lines the confidence necessary to undertake costly undertakings, all telegraphic offices should be placed under the control of the Government of the country'.[2]

The change was potentially revolutionary: the Liverpool cotton merchant could now make a bargain on the Flags, and send an order to Charleston or New Orleans more quickly than the evening mail to Manchester.[3] In the opinion of the Mercury, the risks of trading adventure would be appreciably diminished now that producer and consumer were brought closer together, and supply and demand each made aware instantaneously of the existence of the other. The only fear was that the protectionist policy of the United States might neutralise the advantages of telegraphic communication for the present.[4]

By the beginning of 1869, T. & H. Littledale and Company were claiming in their Annual Circular that the extension of the telegraph system, together with increased use of steam power, had revolutionised the old style of doing business. The methods now practised favoured small profits and quick returns, with no storing of goods for better markets or a dearth. The risks of large operations were reduced, and the advantage of the wealthy

1 Courier, 27 July 1865, p.6
2 Ibid., 7 August 1865, p.6
3 Ibid., 30 July 1866, p.6
4 Mercury, 30 July 1866, p.6

over the less wealthy in trade neutralised.[1] The New York Times saw telegraphic communication leading to changes in business organisation, and in the nature of the risks which were involved in commerce. In the case of the cotton trade, the purchase of cotton for Lancashire spinners and manufacturers was once a very solid and profitable business, if potentially dangerous, for the great American cotton brokers and commission merchants. With the passing of the old system of purchase for the English trade - although not in the case of the cotton trade on the continent of Europe - the brokers and commission merchants had mainly given up their business in Liverpool, Manchester, New York, Mobile, New Orleans, etc. Instead of brokers and merchants buying cotton for English manufacturers from Southern factors, English spinners now bought from New York speculators, as if they were buying stocks in New York, or wheat in Chicago, on time contracts. The New York Times had doubts about the increased involvement of speculation and adventure, and feared that it was also present in the 'respectable business' of banking, and the buying and selling of exchange, by cable.[2]

The possibility of speedier transactions made for a closer match between the offers by sellers and the requirements of consumers. As an alternative to consigning cotton to Liverpool for sale on the spot through brokers, American and Indian shippers now employed 'drummers' or agents to sell their cotton, either as Liverpool 'spot' cotton, or 'to arrive', at the Manchester Exchange, or in the manufacturing districts. Similarly, the telegraph and improved railway transport enabled London merchants to send their own agents to the Manchester Exchange, and monitor the progress of their transactions; while manufacturers found it worthwhile to come to Manchester in person. Previously, both buyers and

1 Daily Post, 8 January 1869, Supplement, p.2: Annual Circular of T. & H. Littledale & Co.

2 New York Times, 28 September 1874, p.4

sellers had placed their business in the hands of specialist houses in Manchester.[1] The Manchester market suffered from considerable depression in the 1870s, partly as a result of the declining function of the traditional mercantile houses in the cotton trade; and partly from the reluctance of buyers - whether of raw cotton or cotton manufactures - to commit themselves for more than their perceived immediate requirements. Since buying was increasingly for commission against indents or for orders of a limited nature, large business in both the Liverpool and Manchester markets (which previously seemed to be appropriate when shipments were made on English account against a background of inadequate and belated advice) would normally be occasioned by speculation or panic.[2]

Further transatlantic cables were laid after 1866, and three of these were still operative in January 1881 when two additions were proposed.[3] From the point of view of the North West it was unsatisfactory that messages from Liverpool and Manchester were routed to North America via London. This meant that they were charged at what were considered to be the excessive rates of the Anglo-American and French cable companies. Since messages from Liverpool invariably arrived across the Atlantic some two or three hours after those despatched at the same time from London, there was a suspicion among Liverpool merchants that priority was given to telegrams from London. For an improved service at lower rates, a direct cable from Liverpool to New York was required.[4]

The levelling effect of the telegraph could be upset by speculators who made use of detailed information from varied sources, instantly brought together, to manipulate the prices of commodities to their advantage.

1 Economist, vol.33, 13 March 1875: Commercial History and Review of 1874, pp.52-3 - Reprint of Times article, 1 January 1875

2 Daily Post, 9 April 1875, p.6
3 July 1876, p.8: Smith, Edwards & Co. Circular

3 Mercury, 14 January 1881, p.5

4 Ibid., 14 December 1870, p.6
Daily Post, 4 July 1871, Supplement, p.1

A market operator wishing to create a 'corner' in a particular commodity would balance the probable demand against the existing stocks and likely supplies up to a certain date. He would enter into contracts to buy for delivery on that date to such an extent that sellers would find themselves in a 'corner' when called upon to complete the sales. The contracts would have been made when the price was relatively low, but consistent buying by the operator, and, presumably, limited supplies, would force up the price to be paid by the sellers in fulfilling the contracts.[1]

In the October 1881 issue of Nineteenth Century, W.B.Halhed of Baring Brothers in Liverpool argued against the practice of cornering in produce markets. He felt that a government inquiry was required when the cotton crop could be turned over twelve times on paper contracts, and wanted legal restrictions on speculative dealings in produce:[2]

> 'The development of telegraph and steam communications and of limited joint-stock bank enterprise, and the unbounded license given to speculators, have driven almost all sobriety from commerce, and given to clever men a power well-nigh incredible of controlling markets, and manipulating prices to their own profit, and the confusion and ruin of others;'[3]

Another commentator, from a commercial house in New York, A.C.Orr, distinguished between activities which led to price fluctuations as a result of operators responding to external influences in order to cover themselves; and unacceptable activities which were characterised by conspiracy and secrecy.[4]

A notable improvement in world communications was the opening in October 1869 of the Suez Canal, which reduced the journey from London to India by sail via the Cape from around 100 days or more to 30-40 days

1 Daily Post, 22 March 1889, p.4

2 W.B.Halhed, On Commercial Corners, Nineteenth Century, 10 October 1881, pp.532-7

3 Ibid., p.533

4 Daily Post, 4 January 1884, pp.4-5

by steamer.[1] The Daily Post acknowledged the advantage to London, with its control over the Indian trade, but pointed out that Bombay was now within 35 days of Liverpool. The Mercury looked forward to increased British commercial influence in the seas round Africa and India, and further east towards Australia. Already, much of the steam traffic of the Mediterranean was in British hands, and most of it emanated from Liverpool. The Daily Post demanded a yet closer involvement with steam for Liverpool, if the Canal undermined the use of sail - and this was reflected in increased orders for small steamships for the yards on the Mersey and the Clyde. More important, if Liverpool became an entrepôt for East Indian as well as American trade, she could lay claim to an effective money market of her own, instead of being undermined through the general identification with London of financial arrangements for business.[2] In the event, the greater beneficiary from the Suez Canal route to the Far East proved to be London. Although the steam trade received a boost against the sail trade around the Cape, the expected increase in Indian cotton shipments did not materialise, whereas the receipts of Indian tea in London continued to expand (surpassing those from China in the early 1880s).[3]

Improved transport facilities led to an increasing use of the through bill of lading which covered the conveyance of goods from a point of despatch in the Americas to a destination in Europe, and vice versa. Several modes of transport might be involved in the journey but they were all covered by the same documentation. A development which coincided with

1 Economist, 16 March 1872, Commercial History and Review of 1871, p.7
cf. Times, 1 February 1870, p.6 (reprinted from Albion)

2 Mercury, 21 October 1869, p.6
Daily Post, 7 December 1869: Supplement, p.1.
9 December 1869: Supplement, p.1
1 January 1870, p.3: Annual Circular of Newett & Son

3 Mercury, 19 November 1869, p.6
Courier, 31 December 1874, p.3
Economist, Commercial History and Review for years in 1880s

this simplification in the transatlantic trade was the establishment of agreed and fixed minimum rates for the conveyance of passengers and goods between popular points of departure such as Liverpool and New York. The Daily Post thought that such fixed tariffs were of advantage to the standing of Liverpool, and preferable to the system of differential rates and allowances which operated for traffic out of London. Nevertheless, cartel arrangements, whether in shipping or among railroads, clearly channelled traffic through favoured points of entry and exit (of which Liverpool was one), and could work to the disadvantage of producers, such as American farmers in the West, or Manchester manufacturers and spinners.[1]

As an indication that produce or goods were en route between parties, the bill of lading was useful as collateral to enable the holder of a bill of exchange to obtain funds in advance of the maturity of the bill. The finance house in the United States, making an advance against a consignment of cotton, would send the draft to an agent in Liverpool for acceptance by the consignee. The acceptor/consignee would obtain the bill of lading, and therefore access to the cotton, by paying the draft, or by offering a broker's letter of guarantee, which would effectively transfer the financial responsibility for the consignment to the broker. Problems might arise if bills of lading were issued in a set for a particular consignment, or when there duplicates in circulation, as there often were. Financiers were liable to suffer loss if it were discovered that merchandise hypothecated to them either did not exist, or was in the possession of another party. Holders of documents (bills of lading, etc.) relating to merchandise, or the proceeds of the goods, if they had been sold, could avoid parting with either till the drafts matured, and use them in general business

1 Daily Post, 29 August 1873, p.4
11 April 1874, p.4

by supplying a trust receipt to the claimant.[1] When this proved to be no security, Brown, Shipley and Barings devised a new form of the broker's letter of guarantee which would stand in criminal proceedings over the misappropriation of money. In return for receiving documents from the financier, the broker guaranteed to realise the proceeds for part of the property (indicated by the financier) if the acceptance were not paid. Barings would not accept such an engagement in lieu of payment or part payment, unless funds were placed to an account on their books.[2] By 1885, Barings of Liverpool noted that it was common practice for brokers' guarantees to be invoked before a financing house accepted a draft.[3]

Early in 1883, a joint committee of the commercial associations in Liverpool produced a new, general form of bill of lading to replace the differing and separate form used by each steamship line. The aim was to ensure that no buyer with a cost, freight and insurance contract, a bill of lading and a policy, should be in danger of losing his purchase.[4] Such was the emphasis put on the financial aspects of the bill of lading, that its purpose as a form of contract for the conveyance of goods tended to be overlooked. Merchants and underwriters complained that shipowners evaded their obligations, as expressed in the bill of lading, with regard to the route of the voyage, damage to goods, and the handling of cargoes.[5] Eventually, in February 1885, a committee of shipowners, merchants and

1 Courier, 30 May 1867, p.6
29 December 1868, p.6
14 February 1884, p.4

Brown, Shipley Mss, 20,111/2, B.S.London to B.B.New York, 22,25 January 1881

2 Ibid., 20,112/10, B.S.London to B.S.Liverpool, 29 August 1883

Baring Bros Mss, H.C.3.35/31, B.B.Liverpool to B.B.London,5 September 1883

3 Ibid., B.B.Liverpool to B.B.London, 31 July 1885

4 Daily Post, 31 January 1883, p.4

5 Economist, vol.29, 17 June 1871, pp.711-3

cf. Chap.7 (ii)(c) for effects in cotton trade underwriters examined the liability of shipowners for the negligence of their servants. To the disapproval of the Economist, the committee rejected liability in the case of strandings or collisions, accepting the arguments of the shipowners that their servants were not under their control; and that to ruin shipowners would bring advantage to nobody.[1]

In January 1880, the Daily Post surveyed the changes in the conduct of business: the use of time bargains and firm offers; communications revolutionised by electricity and steam to the point where bills were often not employed in many trades; the virtual disappearance of the merchant, as the word used to be understood, with producer and consumer increasingly in direct communication.[2] On the one hand, there appeared to be a growing confusion between commercial roles which had once been clearly defined, so that brokers acted as merchants, and merchants acted as brokers; yet, on the other, a resolution of the various intermediary roles into two basic functions, buying and selling, in which the middlemen acted purely as agents of the principals. The functional independence of the intermediary was considered in the Exchequer Chamber (and thereafter the House of Lords, when the Judges could not agree) in the winter of 1871-2 in Mollett vs. Robinson. The case concerned the rejection of the purchase of a parcel of tallow by a Liverpool merchant, when his London broker had executed an order on behalf of the merchant. The Daily Post outlined the ordinary theory of brokership thus:-

> 'It is assumed that an agent peculiarly conversant with one market will be better skilled in judging, and in procuring, and in finding facilities for the sale of any article than merchants who deal in various articles, and it is often convenient that merchants should not appear prominently in the buying and selling of the market. Brokers are therefore employed to negotiate sales; and it is an admitted principle that the safest broker, and the one most likely to do justice to his customers, is the one who least indulges in buying and selling on his own account...It is often impossible to find produce in the precise quantities required, and a very usual course is for the broker to buy various parcels, and to piece them out to his customers according to the orders they have given'.

1 Economist, vol.43, 25 July 1885, pp.898-9

2 Daily Post, 24 January 1880, p.7

The issue was whether the usages of brokers in certain trades entitled a broker to assume the entire responsibility with a seller from whom he makes a purchase, thereby making virtually an independent contract between himself and the client for whom he acts; or should a broker merely negotiate a contract as an agent between two principals, for one of whom he acts, and thereby incur no responsibility. Mr Justice Blackburn in the Exchequer Chamber upheld the traditional independence of decision and action exercised by the broker, the effect of which was to change '"the character from that of mere broker to that of commission merchant; but are the two characters inconsistent?"' [1]

If there was confusion between the activities of broker and merchant, so also was there in the cotton trade between merchant and spinner, as Lancashire millowners took to importing cotton for consumption or sale direct from the United States, instead of resorting to the Liverpool market. The competition of spinners and merchants as buyers helped to inflate American prices, when the telegraph tended to equalise prices on both sides of the Atlantic. Purchases by spinners direct were a very small proportion of the whole trade, but they were prepared to pay larger commissions to shippers, and double brokerage to brokers for a dual function as buyers and sellers.[2]

The situation was not limited to the cotton trade. Baring Brothers in Liverpool pointed out how Brown Brothers in the United States were content to provide the advances and exchange for the large grain exporting business of Gill and Fisher in Baltimore, for whom a corn broker, Goodwyn sold in Liverpool direct to country millers.[3] When Goodwyn asked Barings

1 Daily Post, 17 August 1871, p.4
8 December 1871, Supplement, p.1

Economist, vol.30, 17 February 1872, pp.195-6

2 Courier, 31 December 1874, p.3

3 Baring Bros Mss, H.C.3.35/29, B.B.Liverpool to B.B.London,10 October 1877

in Liverpool to accept drafts on Gill and Fisher against documents for cargoes of grain, W.B.Halhed wrote to C.L.Norman in London:

> 'The chief objection to the business is that it is another step towards doing away with the Merchant in the Foreign Trade. If Millers in England will trust foreign buyers - and those men will work for 1% and a Broker on this side for ½% no "decent trader" can compete. Fortunately drawing facilities are an obstacle...Millers will not be drawn upon neither cd. their drafts pass - nor do they like going to their own Bankers to ask for credits...'[1]

According to the New York Times, the more fluid arrangements discernible in commerce in Britain had already taken hold in the United States. Two re-organisations in American commerce were apparent between the 1830s and the 1880s. Initially, trade was under the control of comparatively few importers and jobbers, based in New York, Boston and Philadelphia. Jobbers sold to the retail trade on behalf of importers and manufacturers, and provided financial support for retailers. In the 1850s, the functions of importer and jobber became more or less interchangeable, and both they, and newly established commission merchants and brokers, dealt directly with manufacturers and retailers. This situation developed further during and after the Civil War. As a result, commercial transactions were, by the 1880s, handled on behalf of producers or manufacturers, as well as consumers, by a single intermediary, who might be either a broker or a commission merchant, since they now controlled most of the trade of the country. This would often involve merely the exchange of documentation, such as warehouse receipts, unless the merchant was required to hold merchandise pending delivery. Essentially, the system was one which facilitated the delivery of specific orders, and tried to avoid the accumulation of unsaleable stocks.[2]

Some firms, both British and American, sent their own representatives across the Atlantic to act on their behalf, e.g., the Liverpool cotton

1 Baring Bros Mss, H.C.3.35/29, W.B.Halhed to C.L.Norman, 10 October 1877

2 New York Times, 7 April 1889, p.10

brokers, John Rew and Company.[1] At the end of the 1880s, British houses found that they might be infringing the American Alien Acts of 1885 and 1887, which sought to restrict the import of foreign labour holding contracts made before arrival in the United States. Townsend, Woolley and Company, cotton merchants in Liverpool, who sent an agent to Norfolk, Va., to buy and ship cotton, and a timber firm, which sent a representative to investigate accounts in the United States, both faced prosecution. The American Chamber of Commerce in Liverpool advised the British Foreign Office that a literal interpretation of the Alien Acts would greatly interfere with trade:

> 'To send out such persons is the usual course of business adopted in the Cotton trade, it being necessary for the importers to employ clerks having a knowledge of the English or Continental markets'.[2]

The Liverpool Chamber of Commerce and Cotton Association added their voices to urge Lord Salisbury to indicate to the United States Secretary of the Treasury the prejudicial effects on British-American trade of the application of the Acts to mercantile agencies, thereby, in the opinion of P.J.Hemelryk, threatening the British capacity to compete 'for the whole world's business in America'.[3]

1 Bank of England Liverpool Letter Books, vol.25, 2 November 1878,pp.296-7

2 380 AME 4: ACC Committee, 19 June 1889, p.104
ACC to Foreign Office, 13 November 1889 (insert between pp.103 and 104)

3 Times, 18 November 1889, p.4
Liverpool Journal of Commerce, 21 January 1890, p.4

(iii) Anglo-American Trade in Periods of Boom and Depression

Of the years covered by this study, at least 13 were characterised by depressed trade on one or both sides of the Atlantic: 1866-67; 1873-79; and 1883-86. Each period of depression was preceded by a few years of boom: unrestrained manufacturing and/or business activity and expansion. In the case of the first period of depression, 1866-67, it could be argued that the commercial world needed to adjust to the re-establishment of something like normality in transatlantic trade, and to the new facilities for business provided by the telegraph and increased steam traffic. These factors, allied to high food prices, reduced demand for manufactured goods, and rapidly falling prices for these and raw materials, combined to make 1866 and 1867 years of considerable loss for importers, exporters and manufacturers, especially in the cotton trade. Liverpool merchants were said to have lost an estimated £70 millions in the two years, partly due to over-trading, but partly due to a fall in prices of more than 50%. The financial crisis in Liverpool and London, brought about by incompetence and fraud in several leading banks, simply added to what was already a difficult trading situation. The worst results were experienced by those connected with the cotton trade, whether as importers, exporters, spinners or manufacturers. Demand for cotton goods in the home market was dependent on good harvests and a reduction in food prices.[1] The artificially high price of raw cotton - the legacy of the American Civil War - needed to come down if spinners were to run the mills fulltime, but this inevitably involved losses for importers and holders of cotton. Financial instability, railway mismanagement, a poor harvest and high food prices, and fears of a war in Europe all contributed to a collapse in the prices of raw materials, and general gloom and despondency. Despite the apparent abun-

1 Daily Post, 1 January 1868, p.7: Annual Circular of Smith, Edwards & Co.
9 January 1868, p.7: Annual Circular of T & H Littledale & Co.
28 November 1867, Supplement, p.1

dance of cheap money stimulating enterprise in Liverpool, Brown, Shipley were full of 'gloomy forebodings of trouble in Liverpool'.[1]

Trade revived unevenly in 1868, but cotton remained a problem, owing to a 20-25% deficiency in the amount of raw cotton available, compared with spindle power.[2] The slow restoration of the pre-War supply almost certainly eased the rate at which the price of raw cotton was sinking to pre-War values, thereby cushioning those dealing in either the raw material or cotton goods. Exporters prospered: record shipments of cotton goods were sent to India and China, and considerable quantities of yarn to Germany, Holland, Italy and Austria. Exports of wool and iron were steady, and both manufactures were in full work. In general, trade was felt to have recovered somewhat, even if the improvement was spread unevenly across trades and merchants.[3] The revival continued into 1869, if unevenly, some branches of manufacturing remaining unremunerative. The lack of prosperity in the cotton industry also affected related trades - shipping, railways, iron, coal, banking, etc. However, renewed activity in industries such as iron (for shipping) and wool (a rival to cotton, while it was cheap) increased employment; while cheap bread, partly due to heavy grain imports, tended to improve the situation. The effects of the financial problems of 1866-67 were taking an unexpectedly long time to dissipate: in the opinion of the Annual Circular of T. and H. Littledale, this was a result of the continuing high prices of cotton; 'the revolution in the mode of conducting business by the introduction of submarine telegraphs'; and 'the frightful losses entailed upon the

1 Daily Post, 9 January 1868, p.7: Annual Circular of T.& H.Littledale
Brown, Shipley Mss, 20,112/3, B.S.London to B.B.New York, 8 June 1867
B.S.London to B.S.Liverpool, 22 June 1867

2 Economist, vol.27, 13 March 1869, Commercial History & Review of 1868, pp.3-5

3 Daily Post, 8 January 1869, Supplement, p.2: Annual Circular of T&H Littledale
18 January 1869, p.7: Annual Circulars of Ellison & Heywood; Garnock, Bibby & Co.

victims of the limited liability swindles, and the costly delay in winding them up'.[1]

The New York Times considered the depressed, economic state of England in general, and Lancashire in particular, in September 1869. For some forty years, it had been apparent that she could not supply her own population with home-produced food, particularly in years of bad harvests, such as 1867 and 1868; industrial relations were poor; coal had been mined at great depth; and Lancashire was closing mills or working them on half time, while trained artisans were emigrating to the United States in large numbers. The conclusion was that England could no longer compete with the other manufacturing nations such as France or Germany.[2]

The truth or otherwise of this estimation of Britain's trading position in relation to France and Germany was obscured soon afterwards when the latter went to war. The Economist felt that the Franco-Prussian War would diminish world commerce, but would increase that of Britain by neutralising dangerous competitors. Raw materials would be diverted to Britain from continental ports, which would, with the demand for matériel of war, be to the great benefit of the British carrying trade. Initial reaction in Liverpool to the outbreak of the War was apprehension over the undefended state of the port - its wealth might attract an enemy attack, as in the case of Valparaiso - and panic in the cotton market, till it was clear that Britain would not be involved. Subsequently, some produce markets became glutted as consignments for the Continent were diverted to Liverpool. During the three months prior to the War, the French government had bought heavily in the wheat and breadstuffs market, through agents in Liverpool. Markets for metals in Europe suffered as a result of the hostilities, but Russia and the United States proved to be large customers for rails, so that iron exports surpassed the 1869 record. Although a decline in

1 Daily Post, 1 January 1870, p.3: Annual Circulars of Melladew & Clarke; Smith, Edwards & Co.
6 January 1870, p.8: Annual Circular of T. & H. Littledale

2 New York Times, 17 September 1869, p.4
26 September 1869, p.4

demand for many commodities from the continent was reflected in reduced prices, there seems little doubt that British trade benefited from the commercial disorganisation in Europe, which 'threw into our hands a large increase of business in iron, cotton, silk and shipping...'[1]

Up to the Panic of 1873, growth in Anglo-American trade was steady: between 1868 and 1872, American exports to Britain increased in value by nearly 25%, while British exports to the United States almost doubled in value.[2] By February 1870, the Economist was convinced of a trade revival in Lancashire, with an increased demand for cotton goods at slightly higher prices; a small decrease in the price of the raw material, which was freely available; and a large reduction in the price of wheat (40% since 1868), boosted by large grain shipments from the United States.[3]

1870 and 1871 saw the trading revival at its height, notably for cotton manufacturers, who had the benefit of a satisfactory demand for goods, and also lower prices for raw cotton (13-19%, according to type), as well as higher prices for competing woollens.[4] In 1872, there was a substantial overall increase in the transatlantic carrying trade (to the advantage of Britain if not the United States), and consequently in the demand for iron shipping, sail as well as steam. Most trades, apart from cotton, prospered, and the very poor cereal harvest in Britain ensured a large demand for American supplies.[5] Not all operators shared in the successful trade: in the summer of 1872 there were difficulties for many brokers, particularly in cotton and corn, although some of the trouble

1 Daily Post, 18 July 1870, Supplement, p.1
19 July 1870, Supplement, p.2
31 December 1870, p.6: Annual Circular of Robson & Eskrigg
11 January 1871, Supplement, p.2: Annual Circular of T.& H. Littledale
10 January 1872, Supplement, p.2: Annual Circular of T.& H. Littledale

2 New York Times, 10 August 1874, p.1

3 Economist, vol.28, 5 February 1870, pp.153-5

4 Ibid., vol.29, 11 March 1871, Commercial History & Review of 1870, pp.2-3
vol.30, 16 March 1872, Commercial History & Review of 1871, pp.(31-3)

5 Daily Post, 1 January 1873, p.6: Annual Circulars of Smith, Edwards & Co.; C.W.Kellock & Co.

was due to misappropriation and speculation.[1]

In 1873, the volume of business and the ruling values in certain key trades (e.g., cotton), were in decline; and following the American financial Panic in the autumn, and the mercantile failures which it engendered, trade was interrupted in more flourishing areas, such as chemicals and iron.[2] So far as trade between Britain and the United States was concerned, 1873 saw the beginning of a difficult period, in which lower prices and smaller profits per unit of production or sale, increased productive and shipping capacity, and variable demand, were all significant factors from time to time.

A letter to the Daily Post in February 1876 argued that increased consumption would balance falling prices in the cotton trade, since 'after a declining cycle at low prices for cotton, the world's capacity of absorbing cotton goods is all but unlimited...'[3] The Daily Post did not accept this view, and claimed that:

> 'We went too fast in 1870, 1871 and 1872, and we have since, until lately, been going on producing in the expectation that the rate of expansion in our foreign trade, witnessed in those years, would continue. But it has not continued. The demand has in point of fact almost stood still. This has led to over-production, to reaction, to loss, to diminished home consumption in consequence of that loss, and finally to forced reduced production, to curtailed employment for our workpeople, to reduced purchasing power amongst all classes, which reduced purchasing power has been further aggravated by loss of income, owing to numerous commercial failures at home, and to Turkish, Egyptian, Peruvian and other defalcations abroad - hence the accumulations of stocks, and the resort to "short time" in the whole of our textile manufacturing districts'.

Board of Trade returns for the first six months of 1876 showed that the value of imports (particularly cotton) had continued to fall, but the quantity varied according to the trade concerned. Thus, flax, tea

1 Baring Bros Mss, H.C.3.35/26, W.B.Halhed to C.L.Norman, 17 August 1872

2 Courier, 1 January 1874, p.3: Annual Circulars of Smith, Edwards & Co., J.Berger Spence & Co., Jas.Watson & Co.

3 Daily Post, 11 February 1876, p.8: Letter to Editor

and coffee had significantly declined in quantity, sugar and molasses only slightly so; and breadstuffs, rice, cocoa, and most provisions, had actually increased. Exports of metals, yarn and piece goods were similarly down in value since 1874; metals, wool and linens were also down in quantity (the last showing a 75% decrease owing to the fall in American demand) whereas cotton and jute showed an increase. Textile exports overall registered an 8.5% decrease in value, and this provided nearly half the total decline in the value of all exports. The Daily Post could still find some long-term comfort in the situation:

> 'From the stagnation which has so long ruled in our foreign trade it may be safely concluded that the stocks of British manufactures abroad must be getting reduced to a small compass; and, consequently, that some improvement in the demand may reasonably be expected at no very distant date. At the moment there are no indications of any movement in this direction, and it is scarcely likely that we shall witness any marked change for the better until Continental affairs assume a less apprehensive condition; until the silver question has reached such a stage as shall make our trade with the East less risky than at present; until business revives in the United States; and until credit improves in South America, the Levant, etc. The financial and commercial failures which have taken place all over the world during the past three years have temporarily interrupted the flow of trade, but the influence of these disasters must now be pretty nearly exhausted; and diminished production, reduced stocks, and low prices must shortly begin to make themselves felt. A revival in trade would do more than anything else to bring about a readjustment of the Eastern exchanges; had trade been in a healthy condition goods would have advanced as silver declined: as it is our merchants have lost both ways.' [1]

The Economist analysed the trading recession of the mid-1870s as due to: the reduced demand for manufacturing following the Franco-Prussian War; railroad construction in the United States (and also Russia, along with the building of roads and canals) between 1868 and 1873, which tied up large amounts of home and foreign capital; the effects on business of telegraphic communication; the expansion of steam tonnage with the use of the Suez Canal; the rapid rise in prices and wages from 1871-73;

1 Daily Post, 11 July 1876, p.5

and, in the case of the United States, the conversion of floating to fixed capital (in buildings and communications), the depreciated inconvertible paper circulation, and the whole structure of Protection, which was so damaging to consumers in the West. The manifestations of the depression were a restraint on enterprise and contracts in the United States; strikes and disputes in the great trades in Britain - iron, coal, hardware, shipbuilding; and unprecedented failures in banking, trading and manufacturing on both sides of the Atlantic.[1] 1,707 firms (about 3% of the total) ceased to operate in the United Kingdom in 1875, of which 471 were in London, 177 in Liverpool and Manchester (including 14 cotton brokers and 40 merchants). In the United States, failures reached 7,740 in total, compared with 5,183 in 1873, and 5,830 in 1874.[2]

Among the more spectacular banking failures in New York was that of Duncan, Sherman and Company, primarily a bank of deposit, which used its resources to finance Anglo-American trade, travellers in Europe, etc., as did other banks, such as Brown Brothers. Duncan, Sherman had traded successfully, if sometimes in an aggressive and risky manner, for 25 years, and the senior partner, W.Butler Duncan, was known for the magnificence of his mansion, his charity, and hospitality to foreigners. For some time, the bank had sold its accepted bills of $1,000 for $970-980, and employed the cash received in trade and speculation. The discounts on the bills were recouped through successful ventures, but, if not, the deposits were drawn on to meet the acceptances at maturity, and pay for the discounts. In the period of sluggish commerce, deposits of $24.5 millions were eventually exhausted, and the bills became unsaleable. In the week before their failure, Duncan, Sherman issued commercial paper

1 Economist, vol.33, 11 December 1875, p.1450
vol.34, 11 March 1876, Commercial History and Review of 1875 pp.1-2

2 Ibid., vol.34, 11 March 1876, Commercial History and Review of 1875, pp.45-6

and sterling bills, drawn at short sight on English sources, for more than $500,000. They failed with liabilities of $4,872,128, and assets of $2,112,740.

In the opinion of the New York Times, the business community survived this failure largely as a result of the experience of the Panic of 1873. Credit was much less extended than had been the case two years earlier, and there was greater knowledge among businessmen of the financial standing of each one. Although financial values fluctuated by 5% immediately following the suspension, the prevailing caution in business operations on both sides of the Atlantic ensured that securities remained firm. The Daily Courier felt that Duncan, Sherman could not be accused of crooked activities, since it was well understood that their bills were not backed by goods, but only by their name.[1] The number of failures subsequently averaged 8,775 per annum in the United States between 1876 and 1879; and 2,407 in the United Kingdom between 1877 and 1878, with Liverpool averaging 86, and Manchester 129 per annum.[2]

The depression in trade and industry of the 1870s was accompanied in Britain by agricultural distress: with 6 out of the 10 harvests since 1869 below average, it was the most severe and extended period of difficulty for agriculture in 30 years. Even a year of good harvest, 1878, was of little help to British farming because markets were swamped by vast imports of wheat and corn at very low prices.[3] Sir William Rathbone

1 Courier, 30 August 1875, p.4
New York Times, 28 July 1875, p.4
29 July 1875, pp.1 & 4
6 August 1875, p.1
13 August 1875, p.8

2 Economist, vol.36, 9 March 1878, Commercial History and Review of 1877, p.3
vol.37, 8 March 1879, Commercial History and Review of 1878, p.37
vol.38, 13 March 1880, Commercial History and Review of 1879, p.49

3 Ibid., vol.37, 8 March 1879, Commercial History and Review of 1878, pp.1-2

(M.P. for Liverpool) was alarmed about the import of so much food (for the working classes), when living standards in the United States were being forced down through restrictions on imports.[1] There, only agriculture was reliably profitable in the mid-1870s, although farmers in the West found that prevailing freight rates made it difficult for them to send their produce to Europe via New York at competitive prices. They, and Liverpool importers, looked to a greater use of other Eastern ports, such as Montreal, Philadelphia, Baltimore and New Orleans.[2] The concentration of the seaborne trade of the United States at New York, and the charges of the commercial middlemen and various port authorities there, were much criticised by the Courier, which would have preferred direct trade between the South (cotton) and Europe (manufactured goods), thereby promoting links between Liverpool and New Orleans, Savannah and Charleston. The journal wanted Liverpool to take a close interest in the Southern attempts to attract European capital, through a commercial convention at Memphis in 1869, and the despatch of representatives to European centres of trade and finance.[3]

The barriers to the use of other ports were both natural and political. In the case of San Francisco, protective tariffs made it unremunerative to send all but the finest cotton goods, iron, coal, hosiery and stuff goods, ale and porter.[4] New Orleans had great potential, but suffered from the same tariffs and inadequate facilities for steamships. It was difficult to find worthwhile cargoes to send to the Gulf, apart from iron and coal, of which there was already a good supply, in return for the

1 Economist, vol.35, 10 February 1877, p.150

2 Daily Post, 29 August 1873, p.4
1 January 1875, p.6: Annual Circular of Smith, Edwards & Co.

3 Courier, 3 August 1869, p.6
25 August 1871, p.6

4 Daily Post, 22 June 1869, Supplement, p.1

produce of the Mississippi valley, which had now expanded to include grain, hay, potatoes, tobacco, cotton, animal foods, hemp, sugar, rice, fruits, etc. Without a new channel at the mouth of the Mississippi to circumvent the bars which hindered the entrance of large ships, this produce would continue to be taken to New York by rail as much as to New Orleans down the river.[1]

In 1876, the New York Times drew attention to the extent of Anglo-American trade, which was the largest between any two nations. American trade with Britain was five times larger than her trade with any other country, and accounted for five-twelfths of her exports. One-sixth of British imports and exports were with the United States. In the 1870s, the balance of this trade was changing in favour of the United States as the following figures for the value of imports and exports in financial years (July-June) illustrate:-

	American imports	American exports
1871-72 -	$249 millions	$261 millions
1872-73 -	$237 "	$312 "
1873-74 -	$180 "	$341 "
1874-75 -	$155 "	$314 "

The same pattern was apparent in the decline in the value of all foreign merchandise imported into New York:-

1872-73 -	$325 millions
1873-74 -	$286 "
1874-75 -	$279 "
1875-76 -	$241 "

Such violent fluctuations in the value of imports were considered by the New York Times to be destructive of the business interests concerned. They reflected the declining prices of manufactured goods; the excessive tariff duties which reduced shipping; the effects of smuggling across the Canadian

1 Courier, 26 September 1873, p.4

border (which cost 25% of the revenues from the tariffs between 1872 and 1876); and the need to regulate the value of currency through gold.[1]

It was not certain that the present pattern of trade would continue: the poor trade in Manchester, the lack of demand for textiles and for iron and coal, with the consequent short time and falling wages and prices in the manufacturing centres of Britain, together with improved harvests, could reduce the demand for American produce, particularly cotton and foodstuffs.[2] The New York Times concluded that the injuries to British trade in recent years had been exaggerated, especially in relation to the working population. British trade, based on a population of 32 millions was still three times that of the United States with 45 millions. Since 1868, there had been approximately a fourfold increase in the import of American Indian corn, wheat, bacon, beef and lard, a threefold increase in tallow, and a twofold increase in pork. Although the value of certain British exports had declined, the quantity had often been maintained, but not always to the American market, e.g., in the case of cotton manufactures.[3]

The New York Times claimed that the level of wages and the cost of living in Europe had raised production costs to the point at which American producers could compete in their own markets, aided by cheaper food and a more stable currency. American cotton and woollen mills had not produced a profit for ten years, and had cut back their output because of world over-production. The price of American manufacturing competitiveness was borne by American importers, who were obliged to offer bids in large contracts, and make sales at prices below cost in order to compete.[4]

1 New York Times, 12 April 1876, p.4
17 April 1876, p.4

cf. S.B.Saul, Studies in British Overseas Trade,1870-1914,pp.20-1,46-8

2 New York Times, 1 June 1976, p.6

3 Ibid., 24 July 1876, p.4

4 Ibid., 28 September 1874, p.4

Export sales of American cotton goods were a more difficult matter. By 1876, the level was still only that of 20 years previously, with an annual value of barely 10% of British exports. If cotton goods were to join the chief American exports - raw cotton, breadstuffs, provisions, tobacco, petroleum, gold and silver - the New York Times felt that three times as many spindles were required, lower tariffs, and also increased imports. The trade of New York was suffering from the heavy cost of importing and the effect of smuggling, while bonded warehouses were full of merchandise held at prices above market rates.[1]

The Economist and the Mercury disagreed with some aspects of this analysis. American manufacturers were certainly confined to (over)producing for their own glutted markets, but they could not prevail against the British in open competition. Although Protection had helped American manufacturers to succeed in their own markets, the British still retained the advantages of cheap capital and a Free Trade system.[2] Four years later, in April 1880, the New York Times returned to the theme of American markets lost to the British, instancing the wool trade. With the help of machinery bought cheaply in a period of depression, and the immigration of skilled workers, American manufacturers were competing successfully with those in Yorkshire - who were only sustained by the tariff-inflated price of imported wool.[3] The same situation might have been apparent in the iron trade in the 1880s, when American production of pig-iron doubled in the decade; but the rise and fall of British exports of iron and steel to the United States almost exactly coincided with periods of railroad

1 New York Times, 22 March 1876, p.4

2 Economist, vol.34, 16 September 1876, p.1083
Mercury, 6 September 1876, p.6

3 New York Times, 9 April 1880, p.1

building activity, for which American output of iron was insufficient.[1]

The end of the depression of the 1870s began in the United States. The Economist linked the revival to increased migration in the West and enhanced crop production, which brought in gold from Europe, and led to a renewed demand first for iron, and then for cotton, woollen and linen textiles. The New York Commercial and Financial Chronicle thought that important factors in the American recovery were the good crops of 1877 and 1878; which led to a favourable export balance; the resumption of specie payments on 1 January 1879; the liquidation of debts; and the new issue of 4% bonds. The British iron industry and its workforce benefited from the American demand for pig iron and rails; but the Courier warned against regarding the Americans as more than irregular customers, given their developing capacity for iron production in Cincinnati, New Albany, Chattanooga, Pittsburgh, etc.

The recovery on the British side of the Atlantic was delayed till the end of 1879, partly because the commercial community had been so weakened, partly because of a poor harvest, which ensured further large imports of wheat and corn from the United States and Canada to Britain and Europe, in order to keep down the price of bread.[2] According to The Times in November 1877, the prosperity of Liverpool had been little affected by the general depression, presumably because of her increased imports of articles of universal consumption. Almost one-third of the total revenues

1 Economist, vol.45, 9 April 1886, pp.457-8
vol.48, 22 February 1890, Commercial History and Review of 1889, pp.22-3, etc.

2 Courier, 18 August 1879, p.4
22 August 1879, p.4
29 August 1879, p.4

Daily Post, 2 January 1880,p.8: Annual Circular of C.W.Kellock & Co.

Economist, vol.37, 4 October 1879, p.1133
vol.38, 13 March 1880, Commercial History and Review of 1879, pp.1 & 29-30 (article reprinted from the New York Commercial and Financial Chronicle, 10 January 1880)

of the port were derived from trade with the United States.[1]

In the summer of 1880, it became clear that much of the iron sent to the United States had been ordered by speculators of unreliable means, without any particular concern for the probable requirements of the American industry. The result was a collapse in the iron and other markets, which slowed activity, but did not greatly undermine confidence on either side of the Atlantic. Similar speculation occurred in the United Kingdom in the light of an increase in commodity prices and the value of trade, but prices slipped back again in 1880. These fluctuations in commerce were, according to the Economist, aided by the rapidity of, and general facilities for, trade, as well as by the large amounts of capital now available in the United Kingdom through increased deposit banking.[2]

The trading revival in the early 1880s was short-lived. 1883 promised well, with raw materials available cheaply, the best harvest for seven years, growth in business, and the increased purchasing power of agricultural workers. Yet, profits and prices fell in all trades, an outcome which the Economist ascribed to the way in which productive capacity had outstripped population and demand; and to the depressing effect of wars and unrest.[3] The American financial depression of 1883 was particularly damaging, and led to the closure of many banks.[4] From March 1884, trade in the United States was at a low level: the cotton and wheat markets were dislocated by speculation; there was little activity in petroleum, iron and steel, and the iron trade was affected by strikes and shutdowns;

1 Times, 2 November 1877, p.6

2 Daily Post, 8 July 1880, p.5
Courier, 8 July 1880, p.4
Economist, vol.39, 12 March 1881, Commercial History and Review of 1880, pp.1 & 20

3 Ibid., vol.42, 23 February 1884, Commercial History and Review of 1883, pp.1-2

4 Brown, Shipley Mss, 20,112/10, B.S.London to B.B.New York,11 August 1883

and in New England, half the cotton mills were on short time.[1] For the *Daily Post*, the glutted corn markets, the poverty of the iron trade, the low prices and unsaleable stocks of woollen and cotton goods, etc., were simply the evil results of the gigantic American system of Protection.[2]

For the Liverpool press, a major problem in international trade was the inability of other countries, and the United States in particular, to appreciate the advantages of Free Trade. While the British threw open their markets to the whole world, the Americans had cordoned their coast with customs houses, and levied taxes on all incoming items of trade. American Protectionism meant diminishing imports of foreign manufactures, although their raw materials continued to be taken freely by Britain. The *Courier* was uneasy that Britain was receiving no reciprocal advantages from its Free Trade policy, which was not, on the whole, emulated by other nations.[3] It did not, however, advocate a return to Protectionism, which was of little benefit to the populations of those countries which followed such a policy; and, in any case, Britain was quite 'able to keep the field in an open competition'.[4] The *Daily Post* had no doubts about the folly of Protectionism. The Americans were discovering that their tariffs had failed to prevent British manufactures from under-selling their own products: 'The tariff will be modified, and will ultimately disappear; for the American people are addicted to viewing social and commercial matters in reference to the almighty dollar'. Alternatively or additionally, declining profits in the American market could divert British manufactures into the expanding markets in India, Egypt, Turkey, China and

1 *Economist*, vol.42, 28 June 1884, pp.779-80

2 *Daily Post*, 20 August 1884, p.5

3 *Courier*, 18 February 1868, p.6
4 May 1869, p.6

4 *Ibid.*, 31 August 1876, p.4

Australia, if the British government promoted trade there more effectively.[1]

The origins and rationale for Protectionism in the United States were variously interpreted in the press. The Mercury claimed that the Civil War gave an excuse to American protectionists to raise taxes to further this policy as well as raise revenue. The Mercury believed that the tariffs in existence in 1875 were actually injurious to American revenues, damaged commerce and credit, and created artificial price levels, prone to rising and falling rapidly, particularly in the fields in which government patronage was most apparent - coal, iron and textiles. Worst of all, they were a barrier to a closer relationship between American and English commerce and trade.[2] The New York Times argued that Protection was needed to give American manufacturers a counter to the advantage which British manufacturers had enjoyed through being first in the field. It was this head start which created British supremacy, not free trade.[3] When the newly arrived American Ambassador, J.L.Motley, was pressed to acknowledge the advantage of Free Trade by representatives of the Liverpool Chamber of Commerce in May 1869, he declined to respond, insisting that the fiscal policy of the United States appertained neither to ambassadors nor Liverpool merchants.[4]

The debate was revived in 1880 on the publication of a pamphlet, Protection or Free Trade for the United States of America, in which the arguments were rehearsed by former American Consul in Liverpool, Thomas H.Dudley, and a former President of the Chamber of Commerce, Charles E. Rawlins. Rawlins demonstrated (to the satisfaction of the Liverpool Mercury) that trade between the United States and some Central and South American countries was blighted by the protective duties imposed on, for

1 Daily Post, 18 May 1869, Supplement, p.1
8 September 1869, Supplement, p.1

2 Mercury, 31 May 1875, p.6

3 New York Times, 26 September 1869, p.4

4 Courier, 1 June 1869, p.6

example, Chilian copper ores, in contrast to Venezuelan coffee and hides. Furthermore, duties on imported iron and steel doubled the cost of these materials to American railroads.[1]

Examination of the consequences of Free Trade and protectionist policies was a feature of the depressed years of the 1880s. In December 1881, Congressman Morrill of Vermont claimed that Protection had helped the United States to survive the financial crisis of 1873, and pointed to the waning prosperity of Free Trade Britain, and especially to the poverty of the farmers. The Courier remained unhappy about the failure of other countries to follow the example of British Free Trade and open up their markets - as Cobden had predicted would happen. It also regretted the lack of response in the United States to arguments by the Revd. Henry Ward-Beecher that Free Trade should be pursued on moral grounds.[2] If the Conservative Courier was as interested in Fair Trade as in Free Trade, no such ambivalence applied to the Liberal Mercury and Daily Post. The latter blamed unsaleable stocks of corn and textiles, poverty in the iron industry, and low prices, in the United States, all on the American system of Protection.[3] Similarly, the Mercury ascribed a decrease in the volume of Canadian trade to the recent adoption of protectionist policies.[4]

The Liverpool Mercury painted a gloomy picture of the state of commerce in Britain at the end of 1884. It was characterised by excessive supplies, arrested activity and depreciated value - prices were generally at a lower level than at any other time in the century. Foreign imports had prevented the agricultural community from gaining profit from a good harvest. The lack of ship-building had produced an idle and distressed workforce on the Mersey, the Clyde, the Tyne, and the Wear. The situation was

1 Mercury, 29 April 1880, p.6

2 Courier, 28 December 1881, p.4

3 Daily Post, 20 August 1884, p.5

4 Mercury, 17 February 1885, p.5

blamed by the Mercury on over-production and accumulated stocks of commodities; on the advances in the speed of conveyance by rail and sea, and of communication by telegraph; on the development of new and more abundant sources of supply; and on the increased competition facilitated by the extensive formation of joint stock companies.[1] The effects on business stability in Liverpool in 1884 may have been less acute than in 1883. The Courier reported the failures of 32 wholesalers, 5 cotton and colonial brokers and no sugar refiners in 1884; compared with 59 wholesalers, 11 brokers and 1 sugar refiner in 1883.[2]

From 1885-6, the Royal Commission on the Depression of Trade and Industry sought information from chambers of commerce and trade associations on the state of their local trade and industry in the period 1880-85 compared with the two previous quinquennia. Advice was also received from embassies and consulates overseas where the British usually traded. The Liverpool Chamber of Commerce and its associated bodies agreed that 1870-75 had been a time of buoyant trade, whereas 1880-85 had witnessed commercial contraction and declining prices and profits (except in the iron trade from 1879-80). Improved facilities for direct shipment to various parts of the world had partially reduced the large cotton re-export trade of Liverpool, while cotton, oil seeds, etc., were now sent from India direct to continental ports via the Suez Canal. Low prices had been exacerbated by over-production in an attempt to maximise small profits. To avoid losses, produce importers reduced their operations, and this in turn led to an over-supply of shipping. The East India and China Trade Section drew attention to the role of the demonetisation of silver, and the abandonment of a fixed ratio between gold and silver, in disorganising trade in English goods to India, when shippers were uncertain of

1 Mercury, 31 December 1884, p.6

2 Courier, 2 January 1885, p.4

their return in gold for goods sold in India for silver. The Section also emphasised the way in which the telegraph facilitated large, commercial banking operations with the minimum of coin, thereby enhancing competition. The General Brokers Association complained of agricultural depression since 1879, which reduced the demand for foreign manures and feeds; and of the prohibitive tariffs and foreign competition which had led to a decline in the export trade.[1]

The response of the American Chamber of Commerce presented a more balanced picture of the state of the American trade. On the whole, importers had prospered, even if exports had suffered from depressed conditions in the United States, which had checked railroad and agricultural expansion. Capital was freely available at low rates, and the amount employed in the trade between Liverpool and the United States had steadily grown since the Civil War, and was, in 1885, as large as it had ever been. Nevertheless, prices, freight rates and emigration had all fallen, producing losses in 1884-5, although 'previous profits must have been large and above the average, as failures of importance have been few'. The tendency of the age was to draw producer and consumer closer together, 'whilst the middleman or distributor is every year more and more dispensed with'. The reduction in prices and costs, and the greater speed with which produce and manufactures could be brought more rapidly to consumers, were advantages for the population. The American Chamber would welcome a reduction in American tariffs for the sake of exports, but wanted any depression left to cure itself.[2]

The British Embassy in Washington noted the signs of depression in the United States: a severe decline in the construction of railroads,

1 Parliamentary Papers, 1886, XXI, C4621, Royal Commission on the Depression of Trade and Industry, 1st Report, p.73: Circular and Questionnaire; pp.91-6: Responses

2 Ibid., C4715, Royal Commission on the Depression of Trade and Industry, 2nd Report, p.389

factories and other works; reductions in the manufacture of cottons, india-rubber, gunny-bagging, iron and steel, and also sugar refining; and the consequent, lowering effects on employment and wage rates.[1] From the consular reports from American ports, it was apparent that British trade at New York was in decline between 1880 and 1884: British imports fell from 29% to 23% of the total, and exports from 52% to 48% of a reducing total (17% down between 1880 and 1884). The Southern East Coast ports often shipped goods coastwise to and from New York because of their own inadequate facilities for steam vessels of the deepest draft - to the disadvantage of British traders. Mobile had been in a depressed state since 1880, and the discovery of large mineral salt deposits there greatly undermined the import of salt from Liverpool. In both Galveston and New Orleans, British importers of manufactured goods (especially metals) had failed to meet the requirements of the local markets and consumers, and were losing trade to the French and Germans. Only in Boston and San Francisco was trade generally, and British trade in particular, flourishing. At San Francisco, there was considerable foreign competition for British shippers in the grain trade, but a large demand for imports of iron, tin-plates, chemicals and coal.[2]

In its Final Report, the Royal Commission noted the following contributory factors to the depression in trade:

(a) over-production;
(b) protectionist policies in foreign countries;
(c) increased employment of capital through limited liability acts;
(d) faster communication between producer and consumer, and more direct and rapid distribution of goods;

1 Parliamentary Papers, 1886, XXII, C4715, Royal Commission on the Depression of Trade and Industry, 2nd Report, p.372

2 Ibid., XXII, C4715, 2nd Report, pp.379-81, 384, 386, 407-8, 411-12, 418

cf. discussion on British as salesmen and entrepreneurs in D.N.McCloskey and L.G.Sandberg, From Damnation to Redemption: Judgments on the Late Victorian Entrepreneur, Explorations in Economic History, IX, 1971, pp. 90-108

(e) falling prices, which have depressed enterprise;
(f) reduced demand, and more competition (especially from Germany), for British goods;
(g) deteriorating workmanship;
(h) variable demand in the United States and elsewhere for railway materials;
(i) the introduction of steel, leading to economy in materials;
(j) excessive production of shipping in 1882-3.[1]

The Daily Post felt that there was little original or not known in the Report, and that it confirmed the Free Trade position. It favoured mention of the effects of wars, bad harvests, the decline in the value of the produce of the soil, and the fall in the interest on invested capital.[2] The New York Times considered that the Report 'may be safely dismissed as not likely to lead at present, if ever, to any serious action', but treated it in the context of the general study by the governments of the great commercial nations of the extent, character and causes of the trade depression of the years 1884-6. Universally felt was the fall in prices, which led to a decrease in the relative amount of exchanges; but more locally experienced and emphasised were the collapse in profits (Britain), and the fall in wage rates (France and Belgium). The New York Times concluded that the prime cause was the waste and destruction involved in the European wars of the previous 20 years, acting first as a stimulant and then a depressant to trade. In their aftermath, countries like France, Germany and Russia established protective tariffs, subsidies and public works, which brought financial benefits to comparatively few. The New York Times noted the extension of world food production in the United States, Canada, Australia and India, which had brought lower prices, and depressed farming in England and Europe.[3]

1 Parliamentary Papers, 1886, XXIII, C4893, Royal Commission on the Depression of Trade and Industry, Final Report, pp.xvii-xxiii

2 Daily Post, 4 December 1886, p.5

3 New York Times, 18 January 1887, p.4
1 February 1887, p.4

In June 1887, the Mercury discussed an article by Professor Laughlin of Harvard University, published in the American Quarterly Journal of Economics, on the relationship between declining prices and the gold supply. Laughlin rejected the arguments of the bi-metallic school which connected the fall in prices with the diminution in the availability of gold, and its consequent increase in purchasing power. The alternative explanation involved improved processes of production, leading to greater output; economies in the cost of distribution, such as the 60% reduction in freight rates in the United States, and across the Atlantic since 1873; the greater availability of credit and banking facilities (for example, cheques) so that gold was involved in less than 1% of all bank payments; and the reduction in the activities of middlemen, when producers and consumers could be linked by the telegraph. The Mercury agreed with Laughlin that the decline in prices, and, by extension, the depression in trade, was attributable to the commercial revolution of the previous 15 years, i.e., since 1873.[1]

Despite the depression, the trends in the 1880s had involved increasing sales of goods abroad as well as declining values. This pattern was continued when a revival of trade became apparent in Britain in the second half of 1886: over the year, the value of imports was 5.7% down on 1885, and the value of exports virtually unchanged; but this was due to lower prices, since the volume of imports was almost static, and of exports 5.33% in advance of 1885. Once again, the increased demand for iron and textiles in the United States contributed to the improvement in British commercial activity, bringing in an extra £4.8 millions in export earnings. Larger receipts (by £3 millions) were also gained in the Indian trade. After reduced building and the usual losses, tonnage in the carrying trade

1 Mercury, 1 June 1887, p.5
31 December 1887, pp.4-5

now matched the requirements, and freights were more remunerative.[1]

Commerce grew slowly in 1887, and more steadily in 1888, justifying an expansion in shipbuilding. Notwithstanding speculations in cotton and copper, and the problems of the Eastern Question and the Balkans, trade grew as apprehensions of war receded, and the American 'boom' continued. The increase in the value of imports, and of exports of home production, was:

1887 -	imports	increased	3.4%;	exports	increased	4.2%
1888 -	"	"	6.7%;	"	"	5.1%
1889 -	"	"	11.1%;	"	"	6.0%

[2]

This expansion was, however, checked in 1890 by the Argentine financial crisis, and the collapse of Baring Brothers in November.[3]

In the period 1875-84, Britain received five-eighths of American exports of wheat, just over half of her exports of flour, and nearly three-quarters of her exports of corn. British exports to New York (which admitted 70% of all American imports in the early 1880s) declined from around 50% of the total value in the late 1860s to less than a quarter of the total in 1884.[4] The tariff on cotton cloth made all but the finer cloths unsaleable, till the McKinley reduction in 1890 restored the American market for British cotton yarn.[5] By 1885, the prospects for American

1 Daily Post, 1 January 1887, p.4

Economist, vol.45, 19 February 1887, Commercial History and Review of 1886, pp.1-3

2 Ibid., vol.46, 18 February 1888, Commercial History & Review of 1887, p.1
vol.47, 16 February 1889, Commercial History & Review of 1888, pp.1-2
vol.48, 22 February 1890, Commercial History & Review of 1889, pp.1-2

Mercury, 18 January 1889, p.5

3 Economist, vol.49, 21 February 1891, Commercial History and Review of 1890, p.1

4 Parliamentary Papers, 1886, XXII, C4715, Royal Commission on the Depression of Trade and Industry, 2nd Report, pp.384, 386

5 L.G.Sandberg, Lancashire in Decline; a Study in Entrepreneurship, Technology and International Trade, Columbus, Ohio, 1974, pp.146-8, 151-3

trade seemed, to the Daily Post, to be less promising than those in other areas, such as Egypt, the Far East (China and India) - the most rapidly growing trading region - and Australia. The Daily Post concluded that it was easy to exaggerate the importance of American trade to Britain and (with something of a volte-face) Liverpool.[1] Nevertheless, as the Economist had pointed out earlier, the financial ramifications of Anglo-American trade were considerable, and involved, for example, imports to the United States, which did not come via Britain, but which were finally settled by drafts on London; freights from the British carrying trade; and interest from American borrowing. The earnings from these business services often offset the mercantile trading deficit.[2]

During the 1870s, there was a substantial rise in the negative balance in the value of British trade from a low figure of £40 millions in 1872 to a peak of £142 millions in 1877. The value of imports increased from £331 millions in 1871 to £411 millions in 1880, whereas the trend in the value of exports was downwards, from £314 millions in 1872 to £248 millions in 1879. Thereafter, exports of manufactured goods played a larger role in market gains, although they were increasingly sent to non-protected overseas markets within the Empire, instead of the United States and countries in Western Europe. In contrast, the value of imports into the United States declined in the 1870s, while exports almost doubled in value from £98 millions to £174 millions. Nevertheless, between 1865 and 1890, only in the years 1876-9 and 1883 was the United Kingdom trade deficit worse than the overall average for the period 1842-1913. Furthermore, this trading performance has to be seen in the context of declining commo-

1 Daily Post, 2 September 1885, p.4

2 Economist, 25 November 1882, vol.40, pp.1456-7

A.H.Imlah, Economic Elements in the Pax Britannica: Studies in British Foreign Trade in the Nineteenth Century, New York, 1969, p.55

Saul, Studies in British Overseas Trade, pp.47-8 dity prices in the later nineteenth century; and of the enormous growth in world trade, which increased in value by 400% and more between 1840 and 1872, and by nearly 1400% between 1873 and 1913. In general, the United Kingdom retained its proportion of a vastly expanded world trade.[1]

In the case of Liverpool, trade continued to increase in the second half of the nineteenth century: between 1850 and 1913, imports trebled in volume and value, while exports rose four-fold in value, and nearly five-fold in volume. The American trade sustained much of this growth, supplying imports of cotton, grain, sugar, tobacco, copper, etc., and absorbing exports of textiles, iron and steel, and heavy engineering and railway equipment.[2] In the next two chapters, there will be an examination of some of the major components of the American trade of the port.

1 Economist, vol.40, 4 March 1882, p.251
A.H.Imlah, Economic Elements in the Pax Britannica, pp.17, 45, 72-3, 112
S.B.Saul, Studies in British Overseas Trade, pp.17, 20-1, 47-8, 95-108
D.C.M.Platt, Latin America and British Trade, 1806-1914, London, 1972, pp.103-4, 309

2 J.K.Walton, Lancashire: a Social History, 1558-1939, Manchester, 1987, p.210

CHAPTER THREE

The Liverpool Cotton Trade, 1865-90

(i) The Re-establishment of the American Supply

Trade in Liverpool was usually dominated by the fortunes of the cotton market, and imports of American cotton were as important to the continued prosperity of the commercial community there as to the Lancashire cotton industry. In the period 1865-90, the trade experienced first a major interruption of several years' duration in the normal supply of American cotton; and later the effects of alternative ways of conducting business, which gave opportunities to a wider range of operators to exploit and control the market.

The decade immediately preceding the American Civil War witnessed a notable increase in the size of the cotton crop raised in the South. From an average of rather more than 2 million bales per annum in the 1840s, the output rose to over 3 million bales during the 1850s. The average figure for the last three years was just short of 4,215,000 bales, boosted by the record crop of 1859, which reached a total which was 21% higher than the previous best harvest. With such an abundant supply from the United States of good quality, long staple cotton at a price which had rarely moved outside the range of 4d to 7d per lb since 1826, the Lancashire cotton industry preferred this source to all others available in Latin America, the Far East and the Mediterranean. For the first time in 1860, consumption in the industry reached one billion lbs, and five-sixths of this amount came from the American South, ensuring reliable business for the importers, and keeping the mills in full work for six days per week.

The shortfall in supply occasioned by the American War was felt from 1862, in view of the heavy crops of 1859 and 1860, some of which were held for sale and export in 1861 and after. The total imports to Britain in 1861 were 1,260,325,900 lbs, which represented some 12% less than 1860, but 5% more than 1859. For the remainder of the War period, the weight of cotton imported was:

1862 - 535,001,500 lbs
1863 - 682,816,500 lbs
1864 - 901,850,000 lbs
1865 - 952,727,070 lbs (when American supply was restored)[1]

By the end of the War, in terms of value, India was producing 50% of the cotton which was reaching Britain, Egypt 18%, Brazil 6%, China 8%, and Turkey 2%, while the remaining 16% was shared between a number of sources, including the United States and the Confederacy. These changes clearly reflect the results of the policy to develop alternative sources of supply, compared with those available in 1860, which was forced on importers. The Liverpool Mercury thought that the experience of the American War was likely to free Britain permanently from dependence on one source of cotton supply.[2] Although the overall weight of the import ended the War some 25% down on what it had been at the start, its value had more than doubled.[3] Price levels climbed steadily in the Liverpool market from 1861 to reach a peak of 31¾d per lb in July 1864 - which was considered to be 400% above the 'normal' rate for American cotton. Scarcity also forced up the rates for cotton from other sources, Indian and others usually being quoted at a few pence less than American.[4]

The continuation of the War inevitably increased the tensions inherent in the situation as importers and consumers sought alternative supplies of the raw material, and manufacturers looked for other outlets for their products which were hard to move at the prevailing prices. By Spring 1864, the last of the stocks of pre-War cotton fabrics were used up, which

1 Ellison, Cotton Trade of Great Britain, Table No.1
Daily Post, 1 January 1866, Supplement, p.2: Annual Circular of Maurice Williams
19 February 1866, Supplement, p.1

2 Mercury, 8 December 1865, p.6

3 Daily Post, 13 March 1865, Supplement, p.1: Letter from cotton broker

4 Ibid., 1 January 1866, Supplement, p.2: Annual Trade Circular of Melladew & Clarke

caused a further price rise which reduced supply did nothing to relieve.[1] Experiments in cotton-growing round the world - in Austria, Venice, the coastal region of Brazil, the island of Reunion, Salvador, Turkey, etc., met with mixed success. Nevertheless, the Courier argued that

> '...England can never again be dependent on one market for a supply of the raw material for her cotton factories. The Americans have continued the war too long, for they have given time to other nations to supplant them in the market. When the crop of 1865 is gathered in from so many different regions, it will be sufficient to lower the price of cotton very sensibly'.[2]

The optimism of the Mercury and the Courier was not shared in the trade, in which expectations of replacing the traditional supply from the United States were now recognised as ill-founded: India, on which many hopes had been pinned, had failed to provide more than about one million bales in a season (equivalent to perhaps 800,000 bales of American), although China, Egypt and Brazil particularly had consistently raised their output.[3] An added disappointment was the poor quality of the Indian staple, which required more labour and newer machinery to handle it.[4] In the opinion of the Liverpool Daily Post, the re-establishment of a regular supply of American cotton would soon lead to the abandonment of the use of Indian. The leader writer thought that much of the blame for the economic situation in the industry could be laid at the door of the mercantile community of Manchester.

> 'Our neighbours, with good intention, but bad policy, taught the Slave States to regard cotton as king. Agriculture in India was to be stimulated, in order that cotton enough for consumption might be produced, so that American planters might be put aside with impunity....What do people in Liverpool say? They either say or think that the war in America has been a curse to the whole world, and that many fear we have not yet reached the worst of the evil Manchester mistakes have provided for us.'[5]

1 Daily Post, 2 January 1865, p.7: Annual Circular of J & D Malcolmson

2 Courier, 15 April 1865, p.6

3 Daily Post, 2 January 1865, p.7: Annual Circular of Smith, Edwards & Co.

4 D.A. Farnie, The English Cotton Industry and the World Market, 1815-96, Oxford, 1979, pp. 150-2

5 Daily Post, 1 February 1865, Supplement, p.1

Trade in cotton in 1864 was marked by large imports and considerable speculation in cotton to arrive and for forward delivery, till September, when rumours of peace in the United States resulted in a price collapse and the consequent ruin of many operators.[1] Prices declined further in December, on the discovery of 113,000 bales in the Liverpool stock-taking over and above the estimates published earlier by the Cotton Brokers Association.[2] Continued speculation about the impending end to the War reinforced the downward trend in prices at the beginning of 1865, so that holders found themselves with stocks worth much less than the inflated prices which they had paid for them.[3] Although spinners began to take advantage of the lower market prices, particularly as the shortage of cotton and cotton goods in Europe was acute, the decline went on in the wake of heavy arrivals from the Far East, and the collapse of Southern resistance in April.[4] The visible supply was over one million bales, of which the stocks in Liverpool accounted for 606,000 bales, or double what they had been at the same time in 1864. Prices dropped 50% in the first quarter of 1865, and 'the succession of disappointed hopes and gigantic losses' left all holders wishing to get out of the staple. The prospect of peace in the American War was viewed as another potential disaster.[5] At this point, the critical questions were how much cotton would be discovered stored in the South, which, along with the modest harvest of 1864, might be made available for export to Europe in 1865; and would the resultant supply be such as to lead to further losses in the market.

1 Courier, 7 January 1865, p.8: Annual Circular of T. & H. Littledale
Economist, vol.23, 11 March 1865, Commercial History and Review of 1864, pp.20-22

2 Daily Post, 1 January 1866, Supplement, p.2: Annual Circular of J. & D. Malcolmson

3 Brown, Shipley Mss, 20,112/2
B.S.Liverpool to Collet, 5 January 1865
Hamilton to Collet, 8 March 1865

4 Baring Bros Mss, 18,321/24, B.B.Liverpool to B.B.London, 4 March 1865
Daily Post, 1 January 1866, Supplement, p.2: Annual Circular of Smith, Edwards & Co.

5 Courier, 12 April 1865, p.6

The columns of the Liverpool press, and indeed newspapers in other centres on both sides of the Atlantic, were frequently to be found carrying reports, articles and letters speculating on the amount of cotton which had survived the War in good condition; the size of the crop which would be raised in the South in 1865; and how much of their own production the Americans would wish to retain for their own consumption (often assumed to be between 750,000 and 850,000 bales). Estimates of how much would be available for export varied between 2 and 3 million bales, the figure being regularly revised according to the rate at which stocks were conveyed to the East coast ports for shipment.[1] A letter to John Bright, M.P. from an English agent of a Boston House, who had visited Texas and Louisiana, provided a fairly accurate forecast of the course of the trade during 1865: assuming an estimate of 2½ million bales or more available in the South, there would be a temporary fall in the price of American cotton, and losses for cotton interests; but, despite the check to cotton cultivation in the South, the American monopoly would be restored.[2] The Courier favoured the less optimistic assessment of usable cotton in the South, provided by French official sources, adding with somewhat misplaced confidence:

> 'To us it is really of small importance whether the stock be large or small, for it cannot be sold at a price calculated to affect our market permanently.'[3]

As the year progressed, estimates of American cotton stocks were revised downwards, and doubts cast on the capacity of the South to raise and move a crop of any size, given its decrepit condition, its un-navigable rivers and shattered railroads, and its lack of reliable labour.[4] On the other

1 New York Times, 2 June 1865, p.4
Economist, vol.23, 15 April 1865, pp. 429-30
Daily Post, passim
Mercury, 16 November 1865, p.6

2 Daily Post, 25 April 1865, Supplement, p.1

3 Courier, 4 May 1865, p.6

4 Daily Post, 4 December 1865, Supplement, p.1

hand, T. and H. Littledale and Company expressed, in their Annual Circular for January 1866, 'great faith in the magic of high prices to resuscitate and develop quickly the agricultural riches of the South'.[1]

Most commentators concluded that the cotton trade was bound to return to its pre-War vigour given the opportunities which lay before it in a world starved of adequate supplies of the raw material, and of cotton goods produced at an acceptable price. It was recognised that, in the immediate post-War period, there would be difficulties, perhaps protracted, over labour in the American South and in Lancashire, as well as a need for prices to return to a 'normal' level in order to attract spinners and to enable the industry to produce competitive goods for popular, international markets. The Economist did not anticipate a further collapse in prices which had already declined so much: the stocks for two years which had been accumulated in 1861 had now been sold, and the world was 'short of clothes'. Trade in cotton goods should therefore be sound, although not in the United States, where the market in the North was undermined by the tariff, indebtedness and the misuse of its currency, while the South was disorganised and in line for a social revolution. Nevertheless, there was confidence that the United States would again supply the quantity and quality of cotton at a price with which few countries could compete, thereby putting a check on supplies from some other sources, at the current anomalous prices.[2] The prediction was partially realised by November 1865, when China and Japan had ceased exports of cotton, and were themselves importing from Madras and Bengal.[3]

Similar confidence in American productive capacity was shown by the New

1 Daily Post, 8 January 1866, Supplement, p.2: Annual Circular of T. & H. Littledale & Co.

2 Economist, vol.23, 15 April 1865, pp.429-30
22 April 1865, p.462

c.f. Daily Post, 8 September, 1869, p.1

3 Economist, vol.23, 18 November 1865, pp.1396-7

York Times, when reporting the resumption of cotton shipments, in June 1865, from New York and other Northern ports; and the heavy receipts in Southern ports - Charleston, Savannah, Mobile, New Orleans and Galveston. Despite the high freight rates prevailing, the experience of the previous four years had proved that:

> 'No cotton from any other part of the globe, even if it could be had by (Liverpool) in sufficient abundance, can take the place of the American article...'[1]

For the cotton trade, the year 1865 fell into two distinct periods: till the Summer, prices tended to be depressed as importers contemplated potential supplies from the United States to be added to those arriving in good quantity from the East. Furthermore, there seemed to be no need for alarm following the assassination of Lincoln, nor over the possibility of conflict between Britain and the United States. From a low point of 12½d per lb on the fall of Richmond, American cotton recovered in the Summer to reach more than 21d in December, after briefly touching 25d in October. The explanation for the change in the market in the second half of 1865 is that the spinners returned to buy in quantity, fearing the future capacity in the United States, and realising that India was failing to provide the expected increase in supply. Purchases in the Liverpool market ran at a record level in September, and only fell back as larger receipts began to reach the American East coast ports.[2]

The renewed buying by spinners meant that mills could return to something like full work on the continent of Europe, although in Britain little more than four days of production per week was achieved. New mills were opening, and closed mills were re-opening, but shortage of labour prevented them from going into full production.[3] The Daily Post recommended the

1 New York Times, 28 June 1865, p.4

2 Daily Post, 1 January 1866, Supplement, p.2: Annual Circulars of Maurice Williams; Smith,Edwards & Co.; Melladew & Clarke; J & D Malcolmson
8 January 1866, Supplement, p.2: Annual Circular of T. & H. Littledale

3 Baring Bros Mss, 18,321/24, B.B.Liverpool to B.B.London, 8 June 1865
B.B.Liverpool to Ward, Boston, 16 June 1865

employment once again of pauper youth, as had happened in 1859 and 1860, since the world demand for cotton goods was so high, and likely to remain so for many years. European consumption was thought to be running at 75,000 bales per week, of which Lancashire required 45,000. Despite large cotton arrivals in Liverpool, and similarly substantial movements of cotton in the United States, during the first half of 1866, the Daily Post felt no anxiety over the possibility of a sudden collapse in prices. Such was the demand for cotton manufacturers, spinners and weavers in Manchester had extensive orders for future delivery over several months and at good prices.[1] The end of the Civil War had found the United States bare of cotton goods, with American manufacturers unable to satisfy the demand. Consequently, British exporters pushed their business to its limits, shipping a vast quantity of British manufactures to New York in the last six months of 1865, to take advantage of the empty markets and the high prices caused by the inflated currency. Between July and December, exports from Liverpool were four times as great as they had been in the same period in the previous year. Since most of the business was done for American rather than British account, the profits largely remained in the United States; shippers, on the other hand, made unprecedented gains.[2]

The continued European willingness to pay inflated prices for American cotton meant that it was once more King, or better:[3] American was now being generally used in preference to Indian, at least in Lancashire.[4] Thus, in the first five months of 1866, with greatly increased imports, the proportion of American received was 48%, and of Indian 30%; whereas,

1 Baring Bros Mss, 18,321/24, B.B.Liverpool to B.B.London, 27 January 1866
Daily Post, 19 February 1866, Supplement, p.1

2 Times, 9 January 1866, p.6
10 January 1866, p.12: letter to Editor

3 Daily Post, 8 May 1866, Supplement, p.1

4 Baring Bros Mss, 18,321/24, B.B.Liverpool to B.B.London, 7 February, 24 April 1866

in the same period of 1864 and 1865, the proportion of American in each year was 2%, and of Indian 43% and 30% respectively.[1] By the Autumn of 1866, all the mills in Lancashire which had not lost part of their labour force to emigration, migration to adjacent counties, or change of employment - usually domestic service for women and children, and construction work for men - were in full work, although some mills adopted short time working during the financial crisis in the summer.[2] The revival of cotton manufacturing meant that consumption was the largest since 1860, and the total import, bolstered by a large Indian supply of 1,866,603 bales, larger than any previous year.[3]

Despite the vigour of the cotton industry, the confidence of the Daily Post in February was shown to be without foundation in the spring of 1866. As imports continued to reach Liverpool in considerable quantities, and reports became current of large stocks in the American ports, and of a heavy crop in India, cotton prices sank steadily, and failures occurred in May. This situation contributed to the stoppage of Barned's Bank in Liverpool, but was secondary to the financial crisis in London, involving the failure of Overend, Gurney and Company. With Bank Rate raised from 6 to 10% for three months, and the temporary suspension of the Bank Charter Act, cotton prices remained depressed for the summer, and there was some short-time working at the mills.[4] In Liverpool, importers and speculators lost heavily, partly due to over-trading, but also to an unexpected increase in cotton stocks and the corresponding fall in their value. Most of the failures which occurred in Liverpool during the summer were of houses directly involved in importing cotton, which had simply lost money on their transactions. Others had financial interests

1 Daily Post, 30 July 1866, p.5

2 Economist, vol.24, 6 October 1866, p.1163

3 Mercury, 31 December 1866, p.6

4 Daily Post, 1 January 1867, Supplement, p.2: Annual Circulars of Melladew and Clarke; Cowie, MacIver & Co.

in the activities of these importers, or had been associated with Barned's Bank. Any spinners who failed, such as Josiah Butterworth and Sons of Rochdale, did so as a result of their dealings in the market rather than any manufacturing difficulties.[1] Spinners and merchants felt that they had been deceived as to the true supply of cotton to the market, particularly towards the end of 1865. Henceforth, they were more cautious over committing themselves to purchases, and spinners usually preferred to buy for their immediate needs, rather than accumulating a large stock for consumption over several weeks.[2]

According to the Economist, the effects of the almost uninterrupted decline in cotton values went back on speculators in 1865, merchants in 1866, and producers in 1867.[3] Renewed losses were sustained by the commercial community, which was already impoverished from the unprofitable cotton dealings of the two previous years. Selling in a declining market was induced by larger than expected cotton imports from the United States, and the fears of a war on the Continent of Europe, although buyers were limiting their purchases to their immediate needs. The fall of several leading cotton houses - notably Fraser, Trenholm and Company, W.C.Watts and Company and James Hewitt and Company - brought further bankrupt stocks into the market. The Liverpool Agent of the Bank of England did not consider the failure of these Anglo-American houses to be an unqualified disaster, since 'The atmosphere will be clearer for old steady houses and few risks incurred. Is not this as it should be (?)'.[4]

At the end of 1867, a further depreciation in cotton values occurred

1 Baring Bros Mss, 18,321/24, B.B.Liverpool to B.B.London, 9,17,28 May, etc. 1866

2 Daily Post, 1 January 1867, Supplement, p.2: Annual Circular of Melladew and Clarke
28 November 1867, Supplement, p.1

3 Economist, vol.26, 14 March 1868, Commercial History and Review of 1867, pp.4-5

4 Bank of England, Liverpool Letter Books, vol.19, W.Fletcher to R.A.Marsden, 16 September 1867, p.161

when early receipts of the 1867 American crop at the East Coast ports were pressed for sale 'to arrive' at below ruling prices. Exporters of manufactured goods also suffered losses: telegraphic advice depressed Indian and South American markets in advance of the arrival of the goods, while production was outstripping demand. Manufacturers incurred further losses by shipping goods to India and the Far East on their own account, in an attempt to make additional sales. At home, while the high cost of breadstuffs was absorbing so much of their income, workers abandoned cotton clothing for woollen and other fabrics. In their Annual Circular, Smith, Edwards and Company concluded that the pre-War opulence of spinners and manufacturers had now gone, although the relatively small number of failures in Manchester (unlike Liverpool, London or Bombay , where 19 out of 27 banks succumbed) suggested that business there might be based on sounder principles.[1]

In fact, the difficulties of the cotton trade in Lancashire were reflected worldwide. With prices of raw cotton so depressed, growers in the Southern United States found little encouragement to expand their production. Profits were restricted by the high cost of their labour, and the cotton tax, which reduced the return to well below the pre-War level, when the market price was lower than the prevailing rate in 1867. The problems in raising the crop of 1867 had led to the ruin of many old planters. The production of breadstuffs seemed a better option (as it did to many growers in India and Egypt), since it would reduce Southern dependence on the West for grain. The New York Commercial Chronicle

1 Daily Post, 1 January 1868, p.7: Annual Circular of Smith, Edwards &Co.
9 January 1868, p.7: Annual Circular of T.& H. Littledale

Baring Bros Mss, 18,321/25, B.B.Liverpool to B.B.London, 8,21 May, 25 September 1867

Courier, 1 January 1868, p.8: Annual Circulars of Melladew & Clarke; Smith, Edwards & Co.

Economist, vol.26, 14 March 1868, Commercial History and Review of 1867, pp.4-5

reminded its readers that the future value of American cotton must depend on the course of the British goods market.[1]

American producers could feel justifiably alarmed, since the British market had become glutted at times in 1867 chiefly with non-American cotton. With an increase in spinning machinery, the mills had registered the most productive working week (5¼ days) since the end of the War, and, by the end of the year, consumption was 7¾% greater overall than at the same time in 1866. Nevertheless, the fall in the price of cotton averaged 5/8d per lb per month.[2] By September, in reporting the collapse of three of the largest importers - Fraser, Trenholm and Company, James Hewitt and Company, and W.C.Watts and Company - Barings noted that prices had nearly reached pre-War levels.[3] At the end of the year, and into 1868, Manchester spinners and manufacturers were persuaded to contract for shipments of American cotton to arrive up to two or three months ahead, at a price below 8d per lb.[4]

Certain aspects of the revival of the cotton trade could be attributed to the activities of the Cotton Supply Association, which had been formed in 1857, at a time of unease over the course of political events in the United States. The aim was to facilitate the growing of cotton more widely, and particularly in India, through government and East India Company promotion.[5] By 1867, 95 countries in the world were trying to grow cotton,

1 Daily Post, 6 May 1867, p.7: quoting New York Commercial Chronicle
1 January 1868, p.7: Annual Circular of Smith, Edwards & Co.
11 May 1868, p.7: Extract from M. Williams' Seven Years' History of the Cotton Trade of Europe

2 Ibid., 1 January 1868, p.7: Annual Circular of Melladew & Clarke
12 August 1868, p.5: Cotton Supply Association Meeting
18 January 1869, p.7: Annual Circular of Ellison & Heywood

3 Baring Bros. Mss., 18,321/25, B.B.Liverpool to B.B.London, 25 September 1867

4 Ibid., B.B.Liverpool to B.B.London, 17 January, 7 February 1868

5 A.W.Silver, Manchester Men and Indian Cotton, 1845-72, Manchester, 1966, pp.85-7

including most of the foreign dependencies of Britain. In 1860, the amounts of supply were in the proportion of 7 from the United States to 4 from the rest of the world; but, in 1866, the figures were exactly reversed.[1] The achievement of the Cotton Supply Association was, in the opinion of the Liverpool Mercury, to stimulate production in countries where cotton was already grown, e.g., Egypt, Turkey, Brazil, and most of all, India, rather than establishing new sources of supply. The chief reason for the success was the vastly increased price which cotton commanded as a result of the interference with American production, which seemed to vindicate the attitude of the Liverpool commercial community in the late 1850s that additional supply would be forthcoming if the price were appropriate. Although the Cotton Supply Association met with little enthusiasm in Liverpool (or in Manchester) before the Civil War, the Mercury felt that the boost to Indian production through capital investment and the extension of the railways had been the salvation of English cotton manufacturers.[2]

At the end of the American War, representations were made to the government by the Association to safeguard the Indian supply in the Liverpool market (and also the revenues of the Indian government) in the face of American competition. The result was a renewed emphasis on public works in India, and experiments to improve quality, such as the use of strains with a longer staple.[3] The perceived problem of over-supply did not, in fact, occur, the decline in prices providing a regulatory mechanism for some areas of production. Although consumption increased in 1868 by 4 3/8% in Britain compared with 1867, this was still 4¾% down on 1860. The 10% extra spindles in operation (over 1860) required an additional 25%

1 Courier, 22 July 1867, p.6

2 A.W.Silver, Manchester Men and Indian Cotton, pp.85-6
Mercury, 3 September 1867, p.6

3 A.W.Silver, Manchester Men and Indian Cotton, pp.226-7, 232

of cotton for full working; and, given the increased price of the raw material, and larger amount of fixed capital employed in the trade, output needed to be higher - notwithstanding the record exports of cotton goods (especially to India and China) and yarn (to Europe) in 1868. With mills only working an average of about $4\frac{1}{2}$ days out of 6 per week, it was clear that the industry was operating below its capacity. Therefore, the question of supply, and the price at which cotton could be obtained, remained continual problems for spinners and manufacturers, even in what might otherwise have been considered a successful year for manufacturing as well as for importers. For the Economist, any improvement would depend on the availability of cheaper and more plentiful cotton, and an increased world demand for cotton manufactures.[1]

Anxiety over declining stocks of cotton in Manchester was fuelled by the knowledge that a larger proportion of the supply to Europe went direct to the Continent; and that American spinners were now claiming almost as much of their own crop as the British industry.[2] Manufacturers in Lancashire had to acknowledge competition from the cheaper production in Belgium and Holland; and the tariff barriers imposed in the United States to foster the local cotton industry, which had reduced imports of cotton manufactures in 1868 compared with 1867 by nearly one third. These factors, combined with the high price of the raw material and the larger capital investment, all tended to reduce the margins which could be achieved by the British industry.[3]

The view of the Cotton Supply Association was that the Southern States of the Union would not be able to resume the production of cotton on the

1 Daily Post, 1 January 1869, Supplement, p.1
18 January 1869, p.7: Annual Circular of Ellison & Heywood
Economist, vol.27, 20 February 1869, pp.201-2

2 Baring Bros Mss, 18,321/25, B.B.Liverpool to B.B.London, 1 September, 16, 21 December 1868

3 Courier, 1 January 1869, p.3: Annual Circular of Melladew & Clarke

scale of the years immediately preceding the Civil War. The key to the future supply lay in India, which would also be a major market for cotton goods, if the British government would foster its resources, and remove obstacles to free trade.[1] The Daily Post queried this optimistic scenario, pointing out in October 1868 that Indian cotton was deficient in quality, that it could not be moved easily because of the lack of railway communication with the cotton fields, and that it was cheaper to import from New Orleans than from Bombay. The claim that manufactured goods would find a more ready market in the United States than in the Far East seemed to ignore the realities of American tariffs and manufactures.[2]

A meeting of spinners and manufacturers in Manchester Town Hall on 22 December 1868 concluded that profitable trade was impossible so long as cotton remained at a price of 11-12d per lb. The trade could not wait for the promised doubling of the American crop, but would have to cut production through further short time working. Spinners were urged to buy only for their immediate needs, and not to invest in large quantities of cotton in Liverpool, without reference to the stocks there.[3] The call for increased cotton production in the world was echoed by the Manchester Chamber of Commerce in February 1869;[4] and the Daily Post found it necessary to modify its line, looking to India to compensate for what proved to be a 20% fall in the import and consumption of American cotton - owing to a marked increase in American consumption, rather than a decrease in the crop.[5] Alarm was expressed in case a British attempt to avoid settling

1 Daily Post, 12 August 1868, p.5: Report of annual meeting of Cotton Supply Association, 11 August

2 Ibid., 29 October 1868, Supplement, p.1

3 Manchester Guardian, 23 December 1868, p.6
Daily Post, 23 December 1868, Supplement, p.2

4 Manchester Guardian, 2 February 1869, p.6

5 Daily Post, 1 January 1869, Supplement, p.1
Ellison, Cotton Trade, Table No.3

the Alabama claim 'honourably, honestly and as speedily as possible' should prompt the Americans to send their cotton and corn to the Continent; or, worse, that rumours of war might affect the growing of cotton in the South.[1]

To champion the American connexion in 1869 was not always easy. The Daily Post was obliged to acknowledge that tariff barriers and declining prices for British manufactured goods often made exports to the United States fairly unrewarding, while cotton prices remained high. There were greater opportunities in markets in Egypt, Turkey, China, Australia and India, if the government promoted trade appropriately.[2] A further boost to trading links with the Far East was provided by the opening of the Suez Canal, which brought Bombay within 35 days or less of London. It was important that Liverpool, too, should become an entrepôt for this trade, with its own money market; and should not be squeezed out of the cotton trade from India as it had been from the tea and silk trades.[3]

When the Cotton Supply Association met early in November 1869, the workforce in the cotton districts was suffering considerably from the reluctance of manufacturers to buy adequate stocks of cotton at the prevailing prices; and from the fear among growers overseas that increased production might undermine the price levels. The Association urged the expenditure in India of £10 millions for each of five years on public works, and on fertilisers and improved methods of cultivation. It was believed that consumption in Europe (4.8 million bales) and the United States (1 million bales) required an American supply of 3 million bales, although world production promised little more than 5.7 million bales.[4]

1 Daily Post, 15 April 1869, Supplement, p.1

2 Ibid., 18 May 1869, Supplement, p.1
22 June 1869, Supplement, p.1

3 Ibid., 7 December 1869, Supplement, p.1
9 December 1869, Supplement, p.1

4 Manchester Guardian, 3 November 1869, p.6
Daily Post, 3 November 1869, Supplement, p.2

A deputation from the Association had outlined this situation to a group of members of Parliament in July 1869, stressing that the amount of cotton then being imported was not sufficient to keep Lancashire mills in work for more than 5 out of 6 days per week, and that only India could provide the extra required.[1] The Liverpool Mercury reminded its readers in November 1869 that the policy of promoting Indian production to keep down prices, and to avoid dependence on the United States as a source, was, together with an increase in the purchasing power of foreign labouring classes, and cheap food at home, simply what John Bright and the Manchester Chamber of Commerce had been seeking nearly twenty years before.[2]

Commenting on the state of the industry since the end of the American War, most reviewers felt that, with the exception of 1866, manufacturing had been unremunerative, and sometimes done at ruinous loss. Failures had been common among the smaller concerns; spindle capacity up to 50% was idle in some regions (e.g., Preston and Blackburn) in 1869; and mills could only be sold at a heavy loss.[3] Although spindles had increased by 2 millions (6%) between 1861 and 1868, 310 older mills and factories had closed, unable to adapt their machinery to other textiles. Despite the buoyancy of the export trade, overall the cotton industry had contracted, while the manufacture of woollens, worsted, shoddy, linen, hemp and jute had expanded.[4]

However, importers and speculators were able to benefit from the price movements in 1869, when American cotton started in January at 11d per lb, moved steadily upwards to 14d by the late summer, and then fell back to 11¾d in December. Heavy buying in the summer had led to the

1 Daily Post, 30 July 1869, p.5

2 Mercury, 30 November 1869, p.6

3 Daily Post, 1 January 1870, p.3: Annual Circulars of Melladew & Clarke; Smith, Edwards & Co.

4 Economist, vol.28, 12 March 1870: Commercial History and Review of 1869, pp.3-5, 29-31

price advance, temporary restraint by spinners, over-speculation, and large arrivals from India accounted for the decline; while the prospect of more substantial American and Indian crops prevented a further rise. A note of optimism was introduced by some commentators at the end of the year: demand was expected to continue healthy because of the availability of cheap breadstuffs after two good harvests; while the supply of Indian cotton would be more accessible thanks to the Suez Canal route. The Economist detected a revival of trade in Lancashire, with an increased demand for cotton goods at a slightly higher price, and overall, a corresponding decrease in the price of the raw material.[1]

1 Daily Post, 1 January 1870, p.3: Annual Circulars of Melladew & Clarke; Smith, Edwards & Co.; Robson & Eskrigg
6 January 1870, p.8: Annual Circular of T & H Littledale & Co.

Economist, vol.28, 5 February 1870, pp.153-5

(ii) Crises and Changes in the Cotton Trade

The favourable prospects discernible at the close of 1869 ultimately proved somewhat illusory in 1870. Following a crop of over 3 million bales in the American South for the first time since 1860, nearly 1½ millions were available for British consumption - 37% more than in 1869. Total consumption, however, was only slightly increased (6%), as a result of disappointing supplies from India despite a good crop.[1] Steady demand from Manchester maintained prices of American cotton at above 11d per lb, and Indian up to 10d for about five months. Excessive speculative business in cotton to arrive, together with the realisation that the American supply was unusually abundant, sent prices downwards in June. This was followed by a panic fall in July on the outbreak of the Franco-Prussian War (a decline of 2d per lb in days), till it was clear that Britain was not going to be involved. After a brief rally, prices fell back again and remained depressed for the rest of the year with the prospect of further good supplies. The arrival in the autumn of Indian cotton contracted for earlier in the year inevitably produced very heavy losses and some failures among importers. On the other hand, manufacturers benefited from an active demand and no stockpiling, and were able to sell cloth of an improved quality at lower prices both at home and in the Far East.[2]
An American crop of well over 4¼ million bales in 1870 confounded most of the forecasts, including that of the Agricultural Bureau of Washington. Very heavy receipts in Britain up to the early summer of 1871 helped to keep the price at little more than 7d per lb. Consumption increased with

1 Ellison, Cotton Trade, Tables Nos. 1 & 3

2 Daily Post, 31 December 1870, p.6: Annual Circular of Robson & Eskrigg
Ibid., 2 January, 1871, p.7: Annual Circular of Smith, Edwards & Co.
Ibid., 11 January 1871, Supplement, p.2: Annual Circular of T. & H. Littledale
Baring Bros Mss, 18,321/25, B.B.Liverpool to B.B.London, 6 August 1870

the 10-15% expanded manufacturing capacity provided by additional mills to nearly 60,000 bales per week. The export of cotton goods was also a new record in quantity ($5\frac{1}{2}$% up on 1870), partly owing to the disturbance to French and German competition caused by the Franco-Prussian War. For most of the year, operators in the market did well: even American consumers bought in Liverpool where prices were lower than in the United States. The review in the Economist referred to 1871 as an annus mirabilis for cotton, the home market for goods being particularly buoyant owing to the comparative dearness of woollens.

The situation changed rapidly in the autumn of 1871. On the news that the American crop for that year was likely to be significantly down on that of the previous year, the price moved up to 10d per lb in October, and finished the year slightly higher. The fears were justified, for a third less cotton was harvested - whether because planters cut back on their production in view of the low market prices in early 1871, or because of particularly heavy rains during the growing season.[1]

The Economist drew attention to the three consecutive fluctuations of over a million bales in each of the last three years of American production, 1869-71. If, as the Economist suggested, this would have been unusual before the Civil War, it almost exactly paralleled the situation from 1858 to 1860, when the crops were successively 4 million, 4.8 million, and 3.8 million bales. The effect of the shortfall in production in 1871 was particularly damaging to the supply to Europe, while American consumption remained unaffected. In 1872, British imports of American

1 Daily Post, 1 January 1872, p.3: Annual Circulars of Melladew & Clarke; Smith, Edwards & Co.
10 January 1872, Supplement, p.2: Annual Circular of T. & H. Littledale & Co.

Baring Bros Mss, H.C.3.35/26, B.B.Liverpool to B.B.London, 5 October 1871

Economist, vol.30, 16 March 1872, Commercial History and Review of 1871, pp.31-3

cotton fell by 900,000 bales, and consumption by nearly 400,000 bales, although the lack was half made up from other sources, notably Brazil, which fortuitously produced its record crop, and India, whose output thereafter went into a decline for almost a decade (till 1882).[1]

In these circumstances, with high prices prevailing, manufacturers kept away from the market during the summer of 1872, which created problems for the industry, and also for those merchants who had imported cotton from India at around 9d per lb, only to see it slump to 7d in August. Low stocks forced the spinners back to the market from September, but business was slow while the size of the next crop in the United States was being established.[2] Pessimistic views about the future scale of world production were unjustified, since 1872 marked the point at which American production returned regularly to a level which was being achieved immediately prior to the Civil War. Unlike 1870, which seemed to be an exceptional year, in that it was followed by a slump in production, 1872 inaugurated a period in which the graph of production rose steadily. Crop figures in the United States were, by 1878, much larger than anything which had been achieved before the War. Nevertheless, it was not till 1876 that the yearly consumption of American cotton in Britain began to exceed the yearly average at the end of the 1850s - testimony to the amount now retained in the United States, and employed in European mills.

Despite the interruption to supply in 1871, the Cotton Supply Association was finally wound up in June 1872, world provision being judged adequate for manufacturing requirements.[3] Two years later, the Department

1 Ellison, <u>Cotton Trade</u>, Tables Nos. 1 & 3
<u>Daily Post</u>, 23 September 1872, Supplement, p.2
1 January 1873, p.6: Annual Circular of Smith, Edwards & Co.
<u>Economist</u>, vol.30, 21 September 1872, p.1160

2 Baring Bros Mss, H.C.3.35/26, B.B.Liverpool to B.B.London, 19 July, 28 August, 2,12 September 1872

3 A.W.Silver, <u>Manchester Men and Indian Cotton</u>, p.286

of Agriculture of the Indian government (which had originally been established in June 1871 as a result of pressure from the Cotton Supply Association and the Society of Arts) decided that the cultivation of cotton no longer required its special attention and promotion.[1] 1872 was not, however, a particularly auspicious year in the Indian cotton trade: there were a number of failures among Indian houses in connexion with the financing of exports of cotton goods on credits from Lancashire; while the poor quality of Surat cotton led to resistance to its use by the Lancashire operatives.[2]

Some of the Indian problems were reflected in the American trade in 1873. The 1872 crop was under-estimated, and what reached Britain in the spring of 1873 was 'sandy, dusty and bad-stapled', useless for contracts, and only saleable to spinners at a loss. Prices were adversely affected by this situation, and also by the American financial crisis in the autumn, and large arrivals at the ports after low crop estimates. In the second half of the year, consumers bought substantially at low prices, although avoiding Indian cotton, but, in general, the results for the trade were unsatisfactory and unprofitable.[3]

By the early 1870s, changes in the marketing of cotton on the American side were becoming established. From the 1867-68 season, planters were increasingly sending their cotton up the Mississippi to internal markets for sale and railroad transportation to New York, thereby ignoring the traditional markets and ports for their region, such as New Orleans. This procedure, which might involve transferring cotton between plantations,

1 A.W.Silver, Manchester Men and Indian Cotton, pp.264-5, 279-83, 289

2 Economist, vol.31, 15 March 1873, Commercial History and Review of 1872, pp.5, 44-6

3 Courier, 1 January 1874, p.3: Annual Circular of Smith, Edwards & Co.
Daily Post, 3 January 1874, p.7: Annual Circular of Smith, Coney & Barrett
Economist, vol.32, 14 March 1874, Commercial History and Review of 1873, pp.35-6

removed the cotton from the control of factors, despite the fact that planters would have received advances from them. In July 1868, Brown, Shipley thought that there was hardly a solvent factor in New Orleans.[1] The situation developed in subsequent years to the point at which factors in New Orleans, such as E.F.Golsan and Company, found that it was almost impossible to continue with their accustomed business. The Golsan correspondence in the 1870-71 marketing season reveals the extent of their financial difficulties arising from an absence of shipments of cotton in return for advances.[2] Not only were the planters sending their cotton elsewhere, but they were reluctant to raise very large crops at the expense of necessary provisions.[3] By the end of the season, the Golsans claimed to 'have done remarkably well on cotton', despite the problems.[4] They estimated that they had made 'one hundred thousand in the last five years', but, as 'it is in the hands of other people, a great deal of it we will never get'.[5] Their response was to diversify their activities, becoming general commission merchants rather than cotton factors, and agents for the Dubois cotton gin. To sustain their cotton business, they turned to more direct dealings with spinners and speculators through correspondents in New York and Liverpool.[6]

Correspondents from Memphis thought that factorage was still flourishing in 1873, especially where the planter looked to the factor for an advance of cash and supplies to raise a crop. The factor charged 12%

1 Brown, Shipley Mss, 20,108/1, B.S.Liverpool to B.S.London, 7 July 1868

2 Golsan Bros Mss, vols 76 & 77 passim

3 Ibid., vol.77, E.F.Golsan & Co. to Gholson, Walker & Co., 1 May 1871

4 Ibid., vol.77, E.F.Golsan & Co. to Gholson, Walker & Co., Liverpool, 29 July 1871 (1)

5 Ibid., vol.77, E.F.Golsan & Co., to E.G.Carew, 17 August 1871

6 Ibid., vol.76, E.F.Golsan & Co., to E.Sumner, 6 September 1871
E.F.Golsan & Co., to Dubois & Co., 13 September 1871
vol.77 E.F.Golsan & Co., to Gholson, Walker & Co., 1 May 1871
E.F.Golsan & Co., to Ware, Murphy & Co., 14 July 1871,etc.

plus 2½% for handling the crop, and borrowed at 10% from a bank; but most lacked the capital to take advantage of the many opportunities in the South. For buyers at a distance, direct purchase of cotton from a plantation, or a shipping point on a railroad or waterway, was considered to be unwise, because of the competition from factors' agents, local store-keepers, etc., and the lack of opportunity to examine the bales. It was, however, possible to buy cotton cheaply where it was accumulating through problems of transport - low rivers, horse disease, lack of railroad connection, etc. On the whole, planters and factors were a 'bull' interest, and the interior markets tended to remain steady even if Liverpool was falling. The response of factors to a very large crop was to restrict advances to planters to promote the growing of corn rather than cotton. Accurate information on the size of a crop was difficult to obtain: loads of bales were sometimes counted more than once at the port to which they were conveyed. The most reliable information, e.g., from the monthly Reports of the Agricultural Bureau at Washington, was liable to mis-representation by rival speculating factions in the cotton markets of New York and Liverpool.[1]

According to the New York Times, the great American cotton houses had largely abandoned the purchase of cotton from Southern factors on behalf of spinners and manufacturers in Lancashire (although the old system of purchase was still favoured on the Continent). English spinners now usually bought from New York speculators on time bargains.[2] Brokers felt that the chief influence in keeping the cotton trade centred on New York was the existence of the exchange there, with all the opportunities

1 Daily Post, 17 September 1873, p.3 (letter from Memphian)
17 March 1874, p.7 (information from J.B.Lafitte & Co. to R.M.Cary & Co.)

Manchester Guardian, 1 January 1873, p.4 (letter from correspondent in Memphis)

2 New York Times, 28 September 1874, p.4

for gambling and speculating. As a result, prices were maintained at nearly ½d per lb above their natural level, and Lancashire defrauded of some £1½ millions by the activities of the rings. Mills in the United States were protected by such large import duties that they could afford to pay higher prices for their cotton than either Lancashire or the Continent would contemplate. At the end of 1872, limits on orders from Liverpool were so low that little was being shipped to Britain. Buying to arrive was at high figures, apart from the 'bear interest' of contracts sold forward for delivery in the autumn of 1873.[1]

The diversion of so much of the cotton crop away from traditional Southern coastal markets to alternative centres was a result of improved communications, telegraphic and railroad. Before the Civil War, the leading export ports had been New Orleans, Mobile, Savannah and Charleston; whereas in the 1870s, they were increasingly challenged by New York, which received shipments overland by railroad, as well as coastwise from Southern ports; Galveston, which handled the vast crop of superior quality from Texas; Norfolk, which had good railroad connections with Georgia, and benefited from the low freight rates; and Wilmington. Southern coastal ports also suffered from the growing business done in interior markets, encouraged by pooling arrangements by railroads.[2]

1 Manchester Guardian, 1 January 1873, p.4 (letter from correspondent in Memphis)

2 New York Times, 22 June 1883, p.5

H.D.Woodman, King Cotton and his Retainers, Lexington, Ky, 1968, pp.269-74, 281-86

Minutes of N.O. Cotton Exchange, vol.E, Annual Meeting, 26 November 1884, pp.311-3

W.B.Dana, Cotton from Seed to Loom, New York, 1878, p.189

Comparing 1865-66 and 1876-77, receipts at the ports, together with shipments to Liverpool in 1876-77, in bales were as follows:

	Receipts at ports		Shipments to L'pool
	1865-66	1876-77	1876-77
New Orleans	711,600	1,195,000	665,225
Mobile	429,000	361,000	120,618
Charleston	112,000	468,000	203,112
Savannah	258,800	492,000	204,605
Galveston	175,000	507,000	185,968
Norfolk	39,000	575,900	112,245
Wilmington	64,600	138,000	20,484
New York	863,000	960,000	352,827 [1]

Although her commerce was not restricted to cotton (as was that of Mobile, Charleston and Savannah[2]) New Orleans could not afford to lose her position as the major port of export. Throughout the 1870s and 1880s, the Cotton Exchange remained deeply concerned about the proportion of American cotton which passed through the port and was handled in the market. The development of interior markets, such as Memphis and St.Louis, throughout the cotton-growing region was fostered by discriminatory railroad rates.[3] The Annual Meeting of the Cotton Exchange was told in November 1883 that

> 'The growing tendency to *purchase cotton in the interior and* ship direct to consuming centres, using the seaboard cities merely as convenient points for transhipment, affected New Orleans last season more than ever before'. [4]

As at Charleston, Savannah, Norfolk and Galveston, the proportion of transit cotton received at the port, compared with cotton sent for handling in

1 W.B.Dana, Cotton from Seed to Loom, pp.. 36-7, 192, 291

2 A.K.McClure, The South: its Industrial, Financial and Political Condition, Philadelphia, 1886, pp.198-9

3 Minutes of N.O. Cotton Exchange, vol.B, Annual Meeting, 2 December 1874, pp.294-5; vol.D, Board of Directors, 13 October 1881, pp.294-5

4 Ibid., vol.E, Annual Meeting, 28 November 1883, pp.190-1

the presses and for sale in the market, increased till it was around 50% of the total receipts in the later 1880s.[1] This implied a declining involvement of the mercantile community in the trade: for f.o.b. and transit cotton, this was restricted to weighing and sampling in the railroad depots, and levee inspection.[2] Somewhat belatedly, when it was clear that the spot cotton business could no longer occupy the trade completely, a futures business was launched in 1880,[3] and this was later held to be an advantage to spot transactions.[4]

The aim in New Orleans, as in Liverpool, was to ensure that as much as possible of the marketable cotton passed through the port, and so brought gain to some commercial interest in the city - whether or not this included merchants and dealers. In both ports, much was made by local commercial organisations and the press of the unrivalled facilities, knowledge and experience for handling and safeguarding shipments of cotton. By the end of 1889, the New Orleans Daily Picayune was able to report a striking increase in the amount of business done. Following a more aggressive approach by merchants in New Orleans against their rivals, regular customers of the past, who had been lured away by cheaper freight rates and importunate salesmen, were attracted back to the markets in the city. The railroads realised that New Orleans was growing in importance as a terminal and supply centre, and relaxed the discriminatory rates.[5] The commercial community sought to tighten its grip on the region which was tributary to the city, and to develop new trade with Mexico and Latin America. After the financial failure of the Cotton Expositions held in 1885 and

1 Minutes of N.O. Cotton Exchange, vol.E, Annual Meeting, 26 November 1884, pp.311-3 (& Appendix)

2 Ibid., vol.F, Board of Directors, 30 November 1888, p.352

3 Ibid., vol.D, General Meeting, 23 December 1879, p.15

4 Ibid., vol.E, Annual Meeting, 29 November 1882, pp.13-14

5 Daily Picayune, 1 December 1889, p.12

1886,[1] and lower charges for handling cotton from 1887, the efforts of the Cotton Exchange were rewarded with greatly increased receipts in 1889 and 1890 - although they fell back again in the early 1890s.[2]

Trading in future delivery or arrival cotton, and also in futures contracts, was unknown in Liverpool before the American Civil War. However, the difficulties in sustaining a spot market were appreciated during the War, when operators were short of cotton to trade, and sold lots several times over as a speculation and for the sake of the brokerage. Subsequently, when American crops were reaching the ports at a rate at which they could not be sold to consumers in the markets, wealthy importers bought cotton in the United States, and sold parcels for future delivery in Liverpool, in order to counter price fluctuations. The cotton acquired in the United States was sold on sample at a small premium, and the delivery contracts bought back at futures prices. In the case of the cotton trade, futures contracts referred to a nominal amount of cotton in multiples of 100 bales of an average grade and condition: in England, for American cotton, this was Upland - middling - no staple - worst growth. Should cotton of a different specification ultimately be tendered, then an adjustment was made to the price, fixed by arbitration.[3]

The re-establishment of American supply meant that average prices continued to fall till they reached a figure of around 6d per lb for American in 1876 and thereafter - which would have been considered a 'normal' quota-

1 McClure, The South, pp.132-3

Minutes of N.O. Cotton Exchange, vol.E, Annual Meeting, 29 November 1882 pp.15-16

2 Ibid., vol.F, Board of Directors, 24 November 1887, p.242
vol.H, Board of Directors: Annual Report, pp.87, 92, 24 November 18

Daily Picayune, 22 December 1889, p.4
28 November 1890, pp.4 & 7
20 December 1890, p.4

3 S.Dumbell, The Origin of Cotton Futures, Economic History, vol.1, 1926-29 pp. 261-4

Ellison, Gleanings and Reminiscences, pp.322-3

S.J.Chapman & D.Knoop, Dealings in Futures on the Cotton Market, Journal of the Royal Statistical Society, LXIX, 1906, pp.321-3; and comments from A.F.Wiener, pp.365-7 tion in the later 1850s. Significant variations in the size of the American crop usually affected price levels, where the effect was to leave supply and demand unbalanced. Thus, a crop increase of 837,000 bales between 1874 and 1875 was followed by a decline in average prices from 7 3/8d to 6¼d per lb; and a crop decline of nearly 1,280,000 bales between 1882 and 1883 was followed by an average price increase from 5¼d to 6d per lb in 1884. On the other hand, average prices changed very little between 1880 and 1882 although the crop in 1881 was over 1 million bales less than in 1880, and more than 1½ million bales less than in 1882.[1]

The expectation of reduced supplies of cotton in 1875 led to heavy buying initially, but when the receipts of shipments did not slow down, and spinners were well-stocked, speculators were forced to sell in a falling market. The result was an 'unprecedented series of gigantic failures in the cotton trade', with more than twenty firms collapsing on both sides of the Atlantic in June, notably in Manchester and London, although not in Liverpool where risks had been covered. The stoppage of Duncan, Sherman and Company in New York one month later actually occurred at a time when the trade was beginning to recover from the earlier crisis, and the situation did not materially worsen.[2] The crop increase of 1875, however, added to the difficulties of the trade in Liverpool: a large quantity was now taken direct from the ship's side to the spinners, thereby avoiding the Liverpool market, and undermining sales on the spot. In previous years, American operators would aid the Liverpool market in spring by pushing up prices in the United States, and then sending orders to buy in Liverpool. Now, American orders were invariably to sell, which simply depressed the price of delivery contracts. Although the consumption

1 Ellison, Cotton Trade, Tables Nos. 1 & 3

2 Economist, vol.34, 11 March 1876, Commercial History & Review of 1875, pp.21-3

Daily Post, 21 July 1875, p.5
4 January 1876, p.8

of cotton continued to increase in Britain and Europe, the chief benefit was to imports of American and Egyptian, while use of East Indian declined by more than 50%.[1] Consumption of American also declined in 1875 - by 5%, compared with 1874 - but this was not surprising, given the commercial problems, and a labour dispute in Oldham. Nevertheless, with improved transport facilities from the American interior to the ports, it was now possible to convey cotton from the plantation to Europe in less time.[2]

Some held to the belief that, with prices continually declining, the capacity of the world to absorb cotton goods was virtually unlimited.[3] However, the output of competing cotton industries now had to be seriously acknowledged by the British industry. The advance of these industries could be measured by their consumption of cotton and spindle capacity. In 1868, Britain consumed 2.8 million bales, and Europe 1.9 million bales; in 1874, the consumption was 3.3 million bales in Britain, and 2.4 million bales in Europe. Between 1860 and 1876, the average annual increase in the rate of consumption was 0.82% in Britain, and 2.35% in Europe, India and the United States, with the major increase in the period 1873-76.[4] In the case of spindle capacity, the advances were as follows:

1846	Britain	17.5 millions	= 63%	of world capacity
	Europe	7.6 "	= 27%	" " "
	U.S.	2.5 "	= 9.1%	" " "
1876	Britain	39,0 "	= 57.4%	" " "
	Europe	19.5 "	= 28.6%	" " "
	U.S.	9.5 "	= 14.0%	" " "

[5]

1 Daily Post, 2 February 1876, p.8: Report of Smith, Edwards & Co.

2 Ibid., 10 January, 1876, p.8: Report of H.Clark & Co.

3 Ibid., 11 February, 1876, p.8: (letter to Editor)

4 Ibid., 9 April 1875, p.6
Economist, vol.34, 11 March 1876, Commercial History and Review of 1875, pp.21-3

5 Ibid., vol.35, 10 March 1877, Commercial History and Review of 1876, p.4

The difficulties of the cotton industry worsened in 1876, when profit margins almost completely disappeared, wages were reduced, and there was a glut of goods and yarns in Manchester and the mills. The Manchester Guardian traced the origins of the crisis back to the financial problems in Germany and the United States in 1873; to the subsequent decline in the price of silver, and the dislocation in exchange for those countries with a silver currency; to the collapse in foreign stocks, and in enterprise generally; and to the war in Eastern Europe, and the financial ruin of Turkey. Additional problems for the Lancashire industry were the cost of labour to the employers, the low rates of wages in the United States, and the challenge of American cotton goods both in Britain and in traditional markets such as China and the West Indies.[1] The lack of profitability in the cotton trade was confirmed in a report of H.M. Customs at the end of 1877.[2] A widespread strike occurred in the spring and early summer of 1878 when the employers proposed to cut wages by 10%. The operatives pressed for short time working in preference, blaming the over-production on the expansion in the size and number of mills, when business was prospering. Although the strike collapsed in June 1878, the Liverpool Mercury thought that it had dealt a blow against over-production. Given the competition particularly from Indian manufacturing, the Mercury and the Economist emphasised the need for lower production costs, and therefore lower prices: the world had less to spend on cotton goods, after wasting so much on railways, mines and factories in the mid-1870s.[3]

The situation was temporarily eased by the gradual reduction in world stocks of cotton goods in 1878, but by the late summer of 1879, approximately one quarter of the machinery was standing idle - the worst period of short

1 Manchester Guardian, 18 July 1876, pp.4-5

2 Economist, vol.35, 1 December 1877, p.1425

3 Ibid., vol.36, 20 April 1878, pp.455-6

Mercury, 24 April 1878, p.6
21 June 1878, p.6
27 June 1878, p.6

time since the Civil War - while spinners sold their cotton at the high prices brought about by the breakdown of the New York market, and the successful corner in Liverpool.[1] Low prices prevented Liverpool from receiving an adequate supply early in 1879; and when they began to rise, stocks were slow to accumulate, as shipments continued unexpectedly to go to Europe rather than Liverpool.[2] From September, activity in the market increased dramatically, and prices rose consistently, with large orders from Manchester. In the opinion of Ellison and Company, the upturn in the trade saved half the spinners and manufacturers from ruin.[3] Although total British consumption of cotton from all sources tended to fluctuate during the 1870s, the proportion of American cotton consistently rose, from 52% in 1870 to 79% in 1879.[4] With no short time working in the summer of 1880, consumption averaged 65,000 bales per week.[5] The previous highest weekly average over a year was 61,270 bales in 1871.[6]

The growth of the American cotton industry in the 1870s prompted James Thornely of the Textile Manufacturer to visit plant in New England in the autumn of 1879. In the decade, American manufacturing capacity had risen from 7,114,000 spindles consuming 823,166 bales annually to 10,921,147 spindles consuming 1,586,481 bales annually. Because of lower freight costs, American manufacturers and spinners at Lowell paid c3/8d per lb less for their cotton, although they had to carry larger

1 Economist, vol.37, 8 March 1879, Commercial History and Review of 1878, p.30

Manchester Guardian, 3 May 1880, p.4

2 Mercury, 1 January 1880, p.3: Annual Circular of Smith, Edwards & Co.

3 Manchester Guardian, 2 September 1880, p.4

Economist, vol.38, 13 March 1880, Commercial History and Review of 1879, p.24

4 Ellison, Cotton Trade, Tables 1 & 3

5 Daily Post, 29 July 1880, p.8

6 Ibid., 18 March 1880, p.8

stocks early in the season. They were accustomed to pooling their knowledge, and to co-operative activity, to a degree unknown in Lancashire. On the other hand, spinners in Lancashire had access to Indian and Egyptian cotton, and, taken overall, to the cheapest market in the world in Liverpool.[1] Competition in Liverpool between sellers with houses there, and the need to dissuade spinners from paying extra to American shippers in order to by-pass the Liverpool market, had led to profit margins being cut to a minimum. Spinners could now buy the quality and quantity of cotton which they wanted for gradual delivery as required through future delivery contracts, which was usually the cheapest way of buying cotton. The Daily Post saw this system superseding all other ways of buying cotton, for example, the more expensive 'c.i.f.' business (i.e., cotton orders).[2]

According to the Manchester Guardian, one of the effects of the development of a new method of conducting the cotton trade between Britain and the United States was to bring 'new, pushing men' into the business, and this was made possible by the high prices, wild speculation and credit available from the banks during the years of the Civil War. The old system whereby American houses shipped cotton on consignment, joint account, commission, or order, to correspondents in Liverpool, who passed it on to their brokers for sale to spinners, was increasingly giving way to a method which often involved direct contact between spinners and American shippers. Brokers and commission merchants were largely being replaced by agents, who represented American houses, and took c.i.f. orders from spinners on type samples. The spinners were thought to save 3-4% on such purchases, partly through avoiding warehouse charges; while orders

1 Daily Post, 24 February 1880, p.8
Economist, vol.39, 5 February 1881, p.159
cf. evidence to the Royal Commission on the Depression of Trade and Industry, Parliamentary Papers, 1886, vol.XXIII, C.4893, p.88

2 Daily Post, 28 September 1880, p.8

for future delivery could be covered.[1] Nevertheless, 35 years later, in 1911, the agents of American merchants in Manchester thought it worthwhile to run a series of advertising articles in the same newspaper to persuade spinners to use their services to obtain cotton direct from planters rather than the traditional and persisting 'Oriental caravan' route of planter - American commission merchant - shipper - Liverpool importer - brokers.[2]

In the 1880s, the performance of British manufactures in world markets, and production and labour relations within the industry, in addition to speculation on both sides of the Atlantic, all had an influence on the course of the Liverpool cotton market.[3] Although American cotton goods competed successfully in China, British exports showed a considerable advance in 1880, especially to India,[4] and consumption absorbed a larger supply of cotton.[5] Early in 1882, the American government made it clear that it did not wish the foreign trade of the United States to be dependent on the export of foodstuffs, in a published analysis of the cotton trade of the world. Except in Madagascar and Zanzibar, American cotton goods were seen to be too expensive for their overseas markets. The recommendations of American consuls were reproduced: that American goods should be carried in American ships; that exporters should provide long-term credits; that banks should be more widespread; and that manufacturers should study the needs of foreign markets instead of simply regarding

1 Manchester Guardian, 18 August 1876, p.4

2 Ibid., 6 October (p.11), 17 November (p.13), 1 December (p.14), 8 December (p.14), etc., 1911

3 Mercury, 1 January 1880, p.3

4 Ibid., 22 January 1881, p.5
Economist, vol.38, 11 December 1880, p.1452

5 Daily Post, 29 July 1880, p.8
Courier, 31 December 1881, p.8

them as an alternative target for what was surplus to home demand.[1]

Satisfactory cotton trade in 1880 and 1881 even saw imports attracted from the Continent in September 1881 to profit from the high prices prevailing in the Liverpool market.[2] By the beginning of 1882, however, the situation was altogether more gloomy, with falling prices and rising stocks of cotton goods, which prompted the manufacturers to resort to short time working.[3] Ellison and Company thought that the great markets of the world were over-stocked with cotton goods, following the considerable production of 1880 and 1881.[4] Despite the resistance of weavers in the more highly paid areas such as Ashton-under-Lyne, wages were cut in 1883 to the lower rates which operated in Blackburn and North Lancashire. The Manchester Guardian thought that there might no longer be unfilled pockets of demand for cotton goods since the telegraph and steamships had made the markets of the world into one; while instantaneous response to demand was now possible without the need for stock-piling.[5] The Courier accepted that the cause of the discomfiture of the manufacturers was the small difference between the price of raw cotton and that of yarn, and between the price of yarn and of cotton goods. But, the root of the problem was that the world market was glutted with cotton goods, in the manufacture of which Lancashire was no longer supreme. Lancashire was also contributing to its own decline through manufacturing and exporting machinery for foreign cotton industries.[6]

1 Manchester Guardian, 22 February 1882, p.4
cf. Nicholas, Overseas Marketing Performance, pp.492-3

2 Manchester Guardian, 2 September 1880, p.4
Economist, vol.40, 18 February 1882, Commercial History and Review of 1881, pp.19-21

3 Manchester Guardian, 22 February 1882, p.4
1 March 1882, p.4

4 Economist, vol.41, 24 February 1883, Commercial History and Review of 1882, pp.20-1

5 Manchester Guardian, 3 September 1883, pp.4-5
27 September 1883, p.5 etc.

6 Courier, 22 September 1883, p.4

The difficulties of Lancashire were paralleled in New England, which was likewise suffering from depressed prices for cotton goods, excessive accumulations of stocks, and short time working. High protective duties had resulted in over-capacity in mills and manufacturing plant, but the local market had turned to woollens and worsteds rather than cottons. [1] Americans were warned by their consul in Manchester to expect competition in European markets in future from the cotton production in India, which was rapidly improving in quality, and was well received on the Continent.[2]

A large American crop in 1882 resulted in substantial consumption in 1883 in Britain, and the inevitable stockpiling of the raw material in Liverpool. Supplies were less lavish in 1884, but spinners were usually able to buy what they needed in the Liverpool spot market at low prices, till the end of the year, when reports of a small American crop became current.[3] A similar situation of generally depressed prices, substantial supplies of cotton, well-stocked markets for manufactured goods, and only occasional and relatively short periods of rising prices, based on low estimates of future supply, were apparent in 1885 and 1886.[4] Reports of a short American crop at the end of 1886, coupled with the activities of speculators, saw prices rise from the level of 1885 (below 5d per lb) to over 6d per lb in the spring of 1887. Consequently, the spinners avoided the Liverpool market, and relied on their stocks and short time working.[5] Prices fell again in the autumn, when an additional

1 Economist, 11 October 1884, vol.42, p.1222

2 Mercury, 19 March 1885, p.5

3 Daily Post, 15 November 1884, p.5
1 January 1885, p.8

Economist, vol.43, 21 February 1885, Commercial History and Review of 1884, pp.17-18

4 Ibid., vol.44, 20 February 1886, Commercial History and Review of 1885, pp.16-18

Daily Post, 31 December 1886, p.8

5 Economist, vol.45, 19 February 1887, Commercial History and Review of 1886, pp.17-18

Mercury, 31 December 1887, pp.4-5

110,000 bales were discovered stored in Liverpool, and spinners bought heavily. When it was clear that the American crop would be large, prices in Liverpool declined once more, and much of the considerable import was shipped back to New York.[1]

1888 was marked by the largest American crop to date, the largest consumption in Britain, improved exports of yarn and goods, and a sustained price advance till the spinners countered it with short time working for a few weeks. Although the movement of the American crop was delayed by yellow fever and a corner in bagging, it was forecast by Neill Brothers of New Orleans to be not less than 7.2 million bales - a notable advance even in a decade in which the average crop was over 6 million bales.[2] British consumption kept pace with the increased supply despite the interruptions to normal market operations brought about by speculation. In the last four years of the period 1865-90, consumption was:

1887 - 3,717,000	bales,	averaging	71,500	per	week
1888 - 3,822,000	"	"	73,500	"	"
1889 - 3,825,000	"	"	73,560	"	"
1890 - 4,037,000	"	"	77,630	"	"

By 1890, it was common practice for spinners to buy heavily of spot cotton and deliveries in the first half of the year, in order to be able to withdraw from the market in the late summer, when the usual corner had forced up prices. In 1890, the market was also shaken in November by the Baring crisis and the financial measures which it required.[3]

1 Economist, vol.46, 18 February 1888, Commercial History and Review of 1887, pp.12-13

Daily Post, 2 October 1888, p.4

2 Ibid., 1 January 1889, p.8

Mercury, 2 January 1889, p.8

3 Daily Post, 31 December 1890, p.8

(iii) Speculation and Corners

It had long been the ambition of market operators to see the ruinous fluctuations in the prices of cotton, which had such a savage effect on the fortunes of importers in 1867, 1870 and 1871, greatly reduced. It was assumed by some that the extension of the telegraphic system of communication by means of the Atlantic cable, together with the speed and reliability of steam power, would reduce the risks of large operations, and equalise the opportunities of wealthy and less wealthy competitors. The system would be one of small profits and quick returns, with no storing of goods for better markets or a subsequent dearth. It was, however, recognised that improved communications opened up other less admired possibilities for trading in cotton, such as an expansion in sales for future delivery, which were made before the cotton was purchased in the United States - an infringement of sound principles of business.[1]

The improvements in communications, providing faster access to more detailed information about price movements in different markets, facilitated futures operations, and therefore the opportunities for speculation, and interfering with the normal course of the market. On the other hand, the telegraph was probably instrumental in removing price differences between markets; while contracts made for delivery and settlement often months in advance might reasonably have been expected to play a role in stabilising prices. With prices for future delivery cotton fixed at levels slightly below the quotations for spot cotton, unexpected changes in profitability generated from the internal workings of the trade should have been less common - so long as buyers remained solvent. In this move to regularise the trade an important factor was access to reliable

1 Daily Post, 9 January 1868, p.7: Annual Circular of T. & H. Littledale
8 January 1869, Supplement, p.2: Annual Circular of T. & H. Littledale

information on cotton supply and cotton sales: hence the concern among buyers in the industry when crop forecasts from the United States and reports of stocks and sales in the Liverpool market by the Cotton Brokers Association seemed to be so often subject to error. Each group interested in the trade tended to ascribe blame for the recurrent uncertainties and difficulties to the activities of another group. From time to time, all groups expressed unease about speculation in the trade, but they were all - brokers, merchants and spinners - guilty of this practice as they expanded their activities in the market.[1]

The degree of speculation in the cotton market in 1870 was such as to alarm merchants and some bankers (including Barings and Brown, Shipley), who feared for the mercantile reputation of Liverpool. The problem was seen as a post Civil War phenomenon, and it was pointed out that the increase in sales 'to arrive' detracted from the value of cotton held for sale on the spot, or unsold, afloat; those who were advantaged were speculators, at the expense of merchant importers. Particularly disliked were the 'bear sellers', who made enormous sales of cotton 'short' (i.e., which they did not possess), which they intended to cover later from purchases made at lower prices. Thus, at the time of the bear sale, a larger quantity of cotton was on offer than really existed, and an inflated demand was created which was not justified by the legitimate requirements of the trade.[2]

1 Chapman & Knoop, Dealings in Futures, pp.325, 349-50

Daily Post, 17 August 1871, p.4: excerpt from Times, 14 August 1871
4 January 1873, p.5: letter from CSA to Board of Trade, 31 December 1872

Ms 380 COT: minutes of CBA, passim

Ms 380 AME: minutes of ACC, passim

2 Ms 380 AME 3: Merchants to CBA, 27 June 1870, p.111

Courier, 2 July 1870, p.6

Daily Post, 28 June 1870, Supplement, p.1: letter to Editor
2 July 1870, p.5

Speculative activity continued to be a major concern in the 1874-75 season, both in New York and Liverpool. The monthly reports on the American crop issued by the Agricultural Bureau in Washington were subject to considerable mis-representation by rival factions in the cotton markets. 'Bear' rings in New York traded 4.6 million bales between September and March for future delivery, when only 3.2 million bales had been received in all American ports, and only 300,000 of these in New York. The strategy was to forestall any price advance by assuming a larger crop than was forecast by the Agricultural Bureau, and thereby force down the market price, so that the operators could buy more cheaply after they had made their sales. Inevitably, these activities affected prices for growers, for merchants importing raw cotton, and for those exporting cotton goods.[1]

The general lack of profitability in the cotton trade in 1875 helped to place a check on speculation: money in the cotton trade was scarce, and cotton was freely available. A correspondent of the Daily Post returned to the theme that the Cotton Brokers Association should establish rules for futures business, such as those which existed in the United States: the registration of contracts; optional deposits by buyer and/or seller; the substitution of either party; etc.[2] When the Daily Post characterised transactions in the new cotton crop as 'gambling', another correspondent claimed that the merchant or spinner was able to buy the new crop in Liverpool at a low price, unaffected by fluctuations. Sales of the new crop were usually made in the Liverpool market by New York merchants, after purchases by them in the New York futures market. There, sales were daily made, in the spring, of October and November deliveries by

1 Daily Post, 15 March 1875, p.4: letter from 'an old American merchant'
9 April 1875, p.6

Daily Albion, 28 January 1875, p.6

2 Daily Post, 1 January 1876, p.8: Report of Smith, Edwards & Co.
7 February 1876, p.8: letter to Editor

agents of factors on behalf of planters. In this way, planters could establish a price for their crop before it was grown, and so gain a required advance from a factor.[1]

At the end of the 1870s, Smith, Edwards and Company pointed out the influence of American speculation in Liverpool, and noted that this invariably culminated in an organised corner in September or October.[2] In 1878, Morris Ranger profited from the first of a series of corners in which he took the leading role through differences on closed contracts, and his acquisition of virtually all the American cotton in Liverpool at the end of that season.[3] The following year, Ranger sold contracts in the summer for 50,000 bales for November delivery to Russia and northern Europe, and covered himself by buying 200,000 bales of October deliveries, when only 96,000 bales were available in Liverpool. Ranger's operations were favoured by the slow progress of the cotton in transit from the United States to Liverpool, and by reports of a disappointing American crop. Prices rose from 6¼d to 7 11/16d per lb, and sellers were duly cornered as they sought to buy cotton to deliver to Ranger. Spinners sold all the cotton that they could spare at the inflated price, since the depression in the manufacturing districts meant that a quarter of the machinery was standing idle.[4]

The large American crop of 1879 - 5.65 million bales rather than the 4.85 millions forecast by the Agricultural Bureau[5] - helped to stabilise

1 Daily Post, 20 March 1876, p.8: letter to Editor

2 Mercury, 1 January 1880, p.3: Annual Circular of Smith, Edwards & Co.

3 Ellison, Gleanings and Reminiscences, p.342

4 Manchester Guardian, 3 May 1880, p.4: Monthly Report of Smith, Edwards & Co.
2 September 1880, p.4

Daily Post, 1 October 1889, p.5

Ellison, Gleanings and Reminiscences, p.342

W.W.Biggs, Cotton Corners, Transactions of the Manchester Statistical Society, March 1895, pp.128-9

5 Daily Post, 13 May 1880, p.8: Report of Morris Ranger & Co.

the market in 1880, although spinners bought extensively at the beginning of the year, to cover the deliveries ordered for later in the year; and also in August, as a precaution against rising prices in the autumn.[1] A correspondence in the Daily Post produced various explanations for annually recurring corners. One writer suggested that the 'low middling' clause in contracts limited the amount of cotton which could be tendered, and that the minimum quality should be lowered to 'good ordinary', which would make available virtually all the existing stock. Another blamed corners on the excessive transactions of small mercantile firms with limited means, and a need to acquire a hedge against anything which they might buy.[2]

In 1881, the abundant supply and large crop estimates brought prices of spot and future delivery cotton to a low point of 5 25/32d per lb in May. Bear speculators encouraged the belief that 5½d was the natural price for cotton, with the result that panic selling ensued - even by spinners. Morris Ranger gambled that the crop would be small owing to poor weather in the autumn (in fact it was large, but of very low quality), and so bought steadily, acquiring more than 400,000 bales for August and September delivery out of the eventual American stock of 515,000 bales. Prices rose to 7 3/8d per lb by September, attracting further supplies from the United States, the Continent of Europe, and even spinners, who expected to be able to re-purchase at lower prices. Bear sellers found it difficult to buy the cotton to tender to Ranger, who held stocks in New York, Bremen and Le Havre, and may have filled steamers in American ports with corn to prevent their use for cotton. Most spinners in the Lancashire manufacturing districts who used American cotton agreed to close their mills for a week, and to avoid the Liverpool market, in protest

1 Daily Post, 30 September 1880, p.8
Mercury, 1 January 1881, p.8

2 Daily Post, 24 August 1880, p.8: letter to Editor
31 August 1880, p.8: letter to Editor

against the 'gambling' in cotton, whereby 'one class of speculators have sold what they have not got, and another class have bought what they do not want and could not pay for it if they did'. Ranger drove the market up to 7 9/16d per lb for September delivery, and then let everything go by tender on October deliveries, which he had recently sold, and prices fell back to around 6½d per lb.

When the Liverpool cotton market was compared unfavourably with the Stock Exchange in The Times, the Courier commented that the Cotton Brokers Association should take note that the speculators were not principals but their agents, and should act on this. The Daily Post thought that the corner had benefited Lancashire by attracting a larger supply of cotton for the winter than would have been available; and drew attention to the opinion of the Oldham Chronicle that it was 'not altogether fair to make Liverpool the scapegoat when we do a little bit of business in the same way ourselves'.[1]

In the corner of 1881, Morris Ranger had operated as a bull and cornered the bears; two years later, in 1883, he operated as a bear, selling very heavily for future delivery, in anticipation of a large surplus in supply, and an American crop of more than 7 million bales, which would depress prices in the autumn to around 5d, and enable him to buy back profitably what he needed to tender. In the event, crop estimates fell to below 6 million bales, the price rose to 6d per lb, and the bulls (including some of his own brokers) acquired and held on to the available cotton.

1 Courier, 14 September 1881, pp.4 & 5
31 December 1881, p.8

Daily Post, 17 September 1881, p.5
22 September 1881, p.5
1 October 1881, p.5
1 October 1889, p.5

New York Times, 28 September 1881, p.4

Ellison, Gleanings and Reminiscences, p.347

Biggs, Cotton Corners, pp. 131-4

By the end of October, Ranger was unable to meet deliveries on sales of some 400,000 bales, and as a result, collapsed with total liabilities of more than £1 million. Of this, over two-thirds was unsecured, £400,000 went back on brokers, merchants and financiers in Liverpool, and the remainder on connections in Europe and the United States. The Daily Post described the suspension as the greatest commercial disaster of modern times; while the Courier thought that it was the culmination of a 'quinquennium of rash and irresponsible adventure', and could not understand why bankers and brokers had been prepared to continue to finance and act for the '"Napoleon of the Cotton Trade"'.[1] Baring Brothers reported that 'All "future" business is at a standstill and the Liverpool Cotton trade has rarely if ever had such a shake'.[2]

The failure of Morris Ranger also brought down several brokers including H.Pearce and Company, Joseph Taylor and Company, Mellor and Fenton, R.H.Forman and Company, Cowie, Duckworth and Company, and Hollinshead, Tetley and Company. T. & H. Littledale and Company survived with losses of nearly £75,000.[3] Stephen Williamson was horrified that the brother of one of his partners, R.H.Forman, should have been acting for Ranger, and wrote to Robert Forman in San Francisco that '...if I had known that he had dealings with Ranger's we would not have trusted him with a Bale of Cotton to sell'.[4] He was, not surprisingly, '...heartily glad this fellow Ranger is out of the way. He is a moral nuisance in the cotton

1 Daily Post, 31 October 1883, p.4
Courier, 23 November 1883, p.4
Economist, vol.41, 3 November 1883, pp.1275-6
Ellison, Gleanings and Reminiscences, pp.349-53

2 Baring Bros Mss, H.C.3.35/31, B.B.Liverpool to B.B.London, 31 October 1883

3 Ibid., B.B.Liverpool to B.B.London, 31 October, 23 November 1883
Bank of England, Liverpool Letter Books, vol.27, 7 November 1883, p.341

4 Balfour, Williamson Mss, Box 5, S.Williamson Letter Book 1874-87, S.Williamson to R.Forman, 17 October 1883

trade'.[1] Generally, however, the commercial community of Liverpool was reluctant to pass judgment on one who was both popular and noted for integrity, who had had experience with the major New York cotton merchants, Fatman and Company, where his brother was still employed, and who numbered among his business associates Fruhling and Goschen and J.H.Schroder and Company. Nevertheless, Ranger was later expelled from membership of the Cotton Association, while his activities helped to persuade that body to give greater support for periodical settlements in futures trading.[2]

A large bull operation was planned in 1887 by Julius Runge, a partner in Kauffman and Runge of Galveston, in association with several firms in Liverpool. In the expectation of a small American crop, the ring managed to force up prices in the New York and Liverpool markets through the purchase of 200,000 bales in New York, and 100,000 bales for August delivery in Liverpool. The New York contracts were closed out in time, but the price fell in Liverpool when spinners stayed away from the market, and estimates of the American crop were raised. Kauffman and Runge failed in July, soon after Runge had made over his property to his wife. Sympathy was extended to Runge in New York for missing out on a promising opportunity, but, in Liverpool, there was relief at the removal of an operation which had interfered for several months with the normal course of business.[3]

The corners of 1888, 1889 and 1890 were organised in the circumstances of expanding cotton manufacture worldwide, an increase in mills, and the

1 Balfour, Williamson Mss, Box 5, S.Williamson Letter Book 1874-87, S. Williamson to R.Forman, 8 November 1883

2 Daily Post, 3 November 1883, p.5
11 December 1883, p.5

Brown, Shipley Mss, 20,107, B.S.Liverpool to B.S.London, 20 December 1880

Ellison, Gleanings and Reminiscences, p.355

3 New York Times, 17 July 1887, p.2
19 July 1887, pp.2 & 4
20 July 1887, p.2

Mercury, 31 December 1887, pp.4-5

Baring Bros Mss, H.C.3.35/34, B.B.Liverpool to B.B.London, 18 July 1887 introduction of ring spindles abroad, all of which helped to keep demand for raw cotton in advance of supply.[1] A leading operator in the Liverpool market, William Steenstrand, emerged as the prime mover of the successful corner of 1888, profiting from an autumn price rise when the American crop movement was delayed.[2] Towards the end of that year, Neill Brothers of New Orleans forecast that the crop then being distributed would reach 7.2 million bales. This figure was generally accepted, particularly in the light of the under-estimate of the previous crop by some 700,000 bales by the Agricultural Bureau. Given the current and prospective large supply, spinners did not buy on a large scale for reserve stocks, although prices in January 1889 were no higher than 5 3/8d per lb for spot cotton, and 5 9/32d per lb for short delivery. Steenstrand and other speculators took the view that the estimate of Neill Brothers was excessive, and that consumption would outstrip supply. While spinners sold yarn without covering their contracts, and also cotton futures, in the expectation of being able to buy back in a declining market, Steenstrand and the bulls bought lavishly in April and May for August and September delivery. The result was that, by August, prices had been driven up to around 6¾d per lb for spot cotton, stocks in Liverpool were low, and chiefly in the hands of the bulls, while spinners found themselves without adequate cotton for consumption. In order to avoid buying in the rising spot market, they resorted to periods of short-time working, with the support of their operatives, who were prepared to strike in order to put

1 Biggs, Cotton Corners, pp. 127-8

2 Economist, vol.27, 16 February 1889, Commercial History and Review of 1888, p.12

pressure on the mill owners.[1]

The situation came to a head on 30 September, the date on which the delivery contracts for 30-40,000 bales held by Steenstrand were due to be fulfilled, giving him control over some 90,000 bales, worth about £700,000. Although prices had reached a high point of 6 52/64d per lb, a decline was expected in the future, with large receipts awaiting shipment at the American ports, and 16-17,000 bales afloat and due at the end of September. The initial fall in the price - up to ½d per lb - occurred quite suddenly on 30 September, on the rumour that Steenstrand was selling (although he was simply declining further purchases), and this precipitated a rush to sell. The decline continued throughout October, and prices reached 5 5/8d for spot cotton, and 5½d per lb for futures.[2]

According to the Daily Post, this had not been a true corner since Steenstrand did not hold sufficient cotton to control the situation, and therefore he was only partly responsible for the price advance. The disorganisation in the industry, and the outcry against the operations in the market, were felt to be out of proportion to the cause.[3] The mercantile community believed that short time in the manufacturing districts of Lancashire reflected the dull trade in cotton goods rather than the shortage of cotton at an acceptable price. They argued that major market convulsions were now unnecessary, given the regularity of cotton deliveries

1 Economist, vol.47, 5 October 1889, p.1266
vol.48, 22 February 1890, Commercial History and Review of 1889, pp.12-13

Mercury, 2 January 1889, p.8
24 September 1889, p.5

Courier, 21 August 1889, p.4
2 September 1889, p.4

Daily Post, 21 September 1889, p.5

2 Courier, 28 September 1889, p.5
1 October 1889, p.4

Economist, vol.48, 22 February 1890, Commercial History and Review of 1889, pp.12-13

3 Daily Post, 1 October 1889, p.4

by steam, and the system of weekly settlements, which meant that large accumulations of differences (between buyers and sellers), which had led to failures in the past, were no longer a problem.[1] It was clear that spinners operated in the cotton market like other speculators, buying and selling futures contracts, and covering the contracts, when they became due, with spot cotton. The report of one firm suggested that only those who acquired the actual cotton were in a position to manipulate the market; and it went on to support the removal of the 'low middling' restriction on tendering, which facilitated corners.[2] The Courier felt that this solution would unduly strengthen the position of the seller, while cotton below 'low middling' in quality was too leafy, sandy, and poor in staple to be easily re-sold by the buyer.[3]

Because of the decline in the value of cotton in October 1889, Steenstrand failed to accumulate most of the profits which had once seemed to be available to him. A year later, his bull operations were undermined by unexpectedly large arrivals of cotton, and the prospect of more to come. Low prices and doubts about the supply at the beginning of 1890 prompted Steenstrand and others to buy heavily, but the artificial price rise collapsed in August when buyers stayed away from the market. Many operators panicked, and sold contracts hastily, or failed because they could not meet their differences. Steenstrand could not withstand the downward pressure on values, and also collapsed with a loss of £200,000 on 130,-150,000 bales of spot and future delivery cotton. His failure was greeted by the Courier with relief that the market had been released from the incubus of gigantic speculation of 'a disturbing and injurious kind'. The manipulations of speculators inflated the value of the raw material on which

1 Courier, 1 October 1889, p.4

2 Ibid., 28 September 1889, p.5: Circular of Whitaker, Whitehead & Co.

3 Ibid., 2 September 1889, p.4

countless workers depended for their livelihood. Abnormal cotton prices meant that manufacturing was checked, mills run at a loss, and the earnings of the workers cut through short time working. The effect on the Liverpool market was considered to be calamitous: the losses from failures and depreciation in stocks in Liverpool in 1890 were estimated to be more than £3 millions. Nevertheless, both the Courier and the Economist concluded that the scale of the production of, and commerce in, cotton was now like corn, such as to make it impossible henceforth for an artificial combination to control.[1]

* * * * * * *

In the circumstances of abundant supplies and low prices, business in future deliveries flourished, and importers regularly covered themselves by selling futures contracts against the cotton which they were importing. According to G.L.Rees, these contracts enabled Liverpool to continue as the largest spot market in the world, as increasing quantities of cotton needed to be warehoused to provide for the ultimate settlement of delivery contracts.[2] Nevertheless, what brought cotton to Liverpool was consumer demand, the re-export trade (which held up in the port, if not nationally) and competitive prices. Furthermore, Lancashire spinners continued to value the Liverpool market, where many also operated as speculators, despite the cheaper alternative of direct importing.

The traditional importers and holders of cotton in the Liverpool market, the merchants, suffered many casualties in trading in the post-

1 Economist, vol.48, 6 September 1890, p.1141
vol.49, 21 February 1891, Commercial History and Review of 1890, p.13

Courier, 3 September 1890, p.4
31 December 1890, p.7

2 Rees, Britain's Commodity Markets, pp.97-8

Baring Bros Mss, H.C.3.35/34, B.B.Liverpool to B.B.London, 6 October 1887

Civil War period - from the steady decline in prices, the unreliable conditions of supply, over-trading, and also from the loss of old connections in the Southern markets and ports of the United States. In the face of commercial depression, and the severity of competition from all sides in the import of cotton, merchants approached consumers without employing brokers, since payment of brokerage was increasing the selling price to the point at which they were losing business. At the other end of the commercial chain, merchants compensated for the decrease in factors and reliable shippers in the South, which interfered with the acquisition of regular consignments, by sending out their own agents to be resident in Southern ports (e.g., John Rew and Company).[2]

Merchants found it necessary to adapt to all the methods for marketing cotton which became current in the light of improved communications. They still required facilities for selling spot cotton ex quay, in order to compete with the agents of Manchester spinners and with brokers, who were also importing c.i.f. cotton to sell in Liverpool; although they did not wish to be long-term holders and so incur warehouse charges. In the 1880s, selling ex quay at spot prices was an increasing activity, but one made more difficult by the volume of cotton (and other goods) being unloaded with new rapidity from steamers with great carrying capacity.[3] By 1890, some of the financial support locally available for firms trading in the Liverpool market was being withdrawn, as houses such as Brown,

1 380 COT 4/133: President CBA to Chairman ACC, 10 January 1880
380 AME 3: President ACC to President CBA, 28 January 1880
COT 1/13: CBA Meeting, 24 April 1882

2 Brown, Shipley Mss, 20,107, B.S.Liverpool to B.S.London, 21 April 1886
380 AME 4: ACC Meeting, 19 June 1889
Bank of England Liverpool Letter Books, vol.25, 2 November 1878, pp.296-7

3 Ms COT 1/9: CBA Meeting, 5 April 1876
Ms 380 AME 3: ACC Meeting, 10 May 1883

Shipley, Baring Brothers and B.Newgass and Company ended or reduced their activities.[1]

Nevertheless, Liverpool was able to retain its dominant position in the United Kingdom as the port of entry and market for raw cotton. In the later 1860s, Liverpool handled 93% of all cotton imports; by the later 1880s, this proportion was no lower than 91%, when total imports had risen by 38%, and the increase at Liverpool was 34%. The advances were due to the expansion in American exports, which, in the later 1860s, were providing 43% of the total United Kingdom import, but, by the later 1880s, accounted for 74% of the total import. Virtually all this American supply came to Liverpool; while her proportion of the cotton re-export trade rose from less than a quarter to well over a third between the late 1860s and late 1880s.[2]

1 Baring Bros Mss, H.C.3.35/37, B.B.Liverpool to B.B.London, 30 October 1890

2 See Appendices 3-5

CHAPTER FOUR

Liverpool Trades other than Cotton

(i) Introduction

Although the cotton trade was the dominant feature of commercial life in Liverpool, and a major reason for the prosperity of the commercial community, many other trades contributed significantly to the extensive business of the port. Other studies have invariably considered the port over a longer time-span, or dealt with individual trades; what follows is a review of representative trades which were prominent in the business of the port in the period 1865-90, in order to survey development and contemporary opinion on their opportunities, achievements and problems.

The Parliamentary Report on Trade and Navigation for 1867, summarised in the Daily Post, showed that the chief imports into Liverpool were: cotton, lard, maize, madder, palm oil, bacon and hams, cheese, rice,tobacco,- supplying in each case, more than half the total import into the United Kingdom - mahogany, wheat, currants, hemp, hides, copper ore, whale oil, olive oil, tallow and cocoa - all of which provided at least one-fifth of the total import. London imported the largest amounts of coffee, rum, brandy, wine, pepper, sugar, tea, and wool; Southampton, the most silk; and Hull, the most flax.

Exports of British products from Liverpool amounted to some three-sevenths of the total for the United Kingdom, and included chiefly: salt, linens, cotton piece goods, earthenware, steel, glass, haberdashery, millinery, cutlery, iron, small woollens - accounting for at least half the total export - machinery, larger woollen goods, soda, cotton and linen yarn, silks, apparel, seed oil - at least one quarter of the total. The main exports of foreign and colonial goods were: mixed spirits, tobacco, palm oil - at least half of the total - opium, rice, saltpetre, currants, cocoa. London exported more beer, spirits, coffee, hides, pepper, rum, tallow, wool, tea and wine; Hull, more cotton and woollen yarn; and

Newcastle, Sunderland and Cardiff, more coal.[1]

Between 1885 and 1887, the chief American imports into Liverpool were listed by the American Consul, Charles T.Russell, as: wheat, maize, bacon and hams, cotton, tobacco, lard, cheese, butter, beef, port, timber, and petroleum.[2] In evidence given to the Royal Commission on the Depression of Trade and Industry, the Council of the Liverpool Chamber of Commerce described the chief activities of Liverpool as: shipping (steam and sail); the import of cotton, corn, provisions, timber and colonial and general produce; the export of coal, iron, salt, and local and other manufactures; ship-building, engineering, sugar-refining, rice-milling, seed-crushing, and (outside the town) chemical manufactures. The Liverpool brokers listed the main activities as: cotton, woollens, coal, tanning, chemicals, provisions, corn, sugar-refining, rice-cleaning, ship-building, engineering, soap-boiling, timber, and glass-making.[3]

1 Daily Post, 2 November 1868, Supplement, p.1

2 Liverpool Consular Reports, 141/50/94,Russell to Porter,20 December 1886
141/50/144,Russell to Le Rives,20 December 1887
141/50/193,Russell to Le Rives,13 October 1888

3 Parliamentary Papers, 1886, XXI, C4621, Royal Commission on the Depression of Trade and Industry, First Report, pp.92-3

(ii) Provisions

Since the 1840s, the Irish provisions trade in bacon, hams, and preserved meat, had been lost to Holyhead, Milford, Fleetwood and Barrow, but the development of the American provisions trade (after the abolition of preferential duties on Irish imports in 1845) had more than compensated for this loss. In 1843, Liverpool imported from Ireland nearly 7,000 tierces of salt beef; 100 boxes of bacon; 650 casks of hams; c3,000 barrels of salt pork; 23,500 casks or barrels of cheese; 15,000 casks of butter. Thirty years later, from October 1872 - September 1873, the same commodities were being supplied from the United States at the rate of 41,919 tierces of beef; 31,062 barrels of pork; 442,619 boxes of bacon; 29,246 boxes of hams; 1,299,734 boxes of cheese; and 144,000 packages of butter. Comparative imports of North American provisions to English ports were as follows (in cwts):

	Liverpool	London	Bristol	Hull	Newcastle
1860 -	145,675	149,236	4,049	4,171	12,523
1871 -	761,745	180,195	9,688	8,567	22,768
1872 -	518,035	192,092	30,760	7,934	26,628 [1]

The growing demand for American provisions in Europe was reflected in the increasing export trade from Liverpool to Northern Europe, particularly after the Franco-Prussian War. Trade in foodstuffs had to be judged in terms of periodic trends, since large variations were common between years. 1874 saw an increase over 1873 in the import to Liverpool of beef (12%), hams (20%), and cheese (350%); but a decrease in bacon (30%), lard (33⅓%), and butter (25%).[2] Similar fluctuations were apparent in prices, despite cornering activities in major markets such as Chicago,

1 Daily Albion, 2 June 1874, p.6

2 Ibid., 4 January 1875, p.7

which tried in vain to control the supply of commodities of universal production.[1]

The price trend in some foodstuffs was clearly downwards in the market, as supply outstripped demand, and some countries subsidised production. In the case of sugar, the reduction of British duties in April 1865 led to lower prices and a build-up in world stocks.[2] The price decline was arrested in April 1870 by a further reduction in the duty (50%), and consumption improved.[3] Although there was a short period of firmer prices, the sugar market tended to remain depressed and difficult to operate in throughout the 1870s. By March 1874, the Courier noted that Liverpool was now a great importer of sugar, and a manufacturing centre which rivalled Greenock in the number and size of its refineries. The price of sugar was invariably low, and a further stimulus to its consumption was provided with the abolition of the duty in the April 1874 budget.[4]

It was now possible to make money in the sugar trade, as was shown by Samuel Johnston and Company, with houses in Liverpool and Pernambuco, in 1877;[5] but it was considered a risky business by some financiers,[6] and losses and failures were not uncommon.[7] According to the Lancashire Sugar Refiners Association in its evidence to the Royal Commission on the Depression of Trade in 1886, values and profits had declined since

1 Mercury, 6 January 1883, p.8: Annual Circular of Marquis, Briscoe & Co.
4 January 1884, p.8: Annual Circular of Marquis, Briscoe & Co.

2 Courier, 7 January 1865, p.8

3 Daily Post, 11 January 1871, Supplement, p.2: Annual Circular of T. & H. Littledale & Co.

4 Courier, 25 March 1874, p.5

Economist, 15 March 1873, vol.31, Commercial History and Review of 1872, p.20

Daily Albion, 4 January 1875, p.7

5 Baring Bros Mss, H.C.3.35/29, B.B.Liverpool to B.B.London, 30 July 1877

6 Brown, Shipley Mss, 20/112/10, B.S.London to B.B.New York, 14 September 1883

7 Ibid., 20,107, B.S.Liverpool to B.S.London, 8 March, 10 May, 17 September 1884

1880, although the volume of trade had increased. This was partly because British manufactured sugar (chiefly exported to the Mediterranean) now had to compete with the product of foreign refineries, which were financially aided by their governments (e.g., France, Belgium and Holland) while their own markets were protected by tariffs.[1] Furthermore, British West Indian sugar was facing larger competition from a growing Peruvian output, in addition to the export from other sources in the Caribbean.[2] Prices continued to fall in the 1880s as governments in Europe - France, Germany, Austria, Russia - excluded British West Indian cane sugar in order to develop their own production of sugar beet.[3]

Tea and coffee did not feature largely among the imports of provisions in Liverpool. For 1873, the Customs report indicated that 99.61% of the tea trade (at that time with China) was handled in London, and only 0.22% in Liverpool.[4] Interest in coffee was greater, with imports from South America to Britain, and the organisation and financing of consignments from South America to New York and other East Coast ports.[5] At the end of 1878, Hamilton of Brown, Shipley drew attention to a protracted period (18 months) of unprofitability in coffee imports to the United States and Britain from South America.[6] Following a large Brazilian crop, a New York ring temporarily supported prices in 1880 till the end of the year, when the syndicate collapsed. Although large stocks and low prices

1 Parliamentary Papers, 1886, XXI, C4621, Royal Commission on the Depression of Trade and Industry, First Report, p.94
Courier, 12 April 1875, p.4; 13 August 1879, p.5

2 Mercury, 3 January 1876, p.8: Annual Circular of T. & H. Littledale
2 January 1878, p.8: Annual Circular of T. & H. Littledale

3 Ibid., 1 June 1887, p.5

4 Courier, 14 August 1874, p.4

5 Brown,Shipley Mss, 20/112/5, B.S.London to B.B.New York, 26 May 1870
20,107, S.H.Brown to B.S.London, 16 June 1879

6 Ibid., 20,111/1, Hamilton to ?, 16 December 1878

ruled in the market, demand remained good in that situation.[1] Subsequent attempts to control the market, by French dealers in 1882,[2] and by a syndicate of Brazilian coffee houses in 1884, also resulted in failure and losses.[3]

1 Mercury, 1 January 1881, p.8

2 Brown,Shipley Mss, 20,107, B.S.Liverpool to B.B.London, 19 September 1882

3 Ibid., 20,112/10, B.S.London to B.B.New York, 17 July 1884

(iii) Breadstuffs and Cereals

The transatlantic trade in breadstuffs and cereals owed much of its vigour to the abolition of the Corn Laws, and a series of generally deficient harvests in Britain before the 1880s. It resulted in the emergence of Liverpool as a leading European grain and flour port, and the chief market for the Californian wheat trade, as London was the chief market for the Russian trade. Liverpool developed extensive warehousing facilities for the storage of grain, operated by the Liverpool Grain Storage and Transit Company; a large flour-milling capacity; and a futures market modelled on that in Chicago and controlled by the Association of the Corn Trade. The Association established a clearing house for futures transactions, 'no. 1 Californian' as the basic type of wheat for contracts, and the 'cental' of 100 lbs as the basic denomination of weight.[1]

Fears that Europe might be deprived of American grain by competing demands in the post-war South, and prices forced up in consequence,[2] were dispelled by heavy shipments of cereals in the later 1860s from the United States, Canada, Chile and the Mediterranean. Wheat importers lost heavily as prices declined, or chose to store the supply.[3] The price of Indian corn in the Liverpool market was sustained by a combination of importers - Rathbone Brothers, Thomas Seller and Company, and Segar and Tunnicliffe - who operated a corner to coincide with a dearth in Britain, France and the United States, the three largest consumers.[4] Prices continued low till the end of the 1860s, with increasing production and exports from

1 Rees, Britain's Commodity Markets, pp.128-32, 135
Chamber of Commerce Council Report, 3 February 1880, p.17

2 Daily Post, 13 March 1865, Supplement, p.1: Letter from a cotton broker

3 Baring Bros Mss, 18,321/25, B.B.Liverpool to B.B.London, 2 January 1867
Mercury, 5 January 1867, p.8: Annual Circular of Moffatt and Brown
Daily Post, 9 January 1868, p.7: Annual Circular of Patterson Bros & Co.
Bank of England Liverpool Letter Books, vol.20, 28 April 1869, pp.69-70

4 Baring Bros Mss, 18,321/24,B.B.Liverpool to B.B.London, 10 November 1866
18,321/25,B.B.Liverpool to B.B.London, 2 January, 18 April 1867

California, the mid-West and Chile, so that, by December 1869, stocks of wheat and flour were greater than at any time since 1862.[1] Commenting on an article in the Missouri Democrat, the Daily Post thought that the price of grain from the Mid-West could be trimmed still further, if, instead of being routed via the established agricultural market, Chicago, to New York, it was sent from St Louis (the grain market for the ante-bellum South) to New Orleans via the Mississippi river system, which drained much of the cereal-growing area. In this way, transit costs and time would be cut, and the competitive position of American grain improved.[2]

The trading position of cereals improved during the early 1870s in the light of several bad harvests, notably 1872 and 1873, and the exhaustion of European grain stocks by 1874.[3] The prospects for higher prices were, however, undermined by unusually large American crops, which ensured, along with other sources of supply, regular and heavy consignments. Since American farmers in the West were subject to the rising freight rates imposed by railroad companies when they shipped their grain overland to New York, Liverpool importers looked to ports such as Montreal, Philadelphia, Baltimore and New Orleans for consignments.[4] A travelling correspondent of the Daily Post wrote from St Louis that there would be an advantage if the necessary widening and deepening of the channels in the St Lawrence and the canals connecting the Great Lakes were effected to allow the admission of larger vessels for grain. It was hoped that the cause of free trade would be taken up by the farmers' Granges, but they failed

1 Daily Post, 6 January 1870, p.8: Annual Circular of Patterson Bros. & Co.

2 Ibid., 19 March 1869, Supplement, p.1

3 Ibid., 1 January 1873, p.9: Annual Circular of Smith, Edwards & Co.
Courier, 14 August 1874, p.4
Baring Bros Mss, H.C.3.35/26, B.B.Liverpool to B.B.London, 7,8 August 1872
H.C.3.35/27, B.B.Liverpool to B.B.London, 2 June 1874

4 Ibid., H.C.3.35/28, B.B.Liverpool to B.B.London, 17 September 1875

to establish control over the supply of wheat to Europe.[1] American wheat exports soon outdistanced those from its major competitor, Russia, beset by indifferent harvests and military preoccupations: in 1871, Britain imported 13,386,122 cwts of wheat from the United States, and 15,654,000 cwts from Russia; in 1875, the imports were 23,523,307 cwts from the United States, and 10,005,325 cwts from Russia.[2]

Whether harvests were good in Europe (1878), or bad (1879), a large business was carried on, particularly in wheat, at prices which continued to sink till they reached their lowest point in the middle of the 1880s.[3] The grain ring in Chicago worked to control the market by holding back cereal supplies in 1880 and 1882, but the volume of the trade usually undermined their activities.[4] In January 1883, Segar and Tunnicliffe reported that wheat imports in to Liverpool in 1882 were greater than in any previous year, and equal to almost one third of the total import of wheat and flour to the United Kingdom.[5] Some British markets were over-stocked with flour as American millers were trying to obtain a larger share of this trade in the United Kingdom. Apart from the United States, supplies of wheat were also received from Canada and India, where shipments from Calcutta went to London, while shipments from Bombay went to Liverpool.[6]

1 Daily Post, 29 August 1873, p.4
Courier, 31 December 1874, p.3

2 Mercury, 5 February 1876, p.6
12 May 1877, p.7

3 Economist, vol.37, 8 March 1879,Commercial History and Review of 1878, p.1
Courier, 29 August 1879, p.4
Daily Post, 2 January 1880, p.8: Annual Circular of C.W.Kellock & Co.
Baring Bros Mss, H.C.3.35/30, B.B.Liverpool to B.B.London, 20 August, 7 September, 10 November,1880
H.C.3.35/32, B.B.Liverpool to B.B.London,12 February 1886

4 Brown, Shipley Mss, 20,111/2, B.S.London to B.B.New York, 2 March 1880
Courier, 11 April 1882, p.4

5 Daily Post, 2 January 1883, p.8: Annual Circular of Segar & Tunnicliffe

6 Courier, 24 November 1881, p.4 (information from Times of India)

Given the abundance of supplies overall, there was no point in storing grain, and purchases were made on arrival ex quay to avoid the risk of damaged deliveries.[1] The difficulties of the Liverpool corn trade were reflected in the response by its Association to the Council of the Chamber of Commerce in connection with the Parliamentary enquiry into the depression in trade and industry in the early 1880s. Between 1882 and 1885, the import of grain and flour averaged 1.5 million tons per annum, with an annual value of £12.5 millions. This signified an increase in volume but a decrease in value, because of the fall in prices. Deficient harvests, which were common between 1865 and 1881 (6 out of 10 harvests from 1869 to 1878 were below average), had kept demand for foreign grain high, but, since 1882, there had been an over-supply of foreign wheat.[2]

Failures in cereals continued in Liverpool throughout the 1880s, sometimes as a result of speculation in American markets such as Chicago.[3] Some of these markets were prospering, e.g., Baltimore and New York, by attracting railroad consignments which had previously been handled by Philadelphia. Between 1878 and 1884, the value of the business in grain at Philadelphia fell from $37 millions to $6 millions.[4] The competition for American cereals was now considerable, as new lands were brought under agricultural production all over the world.[5] Protectionism in Europe made France and Germany almost independent of foreign imports of wheat. Most influences kept prices low, and it usually required an international crisis, such as the threat of war between Britain and Russia over Afghanistan

1 Baring Bros Mss, H.C.3.35/30, B.B.Liverpool to B.B.London, 14 June 1881
H.C.3.35/31, B.B.Liverpool to B.B.London, 28 March 1885

2 Parliamentary Papers, 1886, vol.XXI, Appendix A, pp.93-4
Economist, vol.37, 8 March 1879: Commercial History and Review of 1878,p.2

3 Brown, Shipley Mss, 20,107, B.S.Liverpool to B.S.London,
3,5,11 February, 24 March, 10 July 1886, 28 April 1887

4 Baring Bros Mss,H.C.3.35/31,Thos.Baring to 'My dear Stewart',1July 1885

5 Mercury, 1 June 1887, p.5

to introduce an upward tendency to prices.[1]

English millers believed that they needed lower rates of carriage for their wheat and flour if they were to compete successfully with imported American flour. The American wheat was brought in bulk to the warehouses of the Alexandra dock in Liverpool, and then shipped out to the millers in sacks by the railway companies. In the opinion of the Midland Flour Mills of Birmingham:

> 'The railway companies having become warehousemen and carters, to pay the rent of their warehouses, many of which are in the wrong places, compel traders to pay high rates to cover the expense of maintaining such warehouses, whether the traders require the goods to be warehoused or not'.[2]

In the light of one of the best wheat harvests on record in 1887, but a diminished yield of inferior quality in the United States, combinations in Liverpool and the United States attempted to keep up prices by withholding Californian wheat from the Liverpool market. Early in 1887, the Bank of Nevada got control over almost the entire Californian crop, and obliged shippers to sell in Liverpool only to its agents, Isaac Mackay and Company. A corner in Chicago broke up in June; and, in August, the imposition of an artificially high price by the San Francisco wheat ring was successfully challenged in the courts, and the combination was obliged to accept business at nearer normal prices. Nevertheless, the operations of the Mackay firms were having a detrimental effect on the Liverpool wheat trade. The combination began to ship its stocks of wheat to Europe in August 1887, when there were 2-3 million quarters in Europe or afloat, and 700,000 in Liverpool. Efforts were made to form a syndicate of leading dealers in the trade in Liverpool, Hull and London to take up these stocks and sell at agreed prices. The state of the market,

1 Courier, 4 January 1886, p.8: Commercial Circular of Segar & Tunnicliffe
2 Daily Post, 7 May 1887, p.4

and continuing heavy receipts from new crops, meant that the downward pressure on prices remained, while millers were not to be hustled into unwanted purchases.[1] Fearing that they might be caught with unsaleable stocks, the Liverpool dealers broke ranks and sold at prices below what had been agreed.[2] The weak state of the corn market did not improve, and there were further failures, including Hunter, Atkinson and Company in December with liabilities of more than £60,000, following unsuccessful speculation in American markets.[3]

Many in the trade - the Corn Trade Association and the Steamship and Sailing Ship Owners Association - continued to regard the port charges levied in Liverpool as both unnecessary and excessive. Cargoes of wheat were transferred from the ships' holds to barges, and thence to the warehouses of the (railway) grain storage companies by means of steam elevators. The Dock Board supported a system whereby the grain was bagged and put in carts on the quay, which justified master porterage charges. (A master porter was supposed to receive goods on behalf of a consignee from the lumpers, who discharged cargoes for shipowners.) The Corn Trade Association and shipowners would have preferred the wheat to be put on the quay in bulk, so that they could act as their own master porters.[4]

1 Daily Post, 3 January 1888, p.8: Annual Review of Segar & Tunnicliffe

Baring Bros Mss, H.C.3.35/33, B.B.Liverpool to Kidder, Peabody & Co., New York, 5 March 1887; B.B.Liverpool to B.B.London, 8 March 1887

H.C.3.35/34, B.B.Liverpool to B.B.London, 5,8,10,17 August 1887

2 Bank of England Liverpool Letter Books, vol.29, 29,30,31 August 1887, pp.227-30

3 Baring Bros Mss,H.C.3.35/35,B.B.Liverpool to B.B.London,20 December 1888

Brown,Shipley Mss, 20,107, B.S.Liverpool to B.S.London, 20 December 1888

4 Daily Post, 24 November 1887, p.5

With European harvests more regularly bountiful at the end of the 1880s, the contribution of American wheat and flour to British consumption once more declined. Between 1888 and 1890, the United States supplied between 14.6 and 17.2 million cwts of wheat, and 10 and 12.5 million cwts of flour, *per annum*. Russia supplied between 19.4 and 21.3 million cwts of wheat *per annum* in the same period.[1]

1 *Economist*, vol.49, 21 February 1891, Commercial History and Review of 1890, p.7

(iv) Animals and Meat

Liverpool was a major centre for the import and sale of animals for slaughter by the meat trade. In 1866, the annual value of cattle and sheep sold in the Liverpool market was £3.5 millions, divided between c120,000 cattle and c400,000 sheep. The cattle were shipped from Ireland (90% came to Liverpool), Spain, Portugal, and, briefly in 1868-69, Brazil. Apart from its favourable geographical position for these imports, Liverpool was a natural distribution point for food for the populous North-West.[1] In order to control cattle plague (rinderpest), which affected the whole country but especially Lancashire and Cheshire, all cattle sold at a licensed market had to be slaughtered before they were moved from it; foreign cattle had to be slaughtered at their port of entry, unless re-exported unsold. These Privy Council regulations were applied intermittently and selectively in the light of the incidence of cattle plague. Modifications in 1868 relaxed the restrictions against the free movement of Irish, Spanish and Portuguese cattle through Liverpool, till the early 1870s, when the value of cattle and sheep traded in Liverpool had reached more than £5 millions per annum, and the supply of cattle averaged well over 200,000 per annum. Restrictions were re-introduced through the Contagious Diseases (Animals) Act, following a limited increase in rinderpest and foot and mouth disease; and some cattle were diverted to markets where the officials were less scrupulous in applying the regulations.[2]

The effects of the tighter controls on the import and movement of

1 Mercury, 2 February 1866, p.6
Courier, 2 April 1874, p.4
Daily Post, 15 April 1874, p.4

2 Mercury, 14 February 1866, p.6
22 February 1866, p.6
5 June 1872, p.6

Economist, vol.27, 13 March 1869, Commercial History and Review of 1868, pp.11-12

animals were to produce higher meat prices in provincial towns such as Liverpool, and to deter sales at provincial markets to the advantage of London with its concentrated three million consumers, since an importer could choose neither the date nor the market for the sale: slaughter had to occur at the port of entry, and within a specified time. London continued to receive more than half the imports of cattle, sheep and swine to the United Kingdom, while Liverpool declined from a position as one of the most abundantly supplied cattle markets of the world.[1]

Prompted by the difficulties surrounding the import of live cattle, and the prevailing high prices for meat, the trade switched its interest to the import of dead meat, facilitated by an increasing use of refrigeration. Irish breeders and farmers turned to the production of carcases rather than live cattle for the English market, and sold the offal at home. The greatest opportunity was, however, created for the chilled meat trade from the United States, using refrigerated shipping provided by the steamship lines. Previously, the United States had exported salt beef and pork chiefly for markets at London, Birmingham and Sheffield. In 1860, 241,835 cwts of this meat entered at London, 161,226 cwts at Liverpool. By 1872, London received 155,094 cwts, and Liverpool 173,841 cwts, the latter figure including half the total salt beef imports, and about one third of the salt pork.[2] In May 1876, more than 100 tons per week of chilled American beef was also being brought to the London market, but it was agreed in the Liverpool press that this was quite insufficient for the demand (both in Britain and Europe). Although London had recently

1 Courier, 12 August 1872, pp.4 & 5

2 Ibid., 22 January 1877, p.4
2 February 1877, p.4
13 February 1877, p.4

Daily Albion, 5 June 1874, p.6

R.Perren, The North American Beef and Cattle Trade with Great Britain, 1870-1914, Economic History Review, XXIV, 1971, p.432

provided vast new storage cellars beneath Cannon Street station, Liverpool was the most appropriate port of entry for chilled American meat. By the beginning of 1877, some 600 tons per week were arriving at Liverpool, for transmission to London and the midland towns.[1]

In order to establish this trade throughout the world, the Americans were prepared to sacrifice profits: even after the payment of transatlantic freight charges, American beef sold as steaks more cheaply in Liverpool than in New York.[2] Attempts by butchers in London, Manchester, Birmingham and Ireland to denigrate the American meat were in vain, as the local consumers were often prepared to buy it in preference to the more expensive local produce.[3] The transatlantic trade built up rapidly: in the first six months of 1877, exports of chilled meat and livestock to Britain from New York, Philadelphia, Boston and Portland increased by 3.5 times in value over the same period in 1876; and the weight of New York exports doubled. Liverpool received 73% of the New York consignments, and all the cargoes from the other ports, which, in all, amounted to 82% of the total American export to the United Kingdom.[4]

In 1878, following pleuropneumonia in a cargo of American cattle, the government returned to the issue of disease prevention (as a Conservative sop to the country party for past assistance, in the opinion of the Mercury), and introduced a Bill which required the slaughter of foreign animals at the wharf where they were landed, at the behest of the customs. 7.5% of the beef consumed was imported alive, and this, for Liverpool,

1 Courier, 19 May 1876, p.4
Mercury, 21 February 1877, p.6
Economist, vol.35, 10 March 1877, Commercial History and Review of 1876, p.10 (from Times, January 1877)

2 Courier, 21 August 1877, p.4

3 Ibid., 2 February 1877, p.4

4 New York Times, 11 February 1877, p.6
23 July 1877, p.4

meant nearly 25,000 head of cattle per annum, many of which were forwarded by rail to the population centres of Manchester and Birmingham. The Courier felt that, in the interests of cheap meat, and the continuation of the Irish trade, restricted and monitored imports of live cattle should be allowed. Opposition to the Bill emphasised that compulsory slaughtering meant compulsory sale at any price, and this would drive out the importers from the trade; that the more expensive domestic meat would be beyond the means of the poor and the working class; that, given the volume of the imports, it would be impracticable to provide slaughtering facilities at a Liverpool wharf; and that the transport of live animals was a valuable employment for steam tonnage at a time of depressed trade. In the House of Commons, Sir William Rathbone pointed out the near ten-fold increase in cattle imports into Liverpool from January to April 1878, compared with the same period in 1877.[1]

Notwithstanding these considerations, the Cattle Diseases Act became law in 1878, and was further modified in 1883, to ban imports of cattle from countries where the sanitary condition of the animals was not assured. Immediately, imports from the United States were adversely affected from 1883, when 155,040 head were imported, till 1888, when the combined import from the United States and Canada had fallen to 90,154. This policy of barriers to counter disease was seen in the United States as protection for native agriculture. In 1889, when Congress had conceded the British demand for the inspection of exports of food at the port of embarkation, the import from the United States and Canada rose to 292,693 and 85,000

1 Mercury, 20 March 1878, p.6
27 June 1878, p.6

Courier, 8 March 1878, p.8
29 August 1879, p.4

Perren, Beef and Cattle Trade, pp.434-6

head respectively. Of these, 170,483 were received at Liverpool.[1]

The 1880s saw the establishment of the frozen meat trade, with increasingly large shipments from the United States, Australia and New Zealand. The Mercury reproduced an article from Murray's Magazine which condemned the proposal of Samuel Plimsoll to prohibit the transport of live cattle across the Atlantic; and argued that, if only dead meat were shipped to the United Kingdom, only the best portions would be sent, thereby depriving the working classes of a large quantity of cheap, wholesome food. The Courier drew attention to the improvements in accommodation and attention accorded to animals on the Atlantic run. Furthermore, facilities in Liverpool had also improved, with foreign animals wharves, lairage sheds, slaughter houses, cold stores and connecting railway extensions at Birkenhead, Wallasey and Woodside. Nevertheless, the greater rate of growth for imports of chilled and frozen meat reflected its advantages over live animal imports.[2]

1 Economist, vol.43, 21 February 1885, Commercial History and Review of 1884, p.11

Mercury, 10 January 1889, p.5
18 September 1890, p.5
16 October 1890, p.5

Courier, 13 September 1890, p.4

Journal of Commerce, 4 September 1890, p.4

2 Mercury, 16 October 1890, p.5

Courier, 13 October 1890, p.4

Perren, Beef and Cattle Trade, pp.434-6

(v) Metals

(a) Copper

The dislocation of the normal trade in copper imports caused by the Hispano-Chilian conflict in the mid-1860s was keenly felt by the Liverpool commercial community. Supplies were difficult to obtain from the blockaded ports of Chile, and great indignation was expressed at a public meeting in May 1866 over the bombardment of Valparaiso, which had caused damage to property owned by Liverpool merchants among others.[1] Attempts by smelters to fix limits to the prices at which they were prepared to buy were resisted by importers such as Baring Brothers.[2] However, as stocks built up from 1866, importers were obliged to sell to smelters, or for export, at declining prices, since there was little hope of an increase.[3] Heavy arrivals continued in the late 1860s and prices remained depressed. The situation was aggravated by the expansion of smelting in Chile as well as in the area round Liverpool, since it had been easier to control prices when unsmelted ore and regulus had been imported than it was now, when so much of the import was smelted bar and ingot.[4] In 1870, large American stocks were transferred to Europe in a rumoured attempt by a combination in New York to influence the copper market there.[5] Subsequently, higher prices concentrated the stocks of the world in Britain, but increased competition led to losses in the Liverpool market.[6]

1 Daily Post, 16 May 1866, Supplement, p.1
Baring Bros Mss,18,321/24,B.B.Liverpool to B.B.London, 15 December 1865

2 Ibid., B.B.Liverpool to B.B.London, 1 May 1866

3 Ibid., B.B.Liverpool to B.B.London, June-December 1866, passim
Ibid., 18,321/25, B.B.Liverpool to B.B.London, 14 June 1867

4 Economist, vol.26, 14 March 1868, Commercial History and Review of 1867, pp.19-21

5 Brown, Shipley Mss, 20,112/5, B.S.London to B.B.New York, 30 April 1870

6 Economist, vol.31, 15 March 1873, Commercial History and Review of 1872, pp.34-5
Baring Bros Mss, H.C.3.35/27,B.B.Liverpool to B.B.London, 30 January 1874

The prevailing trend of copper prices in the 1880s was downwards, and levels were established at which many mines found it difficult to operate at a profit.[1] Although the consumption of copper substantially increased from 1885, the output from the American mines in Montana and near Lake Superior had similarly expanded:

1882 - 40,470 tons	1885 - 74,050 tons
1883 - 51,570 tons	1886 - 69,900 tons
1884 - 64,700 tons	1887 - 79,100 tons

World production of copper in 1887 was about 225,000 tons, and was expected to rise to 250-275,000 tons in 1888. In an effort to support copper prices, a French syndicate, the Société Industrielle et Commerciale des Métaux, negotiated to buy the output of the leading mines up to 175,000 tons per annum, over three years. By the summer of 1888, the syndicate held 54,000 of the 68,401 tons of the total visible supply, 61,822 tons of which formed the stocks in Britain and France; and their operations had raised the market price, once £120 per ton, to around £80 per ton from a low of £40. In consequence, consumption was reduced, and stocks began to accumulate.[2]

Stocks continued to increase in the possession of the French syndicate, as speculators and smelters operated to undermine their activities and prices. Copper offered by the syndicate in the Liverpool market (e.g., from the Baltic Copper Works) could not be sold, since smelters would not buy (and could not themselves sell), while London dealers sold deliveries. The syndicate was forced to transfer stocks abroad, and to seek

1 Mercury, 31 December 1885, p.4

2 Ibid., 11 November 1887, p.5
26 July 1888, p.5

Economist, vol.45, 3 December 1887, p.1529
vol.46, 28 January 1888, pp.106-7
24 March 1888, p.377
9 June 1888, p.727

Baring Bros Mss, H.C.3.35/35, W.B.Halhed to ?, 18 May 1888 additional advances, since their English financial resources were exhausted.[1] At the end of July 1888, 12,924 tons of copper were locked up at Le Havre, Rouen, Dunkirk, Paris and Bordeaux, compared with none in July 1887, and 56 tons in July 1886.[2] By October, the syndicate was negotiating for a 25% cut in production.[3]

Early in 1889, the syndicate was reconstructed, and an attempt made to float a Metal Bank, with a capital of £3-5 millions, which would take over financial responsibility for two thirds of the copper controlled by the syndicate (up to 140,000 tons by February).[4] In March 1889, the French banks supporting the syndicate withdrew their credit - the Comptoir d'Escompte because of a run on its deposits, following a fall in its shares, and the suicide of the general manager. The syndicate was unable to pursue new contracts with the mining companies, which would lead to lower prices and increased consumption. It was also unable to meet the payments for March deliveries, and therefore collapsed, along with the Comptoir d'Escompte, with losses of £15-20 millions.[5]

In order to avoid the paralysis of the copper trade for years to come, a scheme was put forward, in which the Tharsis Company of Glasgow (with several French directors), James Lewis and Son of Liverpool, a leading broker, and several smelters in and around Liverpool were concerned, to

1 Baring Bros Mss, H.C.3.35/35, W.B.Halhed to C.L.Norman, 1 March 1888 (encl. extract from C.Morton Stewart & Co. to B.B.Liverpool, 27 January 1988), and 5 July 1888; B.B.Liverpool to B.B.London, 26 July 1888

2 Economist, vol.46, 25 August 1888, p.1077

3 Ibid., 6 October 1888, p.1249

4 Ibid., vol.47, 12 January 1889, pp.37-8

5 Ibid., 9 March 1889, pp.300-1
4 May 1889, p.568
vol.48, 22 February 1890, Commercial History and Review of 1889, pp.21-2

Mercury, 8 March 1889, p.5
14 March 1889, p.5

convert the matte from 'best selected' copper. The plan to reduce production by the French syndicate mines by 40%, and others by 30%, in order to cut stocks of 298,000 tons to 78,000 tons by 1 January 1891, was succeeded by similar agreement among the American mines in May 1889. By September, this combination had broken down through mutual suspicion, and particularly as a result of Rothschilds offering the consignments below the agreed price.[1] Meanwhile, there were large shipments throughout 1889 and into 1890, and Europe was flooded with American matte at depressed prices.[2] In the course of 1889, about one-third of the copper stocks in England and France were sold, and markets advanced for much of the time.[3] Imports to these countries, which had reached a peak of 142,100 tons in 1888, fell back to 129,741 tons in 1889.[4] In December 1889, shares were offered to raise capital for a Liverpool Silver and Copper Co. Ltd., which would treat ores, mattes, regulus, or metals containing gold, silver or copper (of which there were large quantities available in Liverpool) by electrolytic and other processes. The shares were taken up by, among others, James Lewis and Son and at least one American mine owner, and works were established at Widnes.[5]

1 Economist, vol.47, 25 May 1889, p.669
21 September 1889, p.1204

Baring Bros Mss, H.C.3/35/36, B.B.Liverpool to B.B.London, and Memorandum, 9 April; 20 September 1889 (encl. cutting from American Mining Journal)

2 Ibid., H.C.3.35/36, B.B.Liverpool to B.B.London, 3 June 1889
H.C.3.35/37, B.B.Liverpool to B.B.London, 21 February 1890

3 Economist, vol.49, 21 February 1891, Commercial History and Review of 1890, p.22

4 Ibid., vol.48, 22 February 1890, Commercial History and Review of 1889, pp.21-2

5 Baring Bros Mss, H.C.3.35/37, B.B.Liverpool to B.B.London, 3 January 1890 (encl. Proposal, 15 December 1889)

(b) Iron and Steel

The British dominance of the export markets for iron and steel continued throughout the 1860s, although demand at home and abroad was insufficient to keep the ironworks going fulltime. A 25% increase in production in the United Kingdom in the early 1860s was more than could be absorbed by rising exports, at a time when schemes for new railway lines and extensions at home and abroad, together with repairs and renewals, were being postponed or abandoned. Home demand for railway iron was further undermined in 1866 by revelations of railway mismanagement in Britain, and a fall in the value of railway stocks.[1]

The improvement in the trade dated from 1868, due largely to exports of rails to the United States and Russia at improved prices, and to a revival of shipbuilding at home. Although record export figures were achieved in 1869 and 1870, markets in Europe were subsequently adversely affected by the Franco-Prussian War.[2] The low prices which ruled between 1864 and 1871, and which helped to expand demand, gave way to higher values after the War.[3]

Some of the American demand for British iron came indirectly through the orders for iron steam vessels from American ship-owners to British yards. Production of pig-iron was boosted by the discovery of new sources

1 R.C.Allen, International Competition in Iron and Steel, 1850-1913, Journal of Economic History, XXXIX,1979, p.911

Mercury, 5 January 1867, p.8: Annual Circular of W.Fallows & Co.

Courier, 1 January 1868, p.8: Monthly Circular of Vernon & Capper

Economist, vol.26, 14 March 1868, Commercial History and Review of 1867, pp.5, 19-21 (Circulars of James Lewis & Son, W.Fallows & Co.)

2 Ibid., vol.27, 13 March 1869, Commercial History and Review of 1868, pp.3-5
vol.28, 12 March 1870, Commercial History and Review of 1869, pp.3-5

Daily Post, 31 December 1870, p.6: Annual Circular of Robson & Eskrigg

3 Economist, vol.31, 15 March 1873, Commercial History and Review of 1872, pp.35-6

in Cleveland and Furness, and the establishment of new furnaces. In the decade 1860-70, production increased from barely 4 million tons to at least 6 million tons per annum.[1] The Cleveland producers felt themselves excluded from American and other distant markets because of the high railway rates to Liverpool as an appropriate port of export.[2] Disadvantageous rates for the carriage of metals exports to Liverpool, and the level of Dock Board charges, remained contentious issues throughout the period 1865-90.[3]

Although the American Iron and Steel Association argued for Protection in order to compete with British exports of iron,[4] the higher level of British prices was now beginning to work to the disadvantage of British producers and operators in the trade. In the summer of 1873, Canadian merchants were buying iron rails more cheaply from Pennsylvania ironmasters than they could be acquired from Britain.[5] Furthermore, W.S. and N.Caine offered for sale in Liverpool 100 tons of bar iron, purchased from New York iron merchants, Jackson and Chase, at a price below what was current in the Liverpool market. Since the export of iron to the United States had fallen from 259,011 tons between January and June 1872 to 120,468 tons in the corresponding period in 1873, it was suggested by W.S. and N.Caine that British ironmasters had lost their hold on American markets. The Daily Post and Daily Telegraph, on the other hand, drew attention to the lull in the building of railroads in the United States; and pointed

1 Economist, vol.29, 11 March 1871, Commercial History and Review of 1870, pp.3, 17
vol.30, 16 March 1872, Commercial History and Review of 1871, p.27
Daily Post, 1 January 1873, p.6: Annual Circular of C.W.Kellock & Co.

2 Chamber of Commerce Council Report, 7 February 1868, p.12

3 Ibid., 1 February 1884, p.57; 16 February 1885, pp.35-6; 63-4; etc.

4 Daily Post, 26 December 1873, p.4

5 Ibid., 29 August 1873, p.4

out the inherent danger to British manufacturers from the high price of coal, and the level of miners' wages. A correspondent of the New York Daily News felt that American competition would be restricted through their production of iron being no more than about 2.5 million tons per annum. More significant competition might be expected from Belgian and German producers for contracts for iron and steel rails.[1]

In the mid-1870s, there was a considerable fall in the export demand for British iron, accompanied by a decline in prices. This was largely a result of American anxiety to be free of dependence on British iron, and led to a greater British interest in Russian and Scandinavian markets.[2] By 1875, American production of iron had risen to 4 million tons per annum.[3] British export of iron, steel, lead, tin and copper fell by 11.8% in weight in 1874, and 10% in 1875, in the period January to June. If exports of hardware and machinery are added to these materials, the decline in the value of the total export of metals and goods was 33.4% in the first six months of 1874, and 19.2% in the first six months of 1875. The decline in the export of iron and steel products to the United States was particularly marked between 1874 and 1876, the proportion of the total export falling from 14.5% to 7.5%.[4]

A revival in the iron trade occurred in the autumn of 1879, when there was an unexpectedly high demand from the United States in connection with the expansion and renewal of railroads and their rolling stock.

1 Daily Post, 16 September 1873, p.4
18 September 1873, p.5: letter from W.S. & N.Caine; quotations from Daily News and Daily Telegraph

2 Economist, vol.32, 14 March 1874, Commercial History and Review of 1873, pp.26-7
vol.33, 13 March 1875, Commercial History and Review of 1874, p.16

3 Ibid., vol.34, 11 March 1876, Commercial History and Review of 1875, p.16

4 Daily Post, 11 July 1876, p.5
Economist, vol.36, 9 March 1878, Commercial History and Review of 1877, pp.24-5

Export of all iron and steel to the United States amounted to 707,427 tons in 1879, compared with 157,173 tons in 1878.[1] The Courier warned against the belief that this demand would be other than transient, since American plant at Cincinnati, New Albany, Chattanooga, Pittsburgh, etc., was now back in full production.[2] In fact, much of the American demand in 1879 turned out to be speculative, and quite unrelated to the needs of the trade, with the result that some speculators were unable to meet their engagements.[3] Casualties of this situation seem to have been Duarte Potter and Son in Liverpool, who gave up an involvement in the American iron trade, but were still in difficulties in 1881; and some Liverpool cotton dealers, who sustained losses through a speculation organised in Glasgow in 1880.[4] The market experienced a collapse in the prices of metals, and was over-supplied with sellers rather than buyers.[5] In June 1881, the Courier reported the collapse of the Mersey Steel and Ironworks Company as an example of the unexpected and overwhelming calamities which overtake iron companies.[6]

From a low point of 167,764 tons in 1877, export of iron, steel and tinplates to the United States exceeded 1 million tons per annum between

1 Economist, vol.38, 13 March 1880, Commercial History and Review of 1879, p.20

2 Courier, 18 August 1879, p.4
22 August 1879, p.4

3 Economist, vol.39, 12 March 1881, Commercial History and Review of 1880, p.20

4 Brown,Shipley Mss, 20,107, B.S.Liverpool to B.S.London, 29 April 1880
B.S.Liverpool to B.B.New York,12 January 1881

5 Ibid., 20,111/2, B.S.London to B.B.New York, 2 March 1880
H.Hoskier to Jn.E.Johnson, 8 April 1880

6 Courier, 25 June 1881, p.4

1880 and 1882 - figures not matched again till 1887.[1] The years of large exports to the United States did not markedly diminish the stocks which had built up in Britain in the 1870s, since production continued to increase. Furthermore, the programme of American railroad expansion, and the replacement of iron with steel rails, were temporarily halted by the financial crisis of 1883. As soon as demand in the United States was reduced, and domestic ship-building was affected by the depression of the early 1880s, price levels were only sustained with difficulty through colonial demand, and pooling arrangements in Latin America with German and Belgian importers for the supply of steel rails. The proportion of the output of iron and steel manufactures in the United Kingdom which was exported gradually fell from 37% in 1885 to 33% in 1896; but the level of production also rose from 5.8 million tons to 7.6 millions in the same period.[2] The result was that, at home, stocks of pig-iron again built up, while the trade was in general, hindered by rents, royalties, and railway rates.[3]

American demand for rails revived once more in the autumn of 1886, firstly on a speculative basis, and later reflecting real requirements. Shipments were chiefly made to the Southern states to offset expensive overland carriage, since the price of rails in the United States was controlled by a syndicate, and this operated against British manufactures.[4]

1 Economist, vol.36, 9 March 1878, Commercial History and Review of 1877, pp.24-5
vol.40, 18 February 1882, Commercial History and Review of 1881, p.28
vol.44, 20 February 1886, Commercial History and Review of 1885, p.29
vol.47, 16 February 1889, Commercial History and Review of 1888, pp.22-3

2 Mercury, 7 January 1885, p.8: Circular of Shaw's Brow Iron Co.
Daily Post, 1 January 1884, p.8
D.C.M.Platt, Latin America and British Trade, pp. 223-7

3 Mercury, 31 December 1885, p.4
Economist, vol.44, 20 February 1886, Commercial History and Review of 1885, p.29

4 Daily Post, 4 January 1887, p.8

In 1887, total exports of iron and steel, at 4,146,907 tons (now 60% of all production), were approaching the 1882 figure of 4,353,552 tons, although, as the Courier pointed out, the United Kingdom was no longer the sole ironmaster in the world.[1] Given prosperity, and an interest in the expansion of railroads, as in 1881-2 and 1886-7, the United States remained the best customer of the British iron trade.[2] However, any fall in American demand usually resulted in over-production and stock-piling in Britain. Towards the end of the 1880s, there were signs that ship-building and engineering were able to consume a larger proportion of British production.[3] This was particularly significant for the trade in the light of the McKinley tariff, and the financial collapse in Argentina.[4]

1 Courier, 11 January 1888, p.5

2 Economist, vol.45, 9 April 1887, pp.457-8
vol.45, 18 February 1888, Commercial History and Review of 1887, p.23

3 Mercury, 13 July 1888, p.5

4 Economist, vol.48, 22 February 1890, Commercial History and Review of 1889, pp.22-3
vol.49, 21 February 1891, Commercial History and Review of 1890, p.23

(vi) Fertilisers

By the late 1860s, trade in guano and nitrate of soda from the West Coast of South America was well established. Shipments of guano to Britain averaged 168,000 tons per annum in 1865-69 out of a total export of around half a million tons; while the import of nitrates averaged 51,000 tons, which was, perhaps, half of the total export. The contract for shipping guano from Peru was held by the Lima House of Antony Gibbs and Sons of London till 1861, when it was left wholly in the hands of native operators. In an effort to increase the revenues of this major export commodity, the Peruvian government drove the price upwards in the 1850s to the point at which guano began to lose the European market to alternatives such as nitrates, and chemical fertilisers like superphosphate of lime. Thus, trade in the cheaper nitrates became worth exploiting to the Peruvian government, but equally a threat to its revenues from guano.

Nitrates were shipped by foreign houses like Grace Brothers of Callao, or Bates, Stokes and Company of Buenos Ayres to various European ports and consignees, in collaboration with Gibbs, Bordes and Cie in Paris, etc. On the eve of the War of the Pacific, the Peruvian government re-organised the nitrate contract through two Lima banks (the Compania Salitrera), intending to control the production of the foreign-owned oficinas, but the scheme was overtaken by the Chilean victory and seizure of the nitrate fields in 1881.[1]

During the War, shipments of nitrates declined because of the Chilian blockade of the West Coast ports. Once Chile had assumed control over

1 R.G.Greenhill & R.M.Miller, The Peruvian Government and the Nitrate Trade, 1873-79, Journal of Latin American Studies, V, 1973, pp.110-12,125-7

W.M.Mathew, Peru and the British Guano Market, 1840-70, Economic History Review, XXIII, 1970, pp.112-4, 126-7

W.M.Mathew, The House of Gibbs and the Peruvian Guano Monopoly,London,1981, pp.1-2, 37, 186

H.Blakemore, British Nitrates and Chilean Politics, 1886-96: North and Balmaceda, London, 1974, pp.17-21 the nitrate fields, shipments to Europe returned to the pre-War level of more than 300,000 tons per annum, compared with the 134,750 tons of 1879.[1] Thereafter, production and exports continued to rise in excess of European and American demand. Between 1885 and 1890, shipments to Europe rose from 378,000 tons to 775,000 tons. The proportion received in the United Kingdom fell from more than one-third to less than one-fifth; and the price in the Liverpool spot market dropped by almost 10%.[2] Sinking prices and glutted and demoralised markets led to unsuccessful attempts by a combination of producers to limit production and shipments.[3]

After the War, many of the oficinas fell into the hands of British speculators, who had acquired the certificates given to the previous owners. From 1883, a number of companies were floated in Britain to pursue nitrate production, under the guidance of the leading entrepreneur, Colonel J.T. North. Three were based in Liverpool, with shareholders among the commercial community (e.g., W. and J.Lockett, Brocklebank, Harrison, etc.): the Liverpool Nitrate Company, the Colorado Company, and the Primativa Company.[4]

1 Economist, vol.38, 13 March 1880, Commercial History and Review of 1879, p.18
Mercury, 1 January 1881, p.8
Courier, 2 January 1882, p.6: Annual Circular of T. & H. Littledale & Co.

2 Economist, vol.48, 22 February 1890, Commercial History and Review of 1889, p.12
vol.49, 21 February 1891, Commercial History and Review of 1890, p.12

2 Ibid., vol.44, 20 February 1886, Commercial History and Review of 1885, p.16
vol.46, 18 February 1888, Commercial History and Review of 1887, p.12
vol.48, 20 December 1890, p.1602
27 December 1890, p.1632

4 Blakemore, British Nitrates, pp.20-2, 28, 32-4

(vii) Petroleum

Imports of petroleum were established at Liverpool in the later 1860s, when the Chamber of Commerce was concerned in case the protective measures required by the government against fire in storage facilities might drive the trade to other ports in the United Kingdom or Europe.[1] Receipts of American petroleum were given a boost in the early 1870s with the new exploitation of large oil wells in the United States. Prices were kept low by large shipments: in early August 1873, the mails from the United States reported 105 cargoes loading for Europe, of which 13 were destined for Britain. Contrary to a suggestion in the Daily Post, Liverpool was not competing for the European re-export trade. In fact, the port was having difficulty in securing the British trade, which was being lost to other ports such as London and Bristol because of inadequate facilities.[2] In the early 1880s, petroleum imports into Liverpool averaged considerably less than half the import into London; but, by the end of the decade, the trade at Liverpool had risen to two-thirds that of London.[3] At the same time, American producers were combining to restrict their production in order to support prices, in the light of a record export to Europe in 1882. However, the reduction in American exports to Europe was replaced by supply from Baku.[4] At the end of the 1880s, storage facilities were well established in London, Bristol, Liverpool, Barrow and Newcastle; and Liverpool was seen by the Journal of Commerce as an important distribution centre.[5]

1 Chamber of Commerce Council Report, 28 August 1867, p.19
5 August 1868, p.18

2 Daily Post, 14 August 1873, p.4
16 August 1873, p.16: Letter from Alfred Hope & Sons

3 Economist, vol.45, 19 February 1887, Commercial History and Review of 1886, p.25
vol.49, 21 February 1891, Commercial History and Review of 1890, p.18

4 Mercury, 1 January 1881, p.5
20 January 1888, p.5

5 Journal of Commerce, 10 October 1890, p.4

(viii) Shipping

By the 1850s, the dominance of the American sailing packets in the Atlantic was already on the wane, as British shipping gradually switched from wooden construction to iron (initiated by Laird at Birkenhead in the 1830s), and from sail to steam, which facilitated regular sailings of more predictable length. These changes were made possible by the availability of mineral resources - coal and iron - technical skill and developments, and the requirements of the imperial carrying trade. Of particular benefit to Liverpool shipping was the government funding which went with the contract for carrying the North American mails, and the development of the immigrant trade to the United States. American shipping failed to adapt to the new circumstances and opportunities, with the exception of the Collins Line in the 1850s, but this venture suffered ruinous losses at sea, and through over-investment in advanced vessels.[1]

In the years immediately following the American Civil War, shipping in the American trade remained in a depressed state. In 1866, ship-building on the Thames and the Mersey was at a standstill, owing to previous over-production, and, according to the Courier, the unhelpful influence and activities of the trade unions involved.[2] This analysis of some of the underlying causes of the depression in trade was also broadly supported by the Iron Trade Review in Newcastle, which added another factor: the collapse of railway schemes for new lines and extensions at home and abroad. For the sake of economy in manufacture, it was expected that iron ship-building would be concentrated on the Clyde and the Tyne.[3] Three years later, in June 1871, the Mercury confirmed that production costs were

1 R.H.Thornton, British Shipping, Cambridge, 1945, pp.8, 27-8, 32-3, 36-8, 76-87

2 Courier, 27 November 1866, p.6

3 Economist, vol.26, 14 March 1868, Commercial History and Review of 1867, pp.4-5

higher on the Mersey than on the Clyde, where payment by results operated; on the Mersey, the shipwrights were too ready to go on strike.[1] Much of the ship-building on the Mersey was concerned with warships (at Laird of Birkenhead) for the British and other governments, rather than with merchant steamers.[2]

Improved freight rates and the opening of the Suez Canal in 1869 provided the necessary impetus for a resurgence in demand for new vessels, particularly iron screw steamers. Iron ships were rated for 21 years, compared with 10 years for those built of wood; they had greater buoyancy and storage capacity; and lower working costs and repair expenditure. Wooden vessels were, however, still in demand for the guano, rice, timber and cotton trades, where the motive power was often sail.[3] Demand remained healthy in the early years of the 1870s for iron ships powered by either sail or steam, but there were fluctuations arising from variations in freight rates, good harvests, which affected the need for foreign grain, the price of coal, labour costs, etc.[4] Between 1869-75, nearly £7 millions were invested in steam-powered shipping, and there was an expansion in the number of companies operating in the Atlantic, or diversifying their activities and establishing agencies overseas, e.g., the Harrison Line opening a direct route between Liverpool and New Orleans for business in cotton and wheat through a local agent, Alfred LeBlanc and Company.[5]

A similar investment in shipping was not apparent in the United States, where protectionism invariably meant support for manufacturing through

1 Mercury, 27 June 1871, p.6

2 New York Times, 23 October 1869, p.3

3 Ibid., 23 October 1869, p.3
6 November 1869, p.2

Courier, 1 January 1869, p.3: Circular of W.Newett & Son
2 January 1871, p.3: Annual Report of C.W.Kellock & Co.

Daily Post, 1 January 1875,p.6: Annual Report of C.W.Kellock & Co.

4 Daily Albion, 2 January 1875, p.6: Report of C.W.Kellock & Co.

5 Hyde, Liverpool and the Mersey, pp.56-9

subsidies and bounties at the expense of commerce. In 1855, 75% of the overseas trade of the United States was carried in American ships; and on the eve of the Civil War, the American mercantile marine was equal in tonnage to that of Britain. After the War, American shipping engaged in foreign trade fell by half, while foreign shipping (chiefly British) trading to the United States increased by two-thirds, - as early as 1867.[1] In the decade 1861-70, American tonnage entered at ports in the British Empire declined from more than 2,700,000 to around 1,200,000; whereas British tonnage entered at American ports increased from 1,148,000 to more than 2,600,000.[2] At the same time, the value of the export, re-export and import trade of the United States rose from £125 millions to £190 millions, but the amount handled by American shippers fell from £83 millions (two-thirds) to £63 millions (one-third). Similarly, the trans-atlantic passenger trade changed from 6:1 in favour of American shipping to 14:1 in favour of foreign shipping.[3]

The profits of the American carrying trade were passing into the hands of foreigners in general, and the British in particular. As wooden paddle steamers and sailing clippers gave way to iron screw steamers on ocean routes, the Americans found themselves left with their coasting trade, and lacking the expertise and supply of iron and steel to build new ships competitively, to operate at lower working costs. Government support for iron manufacturers simply inflated the price of raw materials, and therefore of American shipping. American shipowners were obliged to contract with English and Scottish yards for new iron vessels, in the face of restrictions on the registration of foreign-built shipping to protect American yards.[4] Apart from the restrictions and increased capital

1 Economist, vol.25, 20 April 1867, p.437
Daily Post, 7 November 1888, p.4

2 New York Times, 9 February 1871, p.1

3 Courier, 24 June 1872, p.4

4 New York Times, 16 October 1869, p.1
30 October 1869, p.1
6 November 1869, p.2
13 May 1870, p.4

outlay, American owners were liable for capital or property tax on the investment, as well as taxation on the profits earned. The New York Times argued for a modification of the Registry laws, for iron ships were built in Britain at two-thirds of the cost of those built on the Delaware river.[1] The futility of shipping enterprise in these circumstances was admitted by the Pennsylvania Railroad in March 1882. Ten years earlier, it had supported the foundation of the American Steamship Company out of Philadelphia, using American and British steamers, to challenge the British companies in the transatlantic carrying trade.[2]

At a Fourth of July banquet in 1880, the shipowner, Guion, drew attention to the desperate condition of American commercial shipping. As a result of commercial legislation, the Americans lacked captains and shipping, and the capacity to compete with British shipbuilders, despite government protection.[3] In 1880, out of 4,680 sailing vessels in the American carrying trade, only 884 were American (19%); and out of 590 steamers trading to American ports, only 46 were Americans (8%).[4] By 1884, the proportion of American-built vessels in the foreign trade of the United States had slightly improved to 23%; but the proportion of the goods carried in American ships was still only 17.5%.[5] In 1884, North America claimed 12.6% of the mercantile marine tonnage of the world, comprising 422 steam-ships of 374,314 tons, and 6,214 sailing ships of 2,099,218 tons. At the same time, Britain had 46.3% of world tonnage, made up of 4,460 steamships of 3,822,708 tons, and 17,875 sailing ships of 5,271,160 tons.[6] British steam tonnage plying to New York increased

1 New York Times, 10 March 1883, p.2
2 Mercury, 24 March 1882, p.5
3 Daily Post, 16 July 1880, p.5
4 Mercury, 19 April 1881, p.5
5 Daily Post, 9 February 1885, p.5
6 Economist, vol.42, 3 May 1884, p.541

ninefold between 1865 and 1884, while sail tonnage remained almost unchanged.[1]

The improved climate for shipping in the early 1870s did not last: the recovery in profitability was undermined by the Protectionist aftermath of the American Panic in 1873, and a renewed decline in freight rates, which led to vessels being laid up and staff reductions by steamship companies on the Atlantic routes. Ships lay idle in the Liverpool and Birkenhead docks, while the companies competed for the reduced trade at loss-making rates.[2] An initial attempt by the steamship companies in September 1874 to fix freights and steerage fares,[3] proved unsatisfactory because of the over-provision of shipping in the Atlantic trade, and the high price of coal. Another agreement was attempted in June 1875, which set realistic rates for passengers and cargoes, while allowing for differential charges between faster and slower vessels.[4]

The end to the Russo-Turkish War, and the need to transport large stocks of grain in Russian ports, brought some relief to the stagnation in the shipping trade. Meanwhile, the companies looked for economies in steamship management, and for the construction of larger and more econonic vessels.[5] In 1880, demand for tonnage was created by unprecedented losses, enormous imports of cereals, and the growth of the live cattle and dead meat trade from the United States and Canada.[6]

Continued heavy losses at sea and the growth in world trade generally

1 Parliamentary Papers, 1886, XXII, C4715, Royal Commission on the Depression of Trade and Industry, 2nd Report, p.389

2 Daily Albion, 4 May 1874, p.5
Courier, 12 June 1876, p.4

3 Mercury, 2 September 1874, p.6

4 Ibid., 14 May 1875, p.6
7 June 1875, p.6
Courier, 7 June 1875, p.4

5 Mercury, 2 January 1878, p.8: Circular of H.E.Moss & Co.

6 Courier, 3 January 1881, p.8: Annual Circular of C.W.Kellock & Co.

sustained the carrying trade, and persuaded shipping companies to invest in new tonnage.[1] Once again, the tonnage operating in the Atlantic exceeded requirements, so that 'absurdly low' freight rates were normal between New York and Liverpool. Greater competition in the Atlantic made it less easy for a cartel to fix rates and withdraw tonnage, as had been done in 1875. Good harvests in Europe meant that there was less demand for the corn which vessels used as ballast; and even this had to be bought at inflated prices, and in the face of competition, because the Chicago ring had locked up stocks of wheat, flour and corn.[2] Despite the temporary business created by the very large cotton crop for transport in 1882, and the Egyptian War, freight rates were lower, and more tonnage idle, than ever before in 1884.

In these conditions of ruinous business, the Courier deplored the attacks by the government on shipowners in, for example, Joseph Chamberlain's Shipping Bill, which assumed their dishonesty and criminality.[3] Steam tonnage was laid up because too much had been built; its value had declined by nearly 25%; and it had lost money in operation.[4] The worst year in the steamship trade was 1885, when according to the Circular of C.Moller, too many vessels were in the hands of inexperienced management, which ran down freights in a reckless manner, and then sold off the ships at ruinous prices, since the freights could not be improved by laying up tonnage, or forming rings.[5] The Courier described the docks and warehouses of Liverpool as virtually empty; the labourers, boiler-makers, riveters, mechanics, as unemployed and 'on the parish'. Some blame at least was

1 Courier, 2 January 1882, p.6: Annual Report of C.W.Kellock & Co.

2 Ibid., 11 April 1882, p.4

3 Ibid., 1 January 1883, p.7: Annual Circular of C.W.Kellock & Co.
1 November 1884, p.4

4 Daily Post, 2 January 1885, p.8

5 Courier, 2 January 1886, p.8: Commercial Circular of C.Moller

placed on the 'sensational legislation and frequent elections', 'startling revolutions', and 'socialistic proposals' of the governments of Gladstone. The hope was for stable government under Lord Salisbury, since the mercantile community was now cautious about new adventures and ordinary undertakings.[1]

The revival in American trade in 1886 was reflected in the renewed employment of laid-up steam tonnage. Although most usable steam tonnage had been built in the previous six years, many iron steamships were obsolete, since the preferred building material was now steel. The rate of steamship construction had been:

1866-70 - c1.6 million tons
1871-75 - 2 million tons
1876-80 - 2 million tons
1881-86 - 4 million tons[2]

From 1887, the prospects for the employment of steam tonnage were much improved, and this in turn led to renewed demand for more building.[3] There was now, for example, a need for 'tank ships' to carry petroleum from the United States and Russia.[4] The results were, by September 1888, a 50% rise in freight rates, and a scarcity of cargo tonnage, which prompted a vast expansion in ship-building from the end of 1888: 1,300,933 tons in the United Kingdom in 1889, and 1,283,333 tons in 1890. However, larger merchant fleets and lower freight rates once more were, to a degree, undermined by increasing costs for shippers from a considerable rise in the price of coal, and in wages, and by dock strikes in various ports

1 Courier, 13 August 1886, p.5
Ibid., 3 January 1887, p.8: Annual Circular of Jn.Hughes & Co.
2 Daily Post, 3 January 1887, p.8: Annual Circular of Jn.White
3 Ibid., 4 January 1888, p.8
4 Economist, vol.45, 19 February 1887, Commercial History and Review of 1886, p.24

including Liverpool (February - March 1890).[1]

For some Liverpool steam lines, uncertain profits in the shipment of goods and substantial investments in vessels could be offset by the gains from the carriage of emigrants, ordinary passengers, and also the North American mails across the Atlantic. From 1879, emigration from Liverpool to the United States, which had declined in the mid-1870s, once more became a major activity (although most emigrants from Germany and other continental countries now travelled from Hull). Between 1876 and 1879, departures averaged 62,200 per annum; between 1880 and 1887, the average figure rose to 163,500 per annum.[2]

Up to 1867, the Cunard Steamship Company had carried the transatlantic mails for 27 years, both the British North America (Halifax, Nova Scotia) and the United States (New York). By 1867, the British government subsidy was in the region of £176,300 per annum, and for this the Company provided weekly services to New York, and a fortnightly service to Halifax. The revenue which accrued to the Post Office from postage was over £100,000 per annum for the service to New York alone, and was increasing all the time. The service to Halifax was burdensome to the Cunard Company, since very little trade was involved for nine months of the year. On the other hand, the New York service was most profitably combined with passenger traffic, and justified the Company in developing an Atlantic fleet of 25 steamships.

1 Mercury, 26 September 1888, p.5
3 May 1890, p.5

Economist, vol.49, 21 February 1891, Commercial History and Review of 1890, p.25

2 Courier, 16 July 1869, p.6
20 July 1869, p.6

Liverpool Consular Reports, 141/50/77, C.T.Russell to J.D.Porter, 23 July 1886
141/50/144, C.T.Russell to G.LeRives, 20 December 1887
141/50/193, C.T.Russell to G.LeRives, 13 October 1888

For 1868, the Conservative government abandoned the monopoly contract with Cunard, and brought in the New York and Philadelphia Steamship Company (the Inman Line) to share the services to the American ports. Cunard received a subsidy of £70,000 for two sailings per week (to New York and Boston), and Inman £35,000 for one sailing to New York per week.[1] In the interests of economy, the government decided in December 1868 to throw open the mail contract to foreign carriers as well as home competition, and to consider operating the services from ports other than Liverpool. Mails for the West Indies were already sent from Southampton, although that port had virtually no trade with the Caribbean (unlike Liverpool) so that outward bound steamers usually carried ballast.[2] Despite evidence given to a Select Committee of the House of Commons by users of the mail service (including representatives of Brown, Shipley and Baring Brothers), in support of Cunard and Inman, the principles of competition and economy were upheld. Thus, the service from Liverpool via Queenstown by Cunard and Inman was henceforth shared with a new service from Southampton, operated by the North German Lloyd Line of Hamburg, supposedly subsidised by its own government, and not subject to the prevailing British regulations as to passenger space and diets. The inappropriate location of Southampton for postal business in the North-West, and the unreliability of, and additional day involved in, the Southampton service, were all criticised in the Liverpool press.[3]

1 Courier, 9 January 1867, p.6
Daily Post, 16 March 1869, Supplement, p.1

2 Mercury, 27 May 1868, p.6

3 Courier, 21 December 1868, p.6
15 March 1869, p.6
19 March 1869, p.6
8 April 1869, p.6
Mercury, 25 March 1869, p.6
Daily Post, 16 March 1869, p.4

Despite the economies achieved by the employment of the cheaper Lloyd Line from Southampton, increased mail led to increased losses for the Post Office in the 1880s.[1] By the end of 1886, the government was intent on securing the lowest tenders for monthly contracts, thereby excluding the lines with the fastest ships (Cunard and White Star). The thrice weekly service to New York was than operated by the Lloyd Line from Southampton, and the Inman and the Guion Lines from Liverpool. The route of the Lloyd Line was longer, but fast, Clyde-built steamers were employed; whereas both the Inman and Guion Lines possessed only inferior and slower vessels. Consequently, mails from Liverpool, leaving on Tuesday by the Inman Line and on Saturday by the Guion Line, and from Southampton, leaving on Thursday by the Lloyd Line not infrequently arrived on the same day. Although the Economist queried the patriotic claims made on behalf of Liverpool, her business community, and the members of Parliament for Lancashire and Yorkshire, condemned the unreliability and irrelevance of the Southampton service for the needs of the American trade, and the harm done to British shipping interests.[2]

Discontent was stilled early in 1887, and the government continued to avoid an expensive Cunard/White Star monopoly in Liverpool, when a new agreement was reached with the various lines in Liverpool and Southampton for an improved mail service. In addition to the sailing from Southampton by the Lloyd Line on Thursday, there were to be three services from Liverpool:

1 Daily Post, 1 January 1887, p.4

2 Ibid., 19 November 1886, p.4
25 November 1886, pp.5-6
26 November 1886, p.4

Courier, 23 November 1886, p.4
26 November 1886, p.4
30 November 1886, pp.4-5

Mercury, 10 March 1887, p.5

380 COM 1/2: Minutes of Council of Chamber of Commerce, 25 November 1886

Economist, vol.44, 27 November 1886, p.1476

Tuesday by the Inman Line, Wednesday by the White Star Line, and Saturday by the Cunard Line. It was agreed that the lines would make available their vessels to the government as transports in time of war - at peace-time prices; and that new ships would be built with Admiralty requirements in mind (particularly by the White Star Line), in order to facilitate their conversion into armed cruisers. In the opinion of the Daily Post, similar controls over ship design in a previous contract between Cunard and the government had delayed the introduction of screw propulsion and iron ships in the transatlantic service.[1]

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1 380 COM 1/2: Minutes of Council of Chamber of Commerce, 9 December 1886
Mercury, 2 February 1887, p.5
Courier, 2 February 1887, pp.4-5
Daily Post, 4 February 1887, p.4

The continued demand of the markets in the North-West and the Midlands ensured that the trades in foodstuffs - provisions, cereals, animals and meat - flourished throughout this period, 1865-90. In Liverpool, the supply from the United States tended to eclipse all other sources. Other imports - copper, fertilisers, petroleum - came to Liverpool from the Americas in increasing quantities. Iron and steel manufactures would have been exported to the United States from Liverpool in even greater amounts had the arrangements for inland carriage been more favourable, and the American requirements for railroad expansion more regular. Most of the trades suffered from the interference and problems which were a feature of international commerce in the later nineteenth century: speculation and manipulations of the market; over-production and the storage of excess stocks; falling prices and marginal profitability. The period witnessed the growing dominance of Liverpool-based steam shipping,* with the Steamship Owners Association claiming to represent 30% of British steam tonnage; and the increasing involvement of the shipping companies in handling trade.[1] Eventually, this development took their vessels all over the world, but, before 1890, it was still the American trade which was the most important and lucrative for most commercial interests in Liverpool.

* Lower - cost iron sailing ships were an attractive alternative in times of low freight rates, cf. P.L.Cottrell, The Steamship on the Mersey, 1815-80; Investment and Ownership, in P.L.Cottrell and D.H.Aldcroft, eds., Shipping, Trade and Commerce, Leicester, 1981, pp.139-44

1 Walton, Lancashire, pp.210-11

CHAPTER FIVE

Commercial Houses in Liverpool (1)

In the absence of a substantial collection of records of individual mercantile houses in Liverpool for the period 1865-90, it is difficult to assess the collective experience of those engaged in trade. As a result of the changing commercial conditions and practices, of variable profitability in the climate of international trade, or simply of poor judgment or bad luck, many ceased to exist in this period. Other diversified their mercantile functions, and if this involved increased activity in merchant banking, found it advantageous to leave Liverpool for a more obvious financial centre, London. It would be helpful to know how far and for how long merchanting in Liverpool remained a possible and profitable activity in the traditional way for the generality of merchants, who would so have described themselves before 1865. Similarly, it would be advantageous to have more information on the reasoning of those firms which opted for functional changes, to see to what extent such decisions were a direct result of their experience between 1865 and 1890, or were formulated as an overall strategy prior to the 1860s.

It is possible to examine these issues in relation to at least three houses with varying archives extant for this period, which were prominent in Liverpool commerce firstly in direct trading, and later, increasingly in merchant banking. In the case of Brown, Shipley and Company, many of their surviving records are in the archives of Brown Brothers, Harriman and Company in the Library of the New York Historical Society; and of Alexander Brown and Sons in the Library of Congess. However, much of the significant correspondence to and from the Liverpool and London Houses of Brown, Shipley for the later nineteenth century may be found in the

Guildhall Library, and supplemented by the Collet Records in the Kent Archives Office at Maidstone. The archives of Baring Brothers and Company are considerable, and include the correspondence of the Liverpool House, held in the Guildhall Library up to 1870, and in the private archives of the firm for the period thereafter. The records of Balfour, Williams and Company, housed in the Library of University College, London, are incomplete, but do include some correspondence to and from the Liverpool House from the 1860s to the 1890s.

The experience of all three companies is revealing of the difficulties of operating in transatlantic trade for firms based in Liverpool in the later nineteenth century. While all three moved towards involvement in the financing of trade, they did so from very different origins, organisation and resources. In the case of the Liverpool-based operations of all three, there was a commitment to continuing with a direct involvement in trading for as long as it was possible and profitable to do so.

A. Brown, Shipley and Company

(i) Re-organisation in England

The Anglo-American House of Brown had been established in Liverpool since 1810 as W. and J. Brown and Company, later changed to Brown, Shipley and Company, following their successful survival of the effects of the American Panic of 1837.[1] On the American side, the Browns sold their dry goods business as early as 1834, in order to concentrate on financing trade through the supply of credit and foreign exchange facilities.[2] Although withdrawing from involvement in the export trade to the United States in the 1830s, Brown, Shipley did not lessen their participation in trading operations either on their own account or on commission. In the opinion of a competing firm in Liverpool, Cropper, Benson and Company, the trade of W. and J. Brown and Company was '...perhaps the most extensive in this country', while the firm was 'entirely a commission house, and chiefly in the American trade'.[3]

Partners on both sides of the Atlantic were interested in developing associations with transatlantic shipping lines, and also railroad companies, partly as investments, partly as an assistance to more general commercial activities. The Browns lost some $500,000 in Collins' New York and Liverpool United States Mail Steamship Company, for which Brown, Shipley acted as agents, when the Line was wound up in 1858, following the withdrawal of the Congressional subsidy in the financial crisis of 1857. This disastrous venture, along with other investments in weak railroads, was much regretted

1 J.A.Kouwenhoven, Partners in Banking, New York, 1968, pp. 58-62
A.Ellis, Heir of Adventure; the Story of Brown, Shipley and Company, 1810-1960, pp.44-50
Perkins, Financing Anglo-American Trade, pp.7-8, 38-9

2 Kouwenhoven, Partners in Banking, p.51

3 quoted in Kouwenhoven, Partners in Banking, p.55
Cottrell, Commercial Enterprise, p.244
Perkins, Financing Anglo-American Trade, pp.91-3

by William Brown and subsequent English partners. William Brown himself was a major stockholder in the Cunard Steamship Company, which carried more mail but fewer passengers than the Collins Line, and was also profitable.[1] More important, however, the English partners continued to regard many of the American investments as unnecessary 'lock-ups' of capital, which reduced the liquidity of the business, and regularly obliged Brown, Shipley to seek funds in the London discount market (at a rate of £3-500,000 per month), or to borrow from the Liverpool Branch of the Bank of England.[2]

In the period 1845-60, the operations of the Browns continued to move away from direct involvement in trade towards credit financing of various kinds. In 1839, the Liverpool House had been the chief cotton importer with 7.2% of the Liverpool market (73,876 bales); but the revenues from commissions in Liverpool fell from $53,000 in 1845 to $5,000 in 1852. It is not clear how far this change in policy may have been due to fluctuating prices in the Liverpool commodities markets, or to a reluctance on the part of the Browns to compete with the return commissions allowed by their competitors. This commission business therefore tended to go to Baring Brothers, who showed a greater willingness to accept higher risks in return for potentially higher profits.[3]

Increasingly, the Browns concentrated on financing foreign imports into the United States. In 1859, when American imports were worth $344,586,000 of which 30% were financed by letters of credit, the credits of the Browns supplied $25,500,000 of the total, that is c8% of the total value, and more than a quarter of the credits. The Browns had now overtaken Baring

1 Kouwenhoven, Partners in Banking, pp.91-7, 100
Ellis, Heir of Adventure, pp.62-3, 65, 70-2

2 Perkins, Financing Anglo-American Trade, pp.50-4, 170-3

3 Ibid., pp.86, 101-3

Brothers, the first large-scale issuers in the American market, who still financed c5% of the total imports in 1859, and George Peabody and Company.[1] The credit operations of the Browns on the British side were organised from, and recorded in, Liverpool by Brown, Shipley. Apart from a reduced produce and forwarding business, usually on commission, the other main activity of the Liverpool House was the collection of bills purchased by the branches/agencies in the South; and the acceptance and later payment of sterling bills sold by the American Houses of the Browns.[2] That profits came chiefly from credit financing rather than a more direct involvement in trade is shown by earnings of £19,719 from credit commissions, and £11,023 from consignment commissions in 1845; but £74,631 from credit commissions and £3,459 from consignment commissions in 1859.[3] By the end of the 1850s, profits on the British side began to exceed £100,000 per annum, and were to remain at that level till the 1870s.[4]

During the Civil War, the need for foreign exchange facilities and credit financing continued for a reduced export trade from the North-Eastern United States in coffee, sugar, dry goods, etc.; and for an unabated import trade into that region. In Liverpool, Brown, Shipley returned to more direct involvement in mercantile activities, importing corn and cotton (from India and the Mediterranean as well as the United States) on their own account for the first time for several years.[5] This policy was justified by the generally advanced prices for commodities normally obtained chiefly from the United States. The result was that the performance of Brown, Shipley did not materially decline in the early 1860s:

1 Perkins, Financing Anglo-American Trade, pp.115, 123,144

2 Ibid., pp.147, 150-2
Ellis, Heir of Adventure, pp.53-5

3 Perkins, Financing Anglo-American Trade, p.47

4 Ellis, Heir of Adventure, p.111

5 Perkins, Financing Anglo-American Trade, pp.61-2, 204-5, 275 note

in January 1865, for example, the Liverpool House reported the 'very handsome' profits achieved on the British side in 1864 as £101,548 - 7 - 6d.[1]

At the end of the War, M.W.Collet wrote of the precarious nature of American business, and of his belief in diversifying the relations of Brown, Shipley so that the firm would not be altogether dependent on the American connection.[2] The interruption in Anglo-American commercial activity caused by the War enabled the British partners to establish a House in London, thereby achieving an expansion which had been under consideration since the later 1850s. A proposal for the establishment of a bank in 1861 had foundered on the need for more liquid capital and extra partners: to provide the capital required it would have been impossible to continue financing commodity trading, and necessary to concentrate on foreign exchange only. Capital which might have been available in the United States was, at that stage, invariably locked up in the railroad or shipping investments of Brown Brothers.[3]

The question of opening a House in London was revived in January 1863 by Brown, Shipley in a response to the announcement of the establishment of the British and American Exchange Banking Corporation, Limited. The new company proposed to have branches in London and Liverpool, and connections in New York and the Far East. The prospectus stated that it was

> '...formed for the purpose chiefly of dealing in Exchanges, a business which, excepting with British possessions, has hitherto been mainly in the hands of private firms; and it is well known that with many countries such Banking facilities have not been afforded to merchants and others as the vastly extended commerce of the present day demands. This is particularly the case in the trade between England and America, and it is proposed that the Corporation shall commence its operations by the establishment of an agency in New York...

1 Brown, Shipley Mss, 20,112/2, B.S.Liverpool to Collet, 27 January 1865

2 Ibid., 20,113/3, Collet to B.S.Liverpool, 9 January 1865

3 Perkins, Financing Anglo-American Trade, pp.63-4
Kouwenhoven, Partners in Banking, p.129

> 'The profitable nature of Exchange business is well known, especially that with the American States, and although the profit is at present greater than can be calculated upon in ordinary years, there is generally a much larger margin than is usually found remunerative by bankers...
>
> 'The shipments of produce and specie from New York alone for the past year have amounted to nearly forty millions sterling, and the average of several years has not been much less...' [1]

The initial reaction of the British partners was to suggest that the Browns should offer in the British and American press 'to undertake every description (of) Banking and Commission Business'. Another way of forestalling the competition was 'to charge as moderate commissions as possible on deposits, collection of dividends, transmission of Funds, and all other business involving little or no risk', and to grant 'marginal credits for cash in hand or for approved security available...', since 'the constant intercourse between nations by steamers and telegrams is reducing all commissions throughout the world'.[2] However, despite these policy recommendations, Brown, Shipley decided before the end of January 1863 that '...the effect on our business likely to follow from the establishment...' of the new Exchange Banking Corporation, and '...increasing competition we have to meet in various directions...' made it necessary to open a House in London. In the event, the management of the new Corporation was not a success, and after a scandal over the disposal of the shares, the Corporation was wound up at the end of 1864.[3]

The final decisions concerning the London house were apparently taken on 27 May 1863.[4] Having sold his house in Edge Hill, Liverpool, Collet moved to London in September 1863, and took possession of the new office premises in Founder's Court on 16 December 1863.[5]

1 Quoted in Kouwenhoven, Partners in Banking, pp.110-11

2 Ibid., p.110

3 Ibid., p.111

4 Collet Mss, U1287/F13: Dairy, 16 June 1862 - 17 July 1865, entry for 27 May 1863

5 Ibid., Diary, 16 June 1862 - 17 July 1865, entries for 19 June 1863, 18 September 1863, 16 December 1863

Apart from countering competition in the field of foreign exchange banking, it was hoped that Brown, Shipley would have access to superior credit information in London, and would be able to work cash balances more closely. It would also be possible to avoid fees to London bankers in connection with the payment of acceptances.[1] The British partners intended that the London House would extend the existing business of the firm in credits, exchange and commissions. The Liverpool House would retain its produce and forwarding business, and continue to deal in loans and documentary bills, which were applicable to Liverpool and the surrounding region.[2] In the United States, the Browns would have been prepared to see the Liverpool establishment reduced to an agency. Writing 22 years later, James M.Brown stated that the Liverpool House had only been kept open so that the Browns might make remittance to England in produce rather than bills of exchange in the event of strong competition in the American exchange market, and of narrowing profit margins.[3] Thus, at the time of the War, a produce and forwarding business in Liverpool was still seen as a valuable option.

At the end of 1864, F.A.Hamilton and S.H.Brown in Liverpool had advised against reducing the number of partners there any further.[4] However, in February 1865, Hamilton began to campaign for his own transfer to London to join Collet and H.Hoskier, arguing that there had been a decrease in the business of the Liverpool House in 1864, and that its staff was now excessive. He claimed that there was now only sufficient work for one partner between 10.0 a.m. and 2.0 p.m., and for a staff of 10 clerks

1 Perkins, <u>Financing Anglo-American Trade</u>, pp.64-5

2 Collet to B.B.New York, 28 January 1863, quoted in Kouwenhoven, <u>Partners in Banking</u>, p.112

Collet Mss, U1287/C79/2: Collet to Hamilton, 28 January 1864

3 Jas.M.Brown to Brown, Shipley, 19 November 1885, quoted in Perkins, <u>Financing Anglo-American Trade</u>, p.77

4 Brown, Shipley Mss, 20,111/1, Collet to B.S.Liverpool, 13 February 1865

and 4/5 apprentices, rather than the 17 clerks and 11 apprentices currently employed. He saw little prospect of a material increase of work in the Liverpool office for two or three years, since they had lost the business credits and new deposits (to London). In Liverpool, they had no faith in the produce business, and were not unhappy to be without it, as the House was unlikely to get it on terms which would provide compensation for the risk involved. If these arguments were not considered to be sufficient, then Hamilton added that it was objectionable for 'checks', acceptances, small drafts, etc., to be signed (in London) by anyone but a responsible and well-paid person.[1] Whether or not Collet was overwhelmed by this rhetoric, he had already advised the Liverpool House to take the decision on the transfer of Hamilton to London.[2] On 18 February 1865, the Liverpool House agreed that Hamilton should go to London permanently in July;[3] and at least one more clerk also left Liverpool for London.[4]

In the next few months, with the issue settled, the end of the American Civil War, and the gradual resumption of cotton shipments from the United States, the tenor of the correspondence from Liverpool changed markedly. Cheerfulness was now in evidence, 'but that is always the case when cotton is in the ascendant'.[5] Towards the middle of 1865, Hamilton reported that there was a 'large cotton business going on', and that the House was 'shipping a large number of packages by every steamer'.[6] In the autumn, Stewart H.Brown thought that the Liverpool House had now passed the lowest point of its work, and could look forward to a steady increase.[7]

1 Brown, Shipley Mss, 20,112/2, Hamilton to Collet, 3 February 1865; B.S.Liverpool to Collet, 9, 11, 14 February 1865

2 _Ibid_., 20,111/1, Collet to B.S.Liverpool, 8 February 1865

3 _Ibid_., 20,112/2, B.S.Liverpool to Collet, 18 February 1865

4 _Ibid_., 20,111/1, B.S.Liverpool to B.S.London, 29 March 1865

5 _Ibid_., Hamilton to Collet, 17 May 1865

6 _Ibid_., 20,112/2, Hamilton to Stewart (Brown), 14 June 1865

7 _Ibid_., S.H.Brown to Hamilton, 26 September 1865

There was every prospect of plenty of work in the winter in merchanting, and so the House did not wish to lend money on the Liverpool Stock Exchange.[1] There is no doubt, however, that the Liverpool House had performed poorly in the first six months of 1865, returning results which were even worse than those of the London House in the early months of 1864. In the period January-June 1864, Liverpool had earned £27,916 on commissions, and £23,923 in interest, compared with £4,104 in commissions, and £27,449 in interest in London. From January-June 1865, Liverpool earned £6,118 in commissions, and incurred a debit of £10,507 on the interest account, while London earned £19,162 in commissions, and £61,757 in interest.[2]

It seems that, once installed in London, Hamilton became a committed advocate of the need to preserve the Liverpool House, and of the value of its activities. Writing from his home in Barnet in September to James M.Brown, who was running the London office in the absence of both Hamilton and Collet on sick leave, Hamilton stressed the amount of business then being done by the Liverpool House in exchange, loans (which were being secured at rates above those obtainable on first-class bills), deposits, acceptances, the shipping of consignments, and the purchase and sale of produce. He pointed out that the major London houses found it valuable to have a branch in Liverpool; and that to close the Brown, Shipley House there would involve a loss of prestige as well as of information on the firms in Liverpool and the surrounding district. In the field of acceptances and the acquisition of bills, the ability to do business in both London and Liverpool brought customers, and the substitution of an agency for the Liverpool House would reduce the facilities which could be offered in Liverpool.[3]

1 Brown, Shipley Mss, 20,112/2, B.S.Liverpool to B.S.London, 23 October 1865

2 _Ibid._, B.S.London to ?, 17 August 1865

3 _Ibid._, Hamilton to B.S.London, 4 September 1865

In the eyes of the British partners, the Liverpool House would continue to operate in much the same way that it had always done. Collet and S.H.Brown both felt that the duties of the partner in Liverpool were not a sinecure, nor were likely to become so, whatever happened in London.[1] Nevertheless, the specifically banking aspect of the operations of the Browns on the British side had, for the most part, been transferred to London - and this was the area of business which Company policy had been expanding since the 1840s. Collet summed up the strategy of Brown, Shipley soon after his move to London, suggesting that they were still bankers in the sense that they had long been (although not like 'City Bankers' such as Glyn and Company, or Heywood and Company), but they were also prepared to do whatever profitable, merchant's business that might come their way.[2]

The death of Sir William Brown in March 1864 removed an important link between Brown, Shipley and Liverpool, but also precipitated a dispute within the whole firm over the re-distribution of the shares of the late British Senior Partner, and over the status of the long-serving British Junior Partners, M.W.Collet and F.A.Hamilton. After a lengthy and sometimes acrimonious correspondence, matters were not finally resolved till 1868, when Howard Potter was sent over from New York to agree the terms and arrangements for the partnership from 1869. The surviving American Senior Partner, James Brown, successfully re-asserted the Brown family control over the House, and ensured that this was located in New York. The allocations of shares allowed some recognition of the distinctive position of Collet and Hamilton in London, which they retained till the 1890s. On the withdrawal of James Brown in 1877, John Crosby Brown and Howard Potter emerged as large and influential shareholders on the American side.

1 Collet Mss, U1287/C79/3: Collet to S.H.Brown, 20 April 1864

2 Ibid., U1287/C82: Collet to T.B.Curtis, 13 February 1864

Frederick Chalmers, who had joined his brother-in-law, Collet, in the London office soon after it opened, was admitted as a partner to cover for the frequently ill Stewart H.Brown, who was based in Liverpool.[1]

1 cf. Perkins, Financing Anglo-American Trade, p.243

Kouwenhoven, Partners in Banking, pp.140, 143

Brown, Shipley Mss, 20,113/3
20,112/2
20,111/1

Collet Mss, U1287/C79/5, 6, 7, 9
U1287/F13: Diary, 1862-5, entry for 29 March 1864

(ii) American Agencies of the Browns in the Postwar Years

During the Civil War, the relationship between the Brown Houses in the North and in Britain and the branches/agencies in the South was interrupted, and its re-establishment in 1865 gave Brown Brothers the opportunity to modify its policy. Previously, the Browns had been willing to see some agencies develop as branches, e.g., New Orleans or Mobile, under the guidance of a junior member of the firm. However, by 1865, the American partners had decided on a looser association with independent concerns, as was the case with Houses which were not established on both sides of the Atlantic. At least one partner, Stewart Brown, would have been prepared to dispense with all formal associations, feeling that agencies brought more trouble than profit. On the British side, there seems to have been a greater regard for their value, since they enabled the Browns to seek business at many points in the United States, without which the House would have to take a secondary position in American trade.[1]

Following the American re-assessment, agencies were established, or re-established, at New Orleans, Mobile, Savannah, Charleston and Galveston in the South, and Boston in the North. Not all were in continuous existence, or indeed lasted very long (e.g., Galveston), but the following firms held the agency for varying periods between 1865 and 1890:

1 Perkins, Financing Anglo-American Trade, pp.74, 96, 205
Brown, Shipley Mss, 20/112/2, Hamilton to Collet, 17 May 1865
Ibid., 20,111/1, B.S.London to B.S.Liverpool, 28 October 1865

Boston 1865-	- D.S.Curtis G.E.Bullard L.Curtis
Charleston 1865-85	- James Adger and Company Gourdin, Young and Company Gourdin, Matthiessen and Company
Galveston 1870-73	- Halsey and Goldthwaite
Mobile 1865-73	- A.J. Ingersoll and Company Halsey, Goldthwaite and Company Goldthwaite and Company
New Orleans 1865-93	- Witherspoon and Halsey Halsey and Goldthwaite Halsey and Company C.F.Hoffman
Savannah 1867-85	Gourdin, Matthiessen and Company H. and R.N. Gourdin Gourdin, Young, Frost and Company Gourdin, Young and Company

There is little doubt that Brown, Shipley regretted the loss of a close relationship with the Southern agencies. Henceforth, there was less control over the activities of an agent: the business of an agent was no longer solely the business of the Browns, and in the case of A.J.Ingersoll and Company, the business of the Browns formed only a small part of the interests of the agent.[1] Consequently, it was argued in England that the affairs of the Browns should be clearly differentiated, and accounted for separately.[2] Where the agent advanced on behalf of the Browns against produce, the documentation should indicate that control over the property

1 Brown, Shipley Mss, 20,111/1, B.S.London to B.B.New York, 16 August 1867
20,112/3, B.S.London to B.S.Liverpool, 3 June 1867

2 Ibid., 20,112/2, B.S.Liverpool to B.S.London, 27 October, 1865
20,112/3, B.S.London to B.B.New York, 28 August, 1867

and its proceeds properly belonged to the shipper and the Browns, and not to the agent.[1]

It was felt that the agents pursued business with a regrettable lack of caution. In October 1867, Witherspoon and Halsey were reported to be advancing on unseen samples of cotton,[2] and, shortly afterwards, that they were 'cleaned out'.[3] At much the same time, A.J.Ingersoll and Company had heavy liabilities in bills drawn against the expected proceeds of the sale of 4,600 bales of cotton, totalling £112,000, of which Brown, Shipley were interested in £3,000 (£2,100 of which was secured). A loss for Ingersoll was inevitable, following the suspension of Fraser, Trenholm and Company, the cotton importers.[4] In the light of their transactions, Brown Brothers decided not to renew the agency for an exchange business with Ingersoll, but to restrict the Mobile firm to advances against produce.[5] Brown, Shipley had already recommended this course of action;[6] and, at the end of the summer of 1867, commented that most cotton buyers were sooner or later ruined in their reckless pursuit of commissions, reiterating that it was not desirable for an agent to confuse his own transactions with those of his principal.[7] However, it seems that the attempt to restrain the activities of Ingersoll was not a success. Three years later, in October 1870, the firm was also described as 'cleaned out' after they accepted bills against cotton drawn on an importer with few means and an unreliable record.[8]

1 Brown, Shipley Mss, 20,112/3, B.S.London to B.B.New York, 21 September,1867
2 _Ibid_., Collet to S.H.Brown, 7 October 1867
3 _Ibid_., 20,111/1, B.S.London to B.B.New York, 19 October 1867
4 _Ibid_., 20,112/3, B.S.London to B.B.New York, 20 July 1867
5 _Ibid_., B.S.London to B.B.New York, 26 July 1867
6 _Ibid_., 20,111/1, B.S.London to B.B.New York, 4 May 1867
7 _Ibid_., 20,112/3, B.S.London to B.B.New York, 28 August 1867
8 _Ibid_., 20,112/5, B.S.London to B.S.Liverpool, 18 October 1870

Apart from their immoderate transactions, the agencies were criticised by Brown, Shipley for their use of the connection with the Browns in order to attract business on their own account, as if this business received some sort of implied guarantee.[1] Similarly, Browns' business could also be used by the agent who also represented another concern, to provide additional business for that company, as in the case of Witherspoon and Halsey in New Orleans on behalf of the Insurance Company of North America, with whom the agent often insisted on insuring.[2]

At the end of the 1860s, the chief objection to the Southern agencies was their failure to achieve the profitability expected. In April 1868, the Liverpool House suggested that Brown Brothers should investigate why the exchange transactions of the previous winter had been so unprofitable. It was acknowledged that competition in New Orleans was now considerable, and that exchange business was increasingly being centralised in New York.[3] Three months later, Brown, Shipley argued that the exchange business would benefit if each agency worked its own profit and loss, and shared in the net result so gained. Furthermore, the importance of giving the agencies the widest scope to purchase bills was accepted, but the Liverpool House was unhappy to be pushed to extend assigned limits on lines, or to give credit in unacceptable quarters.[4]

The profits earned from the purchase of sterling between 1867 and 1869 were as follows:

	July 1867-June 1868	1868-1869
New York/Philadelphia/Boston	£47,890	£34,136
New Orleans	£2,983	£2,383
Mobile	£3,272	£2,592
Savannah	£1,038	£646
Charleston	£1,894	£877

1 Brown, Shipley Mss, 20,111/1, B.S.London to B.S.Liverpool, 28 October 1865
2 Ibid., 20,103, B.S.Liverpool to B.S.London, 31 July 1879
3 Ibid., 20,108/1, B.S.Liverpool to B.S.London, 27 April 1868
4 Ibid., B.S.Liverpool to B.S.London, 14 July 1868

Brown Brothers acknowledged the continuing meagre business, particularly at New Orleans and Mobile, and reduced the commission payable from ¼ to 1/8%. They were reluctant to abandon a well-established business after a season which was unrewarding for all the leading houses pursuing a legitimate cotton-buying business. If the time should come when they preferred to remit in cotton, rather than to purchase and risk bills for a trifling margin, the operations would be facilitated by having their own agents at the Gulf ports. They were content, therefore, to continue the business at New Orleans, Mobile and Charleston for at least another year.[1]

Writing from New York to H.Hoskier (in London), C.D.Dickey tried to place the Southern exchange business in a broader context. He accepted that the results from the Southern agencies were poor compared with previous years, but felt that all the agents, with the exception of Young at Savannah, had done as well any other might. Savannah and Charleston now suffered from internal competition, but also from the facilities available in New York. He went on:

> '...to you it must be obvious how greatly the old mode of transacting the cotton business has changed, the effect unquestionably of the use of the cable, and of steam for transportation. The old commission merchants are not making a living, with a very few exceptions, hence the character of negotiations has changed to the hands of speculators, who find houses here like Morton, Bliss and Company and others ready to work their business for them and Stg as formerly does not appear at the port of export...
>
> 'The restrictive policy as to names, lines, B/Lading, etc., consequent upon the high prices of cotton and of the uncertain position of the trade, has certainly drawn from us a very large share of business which otherwise would have come to our agents. The same applies to consignment business - others are bolder and they take the business. We have here frequently felt that on your side a little more latitude upon all these points, <u>especially from Liverpool</u>, might not have been inconsistent with prudence, and that a more liberal policy in our exch. business would have shown better results... We feel every confidence in our English Partners judgement of parties to be drawn on, and we feel our safety lies in adopting this view respecting them.

1 Brown, Shipley Mss, 20,108/3, B.B.New York to B.S.London, 6 August 1869

'All here agree that it would be unwise to abandon the Southern business, without a further trial, or until we feel satisfied that as a business it cannot be brought to pay. This has been a peculiarly adverse season all through as every intelligent cotton man will explain to you as he returns to your side...

'When we have exhausted the present "plan" of working the exch. business we may have to try another, and that may have to be to look to the staple itself as a cover, availing of telegram and steam to work the business on most favourable footing and at moderate risks. While I do not even suggest this yet, the time may come when we will have to see what bearing such transactions would have upon our business.'[1]

W.F.Halsey pointed out how all the houses engaged in exchange and banking business in New Orleans and Mobile, and particularly where advances on cotton were involved, had struggled to make profits since the Civil War. From 1867-69, earnings at New Orleans and Mobile had been £35,042 (including £3,950 for Liverpool), which represented a total profit of £27,842.[2] Brown, Shipley were content to support the decision to continue the Southern agencies, and the reasoning behind it, unless the business in exchange deserted the Southern ports for New York.[3] Brown Brothers took the opportunity to reorganise the agencies at New Orleans (to Halsey and Company), and Mobile (to Goldthwaite and Company); and offered the inducement of a larger commission so long as the agents confined themselves generally to the business of the Browns.[4]

Goldthwaite and Company, succeeding Ingersoll in Mobile, had incurred considerable losses for Brown Brothers by May 1873, apparently as a result of a long and premeditated deception by Goldthwaite. Much to the regret of Brown, Shipley, who felt that the importance of Mobile was such as to require a House for correspondence, the agency was terminated by New York.[5] A similar fate befell the agency at Galveston, which had only

1 Brown, Shipley Mss, 20,108/3, C.D.Dickey to H.Hoskier, 8 April 1869

2 Ibid., W.F.Halsey, New Orleans to H.Potter, New York, 16 November 1869

3 Ibid., 20,108/2, B.S.Liverpool to B.S.London, 19 August 1869
cf 20,111/1, B.S.London to B.B.New York, 19 August 1869

4 Ibid., 20,108/3, B.B.New York to B.S.London, 2 September 1869

5 Ibid., 20,111/1, B.S.London to B.B.New York, 5, 19, 26 May 1873
20,112/7, B.S.London to B.B.New York, 9 September 1873

opened in 1870, with the style of Halsey and Goldthwaite. The manager, who had come from Halsey's office in New Orleans, was dismissed. As with Mobile, Brown, Shipley were deprived of an agent on the spot to facilitate exchange transactions. The agencies in Charleston and Savannah, as operated by Young, were also subject to criticism from Brown, Shipley; and it was only when Gourdin in Charleston agreed to take responsibility for the Savannah office, that the English partners agreed to accept Young as its manager, albeit reluctantly, after what they saw as his previous mismanagement.[1]

Brown, Shipley made a plea for the retention of the remaining agencies, and emphasised the need for adequate compensation, given appropriate checks on the accuracy and honesty of the agents in their accounting.[2] They argued for a more exact system of determining the earnings of the agencies from each service rendered (excluding earnings by interest, for the agencies supplied no capital), and of allocating the proportion of profits which was due.[3] A sliding scale of rates, according to the tenor of a bill, was agreed, which differentiated them from those normally offered by the Browns. [4]

In the autumn of 1878, Brown, Shipley took over the exchange business of Dennistoun, Cross and Company with Anderson and Simpson of New Orleans, in New Orleans and Galveston. The arrangements were that Anderson and Simpson would telegraph Brown Brothers to sell bills at 60 days sight on Brown, Shipley, and then give Halsey documentary bills (in good order) when the cotton was shipped. Commission payable was ½%, and the amount of cotton running for the account of Anderson and Simpson was not to exceed

1 Brown, Shipley Mss, 20,112/5, B.S.London to B.B.New York, 3 October 1870
20,112/7, B.S.London to B.B.New York, 9 August 1873
6 September 1873
7 November 1873

2 Ibid., 20,112/7, B.S.London to B.B.New York, 9 August 1873
20,107, B.S.Liverpool to B.S.London, 22 January 1878

3 Ibid., 20,107, B.S.Liverpool to B.S.London, 6 December 1883

4 Ibid., 20,112/10, B.S.London to B.B.New York, 12 December 1883

1,000-1,500 bales at any one time.[1] Anderson and Simpson wished to operate their dry goods account through Brown, Shipley (in London) too, instead of through the Merchants' Banking Company of New Orleans. Brown Brothers pointed out, however, that the arrangement with Brown, Shipley might not stand up in the event of a Panic, or if Brown Brothers could not sell the exchange, particularly as Anderson and Simpson could not give Brown, Shipley a 'special lien' on the goods and proceeds.[2] Cotton shipped by Anderson and Simpson was sold in Liverpool by the brokers, Cunningham and Hinshaw. Subsequently, in 1881, Anderson and Simpson were upset when Brown, Shipley in Liverpool sought information about their cotton operations from Cunningham and Hinshaw. The manner of the enquiry gave offence, but, in 1880, the account with Cunningham and Hinshaw had returned a loss because of the decline in cotton, and the cornering of the futures market. In the 1880-81 season, all cotton purchases were covered by futures sales.[3]

The agencies of the Gourdin firms at Charleston and Savannah continued with some difficulties into the 1880s, and, by 1884, they were in debt to the Browns for some $11,000.[4] In April 1885, they claimed to be bankrupt,[5] and, by September, both Gourdin and Young had been retired.[6] The agency of Halsey in New Orleans was terminated in 1887 and given to C.F.Hoffman, at a time when it was clear that there was no need to enlarge and strengthen the presence of the Browns for local business additional to the purchase of sterling exchange. The Southern agencies had largely outlived their usefulness since the concentration of the exchange market

1 Brown, Shipley Mss, 20,108/5, B.B.New York to B.S.London, 17 September 1878

2 Ibid., 20,108/5, B.B.New York to B.S.London, 16 October 1878

3 Ibid., 20,108/6, Saul Simpson, New Orleans to J.E.Johnson, 7 March 1881

4 Ibid., 20,112/10, B.S.London to B.S.Liverpool, 2 August 1884
20,107, B.S.Liverpool to B.S.London, 2 August 1884

5 Ibid., 20,103, Minutes of Weekly London Meeting, 15 April 1885

6 Ibid., 16 September 1885

in New York, where it was possible to obtain a good supply of commercial bills through brokers.[1]

1 Brown, Shipley Mss, 20,111/2, B.S.London to B.S.Liverpool, 17 March 1887
Brown, Hundred Years of Merchant Banking, pp.270-1, 276-7

(iii) Trade in Commodities

By continuing their House in Liverpool, Brown, Shipley expected to maintain their activity in commodity trading, but telegraphic communication and transport by steamship combined to undermine the traditional system of marketing consignments. Writing to Brown Brothers in January 1869, the Liverpool House argued for the importance of their produce business:

> 'We feel that for many reasons, for profit, as well as for the sake of our position, and besides for the facility of learning what our fellow townsmen are doing, we should endeavour to maintain the direction of a certain quantity of produce into our control. That a change is occurring in the mode of working business generally, is admitted on all hands and this seems especially to apply to the consignment business from the United States.
>
> 'We think our concern must be in as favourable a position to secure such business as any other can be, but we believe that to do so satisfactorily will involve to some extent a modification of the practice hitherto adopted and a frequent resort to the use of the telegraph now constantly availed of by our neighbours, what we mean is that it will devolve on you to seek out business and to decide on the merits of each case as to the extent of advance, be it Cotton, or wheat, or corn, while the advantage of the telegraph will be that we shall at once be informed of the advances made and knowing them might in cotton, if we think proper, sell "to arrive" and in all cases be in a position to give instantly our views should the extent of the advance or the extent of the operation seem from our point of view to require modification or moderation; working in this way you might advance nearly to the value of Cotton here, and we should always have to bear in mind that it would by no means necessarily follow that advances by you, which seemed from our point of view excessive, might not be amply justified by the standing of the principals with you. We make these remarks on general grounds and not that we wish to stimulate advances at the present high price of Cotton, but we wish to know whether you do not feel with us that by the means now suggested, there might, to the good of all concerned, be more business controlled to us than has lately come our way. We have more than once thought of raising our limits for advances on Cotton, but have not thought that the increase which (under the old fashioned system of not selling till after arrival) would be justifiable would be worth mentioning and the more so as the limits last given would no doubt have been exceeded had you thought proper to do so.'[1]

Brown Brothers accepted the desirability of encouraging produce business to Liverpool, and promised to do all they could to promote it

1 Brown, Shipley Mss, 20,108/2, B.S.Liverpool to B.B.New York,19 January 1869

through liberal advances and frequent use of the cable. They suspected that some first-class houses in Liverpool worked for a lower rate of commission than they or Brown, Shipley thought it best to do, given the great competition for this type of business.[1]

Although cotton had been received from India during the Civil War, at the height of the cotton shipping boom in June 1865, Hamilton was reluctant for the Liverpool House 'to go into a produce business', and receive consignments from houses in the Indian trade, such as Finlay, Campbell and Company, or Ritchie, Stewart and Company, till the partnership issues had been resolved.[2] Nevertheless, it is clear that a considerable business was conducted in Liverpool in 1865: beside the purchase and sale of produce, the House shipped, in the first half of the year, 8,700 packages of dry goods, 3,800 packages of tea, 832 packages of fruit, 1,000 packages of salt-petre, 1,963 bales of hemp, 350 tons of iron, and 11,144 bricks - mostly to the United States.[3] The House was prepared to forego some £1,250 per annum from loans and investments, in order to have available the resources for mercantile business during the winter.[4] Towards the end of the year, it was reported that the Liverpool House was getting a fair amount of cotton on reasonable terms, and that the results for the year were showing well.[5]

When prices in the Liverpool cotton market began to decline early in 1866, the policy of the Liverpool House was to sell its holdings as early as possible in order to maximise the chances of payment.[6] Furthermore,

1 Brown,Shipley Mss, 20,108/3, B.B.New York to B.S.Liverpool, 9 February 1869

2 Ibid., 20,113/3, Collet to B.S.Liverpool, 20 February 1865
20,112/2, Hamilton to Stewart Brown, 14 June 1865

3 Ibid., Hamilton to B.S.London, 4 September 1865

4 Ibid., B.S.Liverpool to B.S.London, 23 October 1865

5 Ibid., 20,111/1, B.S.London to Jas.M.Brown, 5 December 1865

6 Ibid., 20,112/2, S.H.Brown to B.S.London, 17 April 1866
B.S.Liverpool to B.S.London, 24 April 1866

bales sold to arrive were not specified, so that different bales from the same consignment could be bought and substituted if what had been shipped in connection with the contract proved to be unsuitable to tender.[1] A contributory factor to declining cotton prices in 1866 and 1867 was the introduction of a limit of four months' usance on drafts from India. The bills tended to mature before the goods arrived, or around the same time, which created pressure on the importers and their brokers and financiers to sell quickly in order to meet outstanding bills. It was impossible to estimate future price movements because of the financial uncertainty caused by the shorter bills, and also by the large stocks of low-cost Eastern goods. The advice of the London House was for Brown, Shipley in Liverpool to follow the market and realise as best they could, since it was 'not usually the place of a Commission Merchant to speculate on the future'. Despite an urgent need to turn cotton into money, the Liverpool House seems to have avoided losses on bills by withdrawing from the market for a few days to await firmer prices.[2]

Later in 1867, cotton prices were still declining, and the Liverpool House was limiting its advances, although it was felt that Brown Brothers would still secure good consignments on safe terms, since it was hard to pass drafts.[3] In the light of low-priced purchases at Savannah, orders for large buyers like Homere were executed at a reduced price.[4] Brown, Shipley did not wish to be seen as specialist cotton buyers: to establish a general buying business for spinners and others would interfere with their exchange business. They did not wish to solicit orders in the

1 Brown, Shipley Mss, 20,112/2, B.S.London to B.S.Liverpool, 27 February 1866
B.S.Liverpool to B.S.London, 28 February 1866

2 Ibid., 20,112/3, B.S.London to B.S.Liverpool, 19 June, 10, 12, July 1867
B.S.London to B.B.New York, 13 July 1867
King, History of the London Discount Market, p.125

3 Brown, Shipley Mss, 20,112/3, B.S.London to B.B.New York, 5 October 1867

4 Ibid., 20,112/4, B.S.London to B.B.New York, 30 November 1867

United States, nor even to have a special order form, but rather to execute orders for first-rate people who specifically approached them. The commission required for this business was not less than 1½% of the usual 2½% (plus brokerage), the remaining 1% being the return commission for the buying agent; otherwise, the profit was not worth the annoyance of the supervision. As an alternative, people seeking cotton could go direct to agents of the Browns, such as Witherspoon and Halsey in New Orleans, but if Brown, Shipley were financially involved, they would insist on retaining responsibility. In the prevailing market conditions, it was felt in London that the Liverpool House would not receive many orders; and that, in time, the active competition of the usual cotton buyers would drive the firm out of the field.[1] The London house would have preferred to return to the system of granting credits for the purchase of cotton before the attachment of bills of lading became customary. Then, the party executing the order drew on Brown Brothers through their agent in a Southern port at a date not exceeding ten days, while Brown Brothers re-drew on the principal. If the order was executed in New York, Brown Brothers provided the funds and re-drew on the principal, or took drafts of the agent on the principal.[2]

In December 1867, the English partners agreed to a proposal from New York to counter the current difficulty of obtaining an adequate supply of bills, and to cover the sterling operations of the Browns. Cotton was to be bought at the low prices prevailing, and laid down in warehouses in Liverpool, if not previously sold 'to arrive' in limited parcels.[3] The supply of good quality cotton in New Orleans temporarily fell off in January 1868, and prices in the Liverpool market rose, till large receipts

1 Brown,Shipley Mss, 20,112/4, B.S.London to B.S.Liverpool, 1 November 1867

2 Ibid., B.S.London to B.S.Liverpool, 30 November 1867

3 Ibid., B.S.London to B.B.New York, 18, 20 December 1867

at the American ports, and heavy imports to Liverpool led to selling.[1] Nevertheless, Brown, Shipley in Liverpool complained about sharing the commission of 1½% with Alexander Brown and Sons, arising from the shipment of cotton by Maurice Williams from Baltimore: they claimed that they were better off without such business, and doubted whether any other house in the trade would be prepared to do it on such terms.[2] By the autumn of 1868, American cotton was in short supply, and this provoked fierce competition for it, and a rise in prices. The Liverpool House was obliged to raise the limits of its advances in order to secure 'some shippers who will keep to us for the season'.[3]

The following year, Brown, Shipley in London took a cautious approach to the financing of the cotton trade, when offered bills drawn by Duncan, Sherman and Company on various spinners (including Thomas Taylor and Brother of Wigan, who were committed for more than £20,000), then in the hands of Barings. The proposal was that Brown, Shipley should provide the funds for the spinners to pay the bills under discount at ½% above Bank Rate, in order that Duncan, Sherman's line with Barings could be reopened for further cotton purchases for the spinners (for which Duncan, Sherman would earn further commission at 3%). Both the London and Liverpool houses of Brown, Shipley agreed on declining the business. The Liverpool partners felt that Duncan, Sherman could not allow ½% above Bank Rate as discount to everyone in their exchange business and survive.[4] The extent of the dealings of Thomas Taylor and Brother ultimately led to a rejection of their drafts by the Manchester and County Bank; and an investigation by the Cotton Brokers Association into the way in which

1 Brown, Shipley Mss, 20,108/1, Hamilton to Collet, 16 January 1868
B.S.Liverpool to B.S.London, 26 February 1868

2 Ibid., B.S.Liverpool to B.S.London, 13 February 1868

3 Ibid., Brown, Shipley Liverpool to B.S.London, 2 (1), 5 October 1868

4 Ibid., 20,108/2, B.S.London to B.S.Liverpool, 29 May 1869
B.S.Liverpool to B.B.New York, 29 May 1869
B.S.Liverpool to B.B.New York, 24 June 1869

they and their brokers, William Clare and Sons, confused the financing of their activities.[1]

The strategy of stockpiling cotton in Liverpool was again adopted in the autumn of 1870, following the withdrawal of Brown Brothers from the Southern markets in the summer, in the light of the enormous losses in the cotton trade in Liverpool. Cotton itself was considered by Brown, Shipley to be a better investment than the bills arising from the trade in the Liverpool market. The London partners advised Liverpool that they had heard that importers in Liverpool, entirely lacking in financial substance, were easily able to get credit for their operations. Brown, Shipley looked for quick imports, in case the continuation of the Franco-Prussian War led to the British Market being swamped.[2]

From this point, the aggregate figures for cotton received and sold by the Liverpool House were as follows:

1870 -	10,002	bales received:		10,310	bales sold in Liverpool
1871 -	32,350	" "	:	29,573	" " " "
1872 -	14,821	" "	:	16,141	" " " "
1873 -	17,153	" "	:	16,889	" " " "
1874 -	3,185	" "	:	3,403	" " " "
1875 -	1,906	" "	:	2,294	" " " "
1876 -	2,169	" "	:	1,562	" " " "
1877 -	9,931	" "	:	8,310	" " " "
1878 -	1,229	" "	:	475	" " " "
1879 -	844	" "	:	2,055	" " " "
1880 -	1,263	" "	:	1,408	" " " "
1881 -	1,373	" "	:	1,171	" " " "
1882 -	786	" "	:	771	" " " "
1883 -	678	" "	:	522	" " " "
1884 -	175	" "	:	346	" " " "

[3]

1 Brown,Shipley Mss, 20,108/2 B.S.Liverpool to B.S.London, 22 October 1869
B.S.Liverpool to B.S.London, 13 November 1869

2 Ibid., 20,112/5, B.S.London to B.B.New York, 30 July 1870
B.S.London to B.S.Liverpool, 17, 18 October 1870

3 Ibid., 20,107, encl. in B.S.Liverpool to B.B.New York, 15 January 1879
20,142, Business done in Liverpool, 1872-88; and cotton received and sold, 1875-84

Large investments in cotton should be seen as an increasingly unusual activity for Brown, Shipley, who preferred to restrict the trading risk to providing a line of credit. Brown Brothers advocated purchases of cotton in December 1878, when the trade was very depressed, and prices were expected to go lower because of financial difficulties in England, and a large American crop. Liverpool was then the cheapest market, and the Browns predicted speculative investments during 1879 in the United States in a range of merchandise - cotton, cotton goods, wheat, pork, sugar - at lower prices than for many years.[1]

Brown, Shipley continued their involvement with the cotton trade throughout the 1880s, financing the shipment of cotton from Baltimore by Reynolds Brothers,[2] from New Orleans,[3] from Philadelphia by George H.McFadden and Brother in association with a Liverpool House, Frederic Zerega and Company,[4] and from Liverpool to the Continent of Europe, for which they were reimbursed by Blessig, Braun and Company in Liverpool.[5] In the London weekly meeting of 8 September 1886, there was reference to the 'alleged revival of cotton consignments to Liverpool'.[6]

Commodities other than cotton were imported by the Liverpool House, but there was a consistent diminution in variety and volume over the period 1865-90. In the case of the London House, the pattern was less marked, and commodities like tea (particularly so), wheat, linseed oilcake and coffee were held in considerable quantities in several years.[7] In general, Brown, Shipley were usually prepared to be involved in a produce business

1 Brown,Shipley Mss, 20,108/5, B.B.New York to B.S.London, 6 December 1878

2 Ibid., 20,108/6, A.B.Baltimore to B.S.Liverpool, 11 January 1881

3 Ibid., 20,103, Weekly Meeting, 22 July 1885

4 Ibid., 20,103, Weekly Meeting, 23 June 1886
20,108/7, B.B.Philadelphia (Eugene Delano) to B.S.London, 26 October 1888

5 Ibid., 20,108/7, B.B.New York to B.S.London,(72), 18 September 1888

6 Ibid., 20,103, Weekly Meeting, 8 September 1886

7 Ibid., 20,115/2-11 inc., Finance Letters, passim

so long as prevailing commercial conditions made this a worthwhile investment, and competitive with purely financial transactions. Sometimes a risk was declined, as, in July 1867, when the London House refused to extend credits for the import of guano to New York at a time of little demand;[1] or as in April 1870, when the House drew back from involvement in the execution of petroleum orders, sent by J.H.Schroder and Company, which were large and lucrative but risky.[2]

Credits were given for trade in tea and coffee: the Liverpool House financed the purchase of coffee at Rio for the United States through credits, taking financial business (collections and remittances) away from Duncan, Sherman and Company.[3] Although losses in tea were sometimes heavy,[4] the London House was prepared to receive consignments direct from China, on safe terms.[5] One major supplier to both Brown, Shipley in London and Brown Brothers in New York was Olyphant and Company of China, who were also involved in importing cotton goods to China, and exporting nitrates from Peru. Olyphant narrowly avoided failure in the summer of 1878, when they owed £120,000 in China and New York, including £20,000 to Brown Brothers, but succumbed in December of the same year. A scheme to ship Chinese coolies to Peru was frustrated by the British and Chinese governments, and Olyphant in consequence lost heavily.[6] The Brown firms continued to support the import of tea to San Francisco, and coffee from the East Indies to Boston.[7] In December 1883, the London House proposed

1 Brown,Shipley Mss, 20,112/3, B.S.London to B.S.Liverpool, 3 July 1867

2 Ibid., 20,112/5, B.S.London to B.B.New York, 16 April 1870

3 Ibid., 20,108,2, B.S.Liverpool to B.B.New York, 3 April 1869

4 Ibid., 20,108/3, B.B.New York to B.S.London, 13 March 1869

5 Ibid., 20,112/4, B.S.London to B.B.New York, 28 October 1867
20,112/9, B.S.London to B.B.New York, 10 August 1880

6 Ibid., 20,108/5, B.B.New York to B.S.London, 27 June, 19 July, 9 October, 9 December 1878

7 Ibid., 20,108, B.B.New York to B.S.London, (encl.), 3 June 1881
B.B.Boston (agent) to B.S.London, 7 October 1881

to buy coffee for American importers in collaboration with Brown Brothers or another American house.[1] A few months later, however, coffee was seen as a less attractive commercial proposition in the light of the losses of the Brazilian syndicate in European and American markets, and of the problems of the Brazilian coffee estates, following the liberation of the slaves.[2]

Trade in sugar also produced variable results - losses in April 1873 through Kirkland, Chase and Company, but successful operations through Fisher Brothers of Baltimore, although their line of credit had reached nearly £196,000 by May 1977.[3] Another firm with an extended line was Willett, Hamlin and Company of Boston, whose credits for importing sugar, coffee and hemp had reached £185,203 by November 1881.[4] Seven years later, in the summer of 1888, when sugar was unsaleable in the United States, Brown Brothers and Willett, Hamlin sent consignments over to Liverpool for sale.[5] This manoeuvre was partly induced by the fact that Kidder, Peabody, if not their associated House, Barings, were offering facilities to sugar refiners in the United States at reduced rates.[6]

The chief involvement of the Browns in the grain trade was through Alexander Brown and Sons in Baltimore, which, along with Boston, New York and Philadelphia, was one of the main grain ports on the East Coast. The purpose of this involvement was to give Alexander Brown control over the exchange business of Baltimore against the competition of the Drexel firms.[7] Offers of consignments of grain from the West Coast were usually

1 Brown,Shipley Mss, 20,112/10, B.S.London to B.B.New York,10 December 1883

2 Ibid., B.S.London to B.B.New York, 17 July 1884

3 Ibid., 20,108/4, A.B.Baltimore to B.S.London, 4 April 1869
20,112/8, B.S.London to B.B.New York, 7 May 1877
B.S.London to A.B.Baltimore, 7 June 1877

4 Ibid., 20,108/6, B.B.Boston (L.Curtis) to B.S.London, 21 November 1881

5 Ibid., 20,108/7, B.B.New York to B.S.Liverpool, 29 June 1888
B.B.New York to B.S.London, 13 July 1888

6 Ibid., B.B.New York to B.S.London, 10 July 1888

7 Ibid., 20,108/6, B.B.New York to B.S.London, 3 June 1881

declined, sometimes because of the inexperience of the Browns in the breadstuffs trade, which might leave the American shipper too exposed, sometimes because it would pose a threat to the exchange business of Alexander Brown.[1] The business of Gill and Fisher, the largest of the Baltimore shippers, was particularly valued by the Baltimore House,[2] which was prepared to take chances which would not have been contemplated by Brown, Shipley or even Brown Brothers. The English dislike of conditional acceptances, and of bills drawn directly on purchasers rather than on London financiers, was seen in Baltimore as inhibiting the acquisition of bills against grain shipments.[3]

Criticised for the number of bills drawn on weak English parties which they sent to Liverpool, Alexander Brown and Sons argued that, such was the competition, they were bound to take 'a good deal of <u>skim milk</u> with the <u>cream</u> or (risk) losing <u>both together</u>.' Their dealings in Baltimore were with clients direct and not through brokers, and they had suffered negligible losses in documentary exchange in the previous 13years (before 1881), although the system had led to heavy losses in credit business. Instructions from London to pass weak bills from their best customers simply meant that they had passed goods as well as bad bills to Drexels, as in the case of Gill and Fisher. Out of their first 70 shipments of grain from Baltimore in 1878, Alexander Brown and Sons took 51 out of the bills; whereas when they refused the poor bills - one-eigth to one-quarter of the total - Gill and Fisher went to Drexels, so that Alexander Brown got only 16 of the bills for the first 70 shipments in 1881. Unless

1 Brown,Shipley Mss, 20,112/8, B.S.London to B.B.New York, 13 April, 9 May 1877
B.B.New York to B.S.London, 2 July, 7 August 1878
A.B.Baltimore to B.S.London, 2 August 1878

2 Ibid., 20,108/7, A.B.Baltimore to B.S.London, 6 July 1888

3 Ibid., 20,108/5, A.B.Baltimore to B.S.London, 24 December 1878
20,108/6, B.B.New York to B.S.London, 3 June 1881

they took a reasonable amount of risk, like other good houses, they feared that they would have to close their doors.[1]

The trade in consignments of American beef was seen by Brown Brothers as primarily an interest of Baring Brothers, although they acknowledged that Brown, Shipley were able to handle such consignments.[2] The main concern for Brown Brothers seems to have been the exchange business which might be generated - hence the account of the developing trade in refrigerated beef shipments from Galveston, in July 1888. The problems were the lack of a freezing establishment nearer than Fort Worth, which was 270 miles away, and the delay which this caused in the delivery of the meat on board ship, and in the consequent release of the bill of lading and the exchange involved.[3]

From time to time, Brown, Shipley looked for involvement in the metals trade, as in April 1870, when the London House was interested in copper consignments from American ports through Alexander Brown and Sons. A New York combination was seeking to reduce the stocks in the United States by large shipments to Europe, and this would be 'very desirable business' for Brown, Shipley.[4] Ten years later, the Brown houses were caught up in the sudden revival in the American demand for iron and rails. The realisation that the demand was based primarily on speculation left many of their clients anxious to sell the shipments which they had ordered, or to cancel the contracts which they had made, accepting the financial penalties, and paying the differences. As prices returned to what they had been in the summer of 1879, before the upsurge in American demand, sales

1 Brown, Shipley Mss, 20,108/6, A.B.Baltimore to B.S.Liverpool, 11, 21 February 1881

2 Ibid., 20,108/3, B.B.New York to B.S.London, 5 June 1869

3 Ibid., 20,108/7, B.B.New York to B.S.London, 31 July 1888

4 Ibid., 20,112/5, B.S.London to B.B.New York, 30 April 1870

were difficult and usually involved losses. The Brown houses refused to cancel confirmed iron credits, and insisted that margins on credits were duly paid by American importers.[1] Apart from Waterman and Company in Philadelphia, the biggest problems were the Boston iron accounts - Houdlette, Ellis and Company, Page, Newell and Company, and Stevenson, Pierson and Company. Houdlette, Ellis failed in June 1880, owing the London House nearly £53,000, and the Liverpool House £19,000. Brown, Shipley blamed the 'young and inexperienced' Boston agents for opening accounts with firms who, for the sake of supposedly good bargains, were willing to engage in large business transactions with unknown and dubious people, without first consulting with Brown Brothers.[2]

By the end of the summer, speculation and the absence of American demand had undermined the British iron market, and left the Browns with a large and costly interest in steel, iron and old rails.[3] Brown Brothers continued with imports of iron and rails, in the expectation of a renewed American demand and higher prices in 1881. Consignments were obtained by Saunders Brothers, or by Brown, Shipley in London. Although the prices of the latter were higher by their commission, they felt that there was an advantage to the buyer if they were the seller, rather than a 'mere' iron merchant, who could not, in any case, provide the consignment on credit.[4] Brown, Shipley gave up their firm offer business in iron at the end of the year, agreeing to finance iron shipments by credits. They felt, nevertheless, that credits involved a risk out of all proportion to the commission received, unless they were strictly limited, or guarded

1 Brown, Shipley Mss, 20,112/9, B.S.London to B.B.New York, 16 March, 22 April, 29 April, 6 May 1880

2 Ibid., 20,112/9, B.S.London to B.B.New York, 25 May, 27 May, 15 June, 18 June 1880

3 Ibid., 20,112/9, B.S.London to B.B.New York, 26 August 1880

4 Ibid., 20,112/9, B.S.London to B.B.New York, 28 August, 20 November 1880

by margins in hand. Confirmed credits from Brown, Shipley amounted to an absolute guarantee to an English seller of the entire contract.[1]

Failed accounts from the iron trade left the Browns with the following debit balances at the end of 1880:

C.W.Scofield, New York	£57,032
Waterman and Company, Philadelphia	£14,325
Houdlette, Ellis and Co., Boston	£47,878

together with a debit balance of £35,620 from a joint account investment in steel rails with Saunders Brothers.[2] Much of this indebtedness was covered by holdings of iron and steel which had been left in the hands of Brown Brothers. By the end of May 1881, they reported that less than 10% of their holdings had been sold, and that price reductions might be necessary. Of the c19,000 tons of steel rails in New York, Brown Brothers held over 8,000.[3]

In Latin America, Brown, Shipley competed successfully in the exchange markets of Buenos Ayres, which were over-loaded by the constant heavy drawings of the two national banks. Credit business in the River Plate region was influenced towards Brown, Shipley by G.B.Parry - as he did in the New England manufacturing area - in preference to the associate of Baring Brothers, Samuel B. Hale and Company.[4] The two English houses also shared the business of George A.Alden and Company in Para. Alden's imports to the United States were to fulfill contracts with large consumers, mostly on commission, and all in great secrecy. The merchandise was placed before purchase, and

> 'The article imported is to supply the rapidly increasing wants of a great country drawing its supplies of manufactured goods principally from our neighbourhood'.

1 Brown,Shipley Mss, 20,112/9, B.S.London to B.B.New York, 30 December 1880

2 Ibid., 20,112/9, B.S.London to B.B.New York, 23 November 1880

3 Ibid., 20,108/6, B.B.New York to B.S.London, 27 May 1881

4 Ibid., 20,112/9, B.S.London to B.B.New York, 26 August 1880

In the opinion of the agent of Brown Brothers in Boston, this was safe and desirable business, with the large obligations to the Browns covered promptly by notes from the receiving parties, or cash from Alden, in the terms of a trust receipt. Curtis in Boston emphasised the need to safeguard the involvement of the financier, in the light of the

> 'change which is taking place, or which has taken place in late years, in the methods of importing some of the great staples, in consequences of the facilities afforded by cables in bringing together the producers and consumers at the expense of a commission to the broker or agent and one to the bankers financing the operations, to the exclusion of the formerly existing merchant importers. The small commission to the banker seems to be begrudged by all with a common effort of buyers and sellers to cut it down or eliminate it altogether'.[1]

On occasions, however, - as in the depression of trade in 1884 - the Boston agency was prepared to discourage advances on consignments to the United States.[2]

1 Brown, Shipley Mss, 20,108/6, B.B.Boston (L.Curtis) to B.S.London 11 November 1881

2 *Ibid.*, 20,103, Weekly London Meetings, 15 October 1884

(iv) Financial Operations of Brown, Shipley

A most important facility to support commerce was the provision of a line of credit for firms engaged in some aspect of international trade. Bills would be drawn on one of the Houses, and the outlay recouped (with interest or with the payment of a commission) by the House concerned or one of its associated establishments. The Browns, with branches on both sides of the Atlantic, were in a favourable position to provide the foreign exchange facilities for firms involved in the transatlantic trade. On the other hand, Collet felt that the regular business activity of the English branches, in which the connections were all with the United States, meant that they were isolated from the continent of Europe, in a way that Rothschilds, Barings, Hambros and others with a wider involvement in world trade were not.[1] Nevertheless, Brown, Shipley were heavily if less directly engaged in the financing of international trade through their acceptance business for a range of clients, and through the purchase and collection of bills relating to transactions between other parties. It was normal to retain bills with documents attached (referring to a specific consignment) until maturity, since the goods described were satisfactory security in normal market conditions. Clean bills, to which no bill of lading or insurance document was attached, might be retained till maturity, or, if funds were required for other purposes, would be re-discounted in the market.

The need to have available a ready supply of capital for use in the financing of trade or bill purchases, was a constant theme in the correspondence of the English Houses. Anything which tied up money in investments, loans, or even bills of long date, was frequently deplored as a hindrance to the gainful employment of capital, and also as an unnecessary risk. Similarly, the level of acceptances was often a source of anxiety

1 Brown,Shipley Mss, 20,111/1, Collet to Potter, 11 December 1866

if funds were not regularly remitted from the United States, whether in bills, money or some form of security. When the funds available to Brown, Shipley were insufficient to meet their immediate obligations, it was the practice to resort to the discount market, or to raise a temporary loan. These were not regarded as favoured expedients, since they might undermine profitability, and reference was made on more than one occasion to the fact that Barings never discounted their own acceptances. The London partners, who had plenty of experience in Liverpool, thought, in October 1867, that discounting was less common and less well understood in London than in Liverpool.[1]

Nevertheless, obligations had to be covered, and in the later nineteenth century, the trend of the level of acceptances was usually upward. In November 1866, they exceeded £3,000,000.[2] Two years later, in November 1868, the engagements of the Browns had reached £4,000,000. In the opinion of the London partners, the acceptances were quite beyond what they ought to be, and what the London market would bear, without comment on the capacity of the firm to sustain such obligations.[3] Not for the last time, Brown Brothers criticised the London House for not always carrying out the credits issued by New York to the letter, even if they went against advice from London.

> 'In these days of active competition, we feel that it will not do for us to be too tenacious about requiring people to conform strictly to the regular terms for our Credit business... we must in some instances grant exceptional terms to customers, or otherwise lose some desirable accounts.'

They agreed with London in opposing the extension of the usance of English credits from four to six months, but pointed out that American railroad companies could readily buy their iron through bankers on six months'

1 Brown, Shipley Mss, 20,111/1, B.S.London to B.B.New York,18 February 1871
20,112/3, B.S.London to B.B.New York,28 October 1867

2 Ibid., 20,111/1, B.S.London to B.B.New York, 10 November 1866

3 Ibid., 20,111/1, B.S.London to B.B.New York, 21 November 1868;
Hamilton to Potter, 21 November 1868

time.[1] Acceptances fell to a significantly lower level throughout 1869 - below £3,000,000 for much of the year - and did not rise sharply again till the last two months of 1870.[2]

Given increasing business, the English partners successfully pressed for an expansion in the cash capital in the firm. In the opinion of Collet, it was usually impossible for Brown, Shipley to limit their engagements during a period of stagnation of trade (e.g., following the American Panic of 1873), since this would undermine business in more prosperous times.[3]

Credits generally remained at a high level of £6 millions and more during the 1870s, only declining in 1878, as a result of the large diminution in the American import trade.[4] In the course of 1877, Brown, Shipley in London were expressing anxiety over the extent of lines in cotton bills held by the Liverpool House, many of which went back on weak parties. One of these, Lockhart and Dempster, failed, owing the Liverpool House £48,994, happily covered by brokers' engagements or bills of lading for produce, etc. The London partners criticised the unreasonable, clean lines given to such as L.Rodocanachi and Company in Liverpool, urging Alexander Brown and Sons:

> 'how much more satisfactory it is to give only moderate uncovered lines and to adhere pretty strictly to them - as overtrading and a want of candour seems to be "l'ordre du jour" - with us as well as with you'.[5]

1 Brown, Shipley Mss, 20,108/3, B.B.New York to B.S.London, 20 April 1869

2 Ibid., 20,115/4 & 5, Finance Letters for 1869 and 1870

3 Ibid., 20,111/1, B.S.London to B.B.New York, 19 August 1867
18 February 1871, 25 September 1873; Collet to Chalmers, 20 June 1872
20,108/4, B.B.Boston (D.S.Curtis) to B.S.London, 16 December 1873

Perkins, Financing Anglo-American Trade, pp.78-9

4 Brown, Shipley Mss, 20/108/5, B.B.New York to B.S.London, 9 January (encl.) 26 September 1878

5 Ibid., 20,112/8, B.S.London to B.S.Liverpool, 17 April 1877
B.S.London to B,B.New York, 1 May 1877
B.S.London to A.B.Baltimore, 8 August 1877

Heavy credit financing of trade in iron and iron products and a high level of acceptances in Eastern trade, again took the engagements of Brown, Shipley beyond £6 millions in 1880; while it was estimated that 60% of all American business at Yokohama was done on credits supplied by the Browns. Brown, Shipley were greatly alarmed at the rapid growth of their commitments, and wished to restrain the Browns from indiscriminate issuing of credits - which enabled small concerns to do enormous business.[1] In advocating a flexible approach to credits in the East India and China trades, Brown Brothers stressed the problem of meeting the competition, to which their constituents were already subject to an appreciable extent, of importers, who worked their business through English houses, without recourse to bankers' credits at all.[2]

Writing in May 1880, Hoskier urged moderation on the American side of the business, with careful regulation of 60 days' sight bills, and drawings in New York balanced with similar bill remittances to England. In Liverpool, most of the bills had documents attached; in London, they were drawn on Brown, Shipley; or with documents; or, if clean, bills with which the House was reluctant to part. Therefore, it was not always possible for Brown, Shipley to raise cash on many of the bills in the discount market, and so they were dependent on the Browns to provide financial cover for their commitments. In New York, there was an inclination to regard the attitude of the English partners as alarmist. Hoskier, on the other hand, argued that there was still a need for more capital in the firm.[3]

Given the demands of regular customers for short sight facilities

1 Brown, Shipley Mss, 20,111/2, B.S.London to B.B.New York, 20 January, 12 February, 2, 6, March, 27 April, 29 June 1880
20,112/9, B.S.London to B.B.New York, 11 March 1880

2 Ibid., 20,108/5, B.B.New York to B.S.London, 26 September 1878

3 Ibid., 20,111/2, B.S.London to B.B.New York, 10 February 1880
Hoskier to Potter, 20 May 1880
B.S.Liverpool to B.B.New York, 10 February 1881

and cable transfers, Brown Brothers agreed to try to avoid excessive calls on Brown, Shipley's funds. With the help of the fullest cable advice, the money of the House should not be employed on either side of the Atlantic in transactions which were too lengthy for profitable working.[1] There is evidence that Brown, Shipley continued to have problems in balancing acceptances with remittances and bills sent for collection from the United States, if only because of unreliable communications.[2] At the end of the 1880s, the London House was regularly discounting bills through the London and Westminster Bank, which provided a line of £500,000.[3] A similar arrangement was agreed with the Bank of Liverpool.[4] Even with these provisions for systematic discounting, Brown, Shipley still ran short of funds, and were sometimes obliged to sell, or borrow against, securities held.[5] On the other hand, the issuing of credits by merchant bankers may well have declined during the 1880s: the London House thought that the large dry goods houses had, by 1884, mostly ceased to take credits.[6]

In an era of deflation, and with no lack of competition in the field of the financing of trade, there was frequent pressure for reductions in the rates of commissions and other charges exacted by the Browns. In 1867, Brown, Shipley resisted the attempt by Brown Brothers to lower commissions on foreign credits, with the aim of taking business away from Baring Brothers. The English partners thought that the House already held the premier position in American trade, and business therein was actually increasing. They had no wish to increase their liability under credits with the capital then available, and feared difficulties in the United States before the return to specie payments. Credits in Indian

1 Brown, Shipley Mss, 20,108/6, B.B.New York to B.S.London, 21 October, 29 November 1881

2 <u>Ibid</u>., 20,111/2, B.S.London to B.B.New York, 9 April 1881

3 <u>Ibid</u>., 20,111/2, B.S.London to B.B.New York, 21 February 1888

4 <u>Ibid</u>., 20,111/2, B.S.London to B.B.New York, 4 December 1889

5 <u>Ibid</u>., 20,112/10, B.S.London to B.B.New York, 1 July 1884
20,111/2, B.S.London to B.B.New York, 28 January 1888

6 <u>Ibid</u>., 20,112/10, B.S.London to B.S.Liverpool, 28 June 1884

and South American trade were a different matter, however, and reductions in rates of commission here, in the interest of retaining customers, were acceptable.[1] Brown Brothers seem to have prevailed in their insistence on a more general lowering of the rates on English credits, starting on 1 September 1867; although Brown, Shipley thwarted an attempt to backdate this policy to July and August, by drawing attention to the £3,060 which it would cost in lost revenue.[2] Brown, Shipley continued to expect 1½% commission for executing cotton orders in the United States;[3] and at least 1% was demanded for the granting of credits.[4]

The downward pressure on rates of commission was particularly apparent in the Far Eastern trade, in which the Boston and New York Houses of Brown Brothers, and Baring Brothers, all reported a fall in imports from the Far East in 1873 - unlike Frederick Huth and Company, who were issuing large credits to European and American clients for use in the East. Brown Brothers wished Brown, Shipley to follow the scheme of the Bank of Montreal involving flexible rates according to usance: credits of 4 months' sight would rate 1½% commission, those of 6 months' sight would rate 2% commission. The London House thought that this might be appropriate for tea and silk sent from China and Japan via California; but that all shippers east of the Cape would initially seek the shorter usance, and then have to ask for an extension to 6 months for an extra ½%. In this way, Brown, Shipley would be under cash advance for two months longer than if the draft had originally been at 6 months' sight.[5]

1 Brown, Shipley Mss, 20,111/1, B.S.London to B.B.New York, 16 August 1867

2 Ibid., 20,111/1, B.S.London to B.B.New York, 21, 24 August 1867
20,112/3, B.S.London to B.B.New York, 13/14 September 1867

3 Ibid., 20,112/4, B.S.London to B.S.Liverpool, 1 November 1867

4 Ibid., 20,112/4, B.S.London to B.S.Liverpool, 26 November 1867

5 Ibid., 20,112/6, B.S.London to B.B.New York, 1 November 1872
20,112/7, B.S.London to B.B.New York, 24 April 1873

The London House remained opposed to changes in the terms and conditions for the issue of credits in Eastern trade,[1] but Brown Brothers were anxious for joint action with Baring Brothers and the Morgan houses to reduce the standard 2% commission, and to distinguish between the usance for shipments overland, and via the Isthmus. Eventually, in May 1878, Brown Brothers and S.G. and G.C.Ward (for Barings) agreed on a credit commission of 1½% for East Indian trade, and ¾% for South American trade.[2] This latter figure was in line with the effective practice of Brown, Shipley in reducing the usual 1% rate (to counter the competition from Baring Brothers) on occasions: thus, in 1870, credit was given to James Napier and Son of Liverpool, at 1 1/8% commission, for the shipment of coffee from Brazil to New Orleans; ¼% was returned to Napier, and 1/8% went to Halsey and Company, leaving Brown, Shipley with an actual rate of ¾%.[3] Further negotiations between Brown Brothers and Wards, and Brown, Shipley and Barings, established South American credits at ¾%, and West Indian credits at ½% - despite general misgivings - but only for the best and largest accounts, and as a means to retain them.[4] Much later, in July 1887, the Liverpool House wished to charge Robert Crooks and Company (an account which was paying well) no more than ½% on coffee credits (from Rio to New York), since it was felt he would not pay more, and might possibly go elsewhere.[5] By the end of the year, Brown, Shipley reduced the line of credit allowed to Crooks, on the advice of Brown Brothers.[6]

As a general rule, Brown Brothers were happy to see the English Houses operate on very small margins; but the London partners did not agree with the feeling in New York that it was better to do business for nothing

1 Brown, Shipley Mss, 20,111/1, B.S.Liverpool to B.B.New York, 24 June 1876

2 Ibid., 20,108/5, B.B.New York to B.S.London, 24 April, 14 May 1878

3 Ibid., 20,112/5, B.S.London to B.B.New York, 26 May, 1 July 1870

4 Ibid., 20,108/5, B.B.New York to B.S.London, 1 November, 13 November, 25 November, 11 December 1878

5 Ibid., 20,107, B.S.Liverpool to B.S.London, 5 July 1887

6 Ibid., 20,107, B.S.Liverpool to B.S.London, 20 December 1887

than to do no business.[1] In the case of bills receivable (that is acceptances on other parties, held by Brown, Shipley, with or without documents attached, for which payment was expected at maturity), it was the custom to allow a rebate for early settlement - as if the bill was being discounted in the market. The Liverpool House seems to have been at variance with other interests in the firm in opposing a single rate of allowance (at Bank rate) for early settlement. Although it was recognised that this would re-open the line in the United States for further purchases of bills, which would compensate for the allowance, this would not be applicable to acceptances against Far Eastern produce, which might well arrive by sail at, or after, maturity. The Liverpool House wished to be free to negotiate the most appropriate discount rate in the case of a suspect acceptor, or one who was near his credit limit. A fixed, lower rate of discount would be restrictive and advantage competitors, who would actually like to get exchange business on the terms then applied by the Browns.[2]

A continual problem was to ensure that a lien was clearly established on goods which were either financed by Brown, Shipley, or which could offset other indebtedness of a client. The London House seems to have persuaded the House to apply a bill of lading to all the outstanding drafts on the same party, so that surplus goods or proceeds could offset other indebtedness, after providing for the particular acceptance concerned.[3] The London House also insisted that where Brown, Shipley were acting directly as agents in the shipment of goods, this should be clearly stated on the bill of lading (following the example of Rathbone Brothers), although

1 Brown, Shipley Mss, 20,111/2, B.S.London to B.S.Liverpool, 24 February 1880

2 Ibid., 20,107, B.S.Liverpool to B.S.London, 10, 14, 16 March 1882

3 Ibid., 20,112/3, B.S.London to B.B.New York, 5 June 1867
20,112/5, B.S.London to B.B.New York, 9 June 1870

all liability for claims by shipowners as a result of damage or injury from the nature of the goods should remain with the principal named in the bill of lading.[1]

Once goods had arrived into storage, and were available for sale, it was usual for the consignee to receive the documents in exchange for a storage (or 'trust' or 'pledge') receipt. Since this practice was open to abuse if there were delays or difficulties in providing the acceptor or bill-holder with the appropriate entitlement from the proceeds of the sale, the London House wanted bills of lading and storage receipts in which they were interested, to be made out in the name of Brown, Shipley. The London partners and K.D.Morgan of Baring Brothers agreed that documents should no longer be given up except for payment, or some other lien on the property.[2] Where possible, Barings preferred to rely on the character and means of their customers, but Brown, Shipley clung to the principle that property and the liability for it should remain connected till that liability was discharged.[3]

Hamilton criticised the surrender of goods before the arrival of the ships, and wanted the proceeds of sales to be lodged with Brown, Shipley against acceptances, in return for the release of the documents or the goods - which was the system followed in the case of brokers' engagements in Liverpool.[4] Brown Brothers felt that there would be difficulty in achieving concerted action with their competitors in the credit business, in order to secure payment of the proceeds of sales of goods held as they were realised; and that none but the smallest and weakest of their constituents would permit the sort of supervision advocated by Hamilton.[5]

1 Brown,Shipley Mss, 20,112/3, B.S.London to B.S.Liverpool, 4 October 1867

2 Ibid., 20,112/4, B.S.London to B.B.New York, 22/23 November, 4, 6, 31 December 1867

3 Ibid., 20,112/6, B.S.London to B.B.New York, 1 November 1872
20,111/1, B.S.London to B.B.New York, 10 February 1873

4 Ibid., 20,108/5, Chalmers to B.S.London, 22 August 1878

5 Ibid., B.B.New York to B.S.London, 25 September 1878

By 1881, trust receipts were no longer regarded as security for property in which the House had an interest. There was considerable annoyance when customers acquired control of goods through trust receipts, sold them, and then failed to hand over the proceeds till the drafts on Brown, Shipley matured;[1] or when, through a failure, the House was left with a trust receipt and a debt rather than the goods.[2] Eventually, one House, J.S.Morgan and Company, declined to do further business on the basis of trust receipts, ascribing most of their heavy losses on commercial credits to these transactions.[3]

Apart from the documentary security provided for goods in store, the Liverpool House was particularly exercised about receiving acceptances with conditions attached, chiefly from Alexander Brown and Sons in Baltimore. The opinion in Liverpool was that a conditional acceptance undermined the rights of the bill-holder, by establishing a contract which would have to be fulfilled before payment, and might materially alter the liability. Along with the Bank of Liverpool, Brown, Shipley felt that their own acceptances should never be conditional, unless specifically requested by the drawer.[4]

The Baltimore House became heavily involved in futures dealings in foreign exchange for shippers of agricultural produce at the end of the 1870s, in competition with Gill and Fisher and Robert Garrett and Sons. To ensure a margin on the transactions, purchases of sterling bills in Baltimore had to be covered by almost simultaneous sales in Liverpool, or the account of Alexander Brown and Sons with Brown, Shipley would be left short remitted and subject to interest charges.[5]

1 Brown,Shipley Mss, 20,111/2, B.S.London to B.B.New York,22,25 January 1881

2 Ibid., 20,108/3, B.B.New York to B.S.London, 4, 5 January 1881
20,112/10, B.S.London to B.B.New York, 11 August 1883

3 Ibid., 20,111/2, B.S.London to B.B.New York, 12 November 1887

4 Ibid., 20,107, B.S.Liverpool to B.S.London, 14, 16 June 1881

5 E.J.Perkins, The Emergence of a Futures Market for Foreign Exchange in the United States, Explorations in Economic History, XI, 1974, pp.194-201

Towards the end of 1882, Brown Brothers secured a seat on the New York stock exchange. As a cover for a possible decline in credit business, and with the likelihood that exchange would be settled increasingly by cable telegrams and the transfer of stocks, it was decided to engage in a limited arbitrage business. Brown, Shipley set aside £100,000 to cover bills drawn against shipments of stocks from the United States.[1]

1 Brown, Shipley Mss, 20,111/2, B.S.London to B.B.New York, 28, 31 October 1882

(v) The End of the Liverpool House

Despite occasional if heavy losses occasioned by writing down the value of certain investments, as in 1867, when the profits were 'pretty small',[1] the earnings of the Browns remained at a high level till the middle of the 1870s, reaching a peak in 1871 and 1872.[2] Over the next few years, till 1884, business seems to have produced rather variable results, sometimes linking large earnings and losses, sometimes small earnings with insignificant losses, so that the sums for division ended as 'respectable', or 'disappointing'.[3] The results on both sides of the Atlantic in 1884 proved to be the smallest that the House had achieved in 25 years, although still better than many of their competitors in Britain and the United States.[4] For the rest of the decade, business was very profitable, even, in 1889, surpassing the previous record of 1872, with total profits of £237,499, of which Brown, Shipley supplied for division £108,707.

It is clear that the contribution of the Liverpool House to the total performance of the firm grew proportionately less following the establishment of a branch in London, which assumed so much of its business; and with the concentration on credit and exchange activities. Nevertheless, the assertion of Ellis that the Liverpool House consistently made a loss in the post Civil War period[5] does not square with the observation in

1 Brown,Shipley Mss, 20,112/4, Collet to Hamilton, 22 January 1868
20,111/1, B.S.London to B.S.Liverpool,23 January 1868
20,108/1, Hamilton to Collet, 24 January 1868

2 Ibid., 20,111/1, B.S.London to B.B.New York, 2 February 1872
Collet to Chalmers, 20 June 1872
B.S.London to B.S.Liverpool, 16 January 1874

3 Ibid., 20,111/1, B.S.London to .B.S.Liverpool, 21 January 1876
20,111/2, B.S.London to B.S.Liverpool, 8 February 1881,
25, 31 January 1882

4 Ibid., 20,111/2, B.S.London to B.S.Liverpool, 21 January 1885

5 Ibid., 20,111/2, B.S.London to B.B.New York, 15 January 1890
Ellis, Heir of Adventure, p.111

a letter from London in March 1887 that the Liverpool House had hitherto yielded a net profit of about £8,000 per annum.[1]

The comparative business done in Liverpool and London between 1872 and 1888 was as follows:

Liverpool

	Acceptances	Advice of Credits received	Drafts on U.S.	Remittances received
1872 -	2,224,000	2,101,000	103,000	8,081,000
1873 -	1,587,000	1,622,000	114,000	9,968,000
1874 -	1,256,000	1,393,000	95,000	9,949,000
1875 -	980,000	1,073,000	102,000	10,648,000
1876 -	604,000	710,000	129,000	10,101,000
1877 -	745,000	853,000	134,000	8,845,000
1878 -	726,000	767,000	141,000	10,742,000
1879 -	1,248,000	1,459,000	207,000	11,011,000
1880 -	1,870,000	1,852,000	260,000	11,917,000
1881 -	1,247,000	1,416,000	193,000	9,975,000
1882 -	1,376,000	1,443,000	175,000	9,707,000
1883 -	1,286,000	1,607,000	224,000	9,617,000
1884 -	1,114,000	1,365,000	163,000	9,859,000
1885 -	1,290,000	1,403,000	201,000	8,099,000
1886 -	1,479,000	1,544,000	141,000	7,451,000
1887 -	1,542,000	1,370,000	136,000	8,505,000
1888 - (January - June only)	586,000	627,000	86,000	

1 Brown, Shipley Mss, 20,111/2, B.S.London to B.S.Liverpool, 17 March 1887

London

	Acceptances	Advice of Credits received	Drafts on U.S.
1872 -	9,016,000	12,002,000	34,000
1873 -	7,881,000	10,887,000	23,000
1874 -	7,871,000	11,911,000	41,000
1875 -	8,019,000	10,905,000	44,000
1876 -	5,999,000	7,812,000	110,000
1877 -	5,941,000	8,522,000	76,000
1878 -	5,355,000	8,355,000	100,000
1879 -	7,103,000	11,527,000	192,000
1880 -	9,764,000	12,638,000	150,000
1881 -	9,560,000	13,258,000	192,000
1882 -	9,778,000	11,543,000	171,000
1883 -	8,391,000	10,688,000	159,000
1884 -	8,491,000	10,134,000	218,000
1885 -	8,927,000	10,308,000	371,000
1886 -	8,895,000	10,716,000	292,000
1887 -	9,606,000	11,468,000	296,000
1888 -	10,656,000	11,433,000	315,000 [1]

In the opinion of Howard Potter, Liverpool no longer 'return(ed) its costs' by the mid-1880s, but was a drain on the profits of London. With the trend towards the 'elimination of middlemen's services', there was now no justification for a branch in Liverpool, since Brown, Shipley was a London House.[2] Further consideration of the future of the Liverpool operation was given in 1887, when the current partnership of the House needed to be re-negotiated for renewal in 1888.[3] The London partners remained doubtful about the wisdom of closing the Liverpool House, arguing that it was still of great benefit to the firm, and that its costs would

1 Brown, Shipley Mss, 20,142, Business done in Liverpool and London

2 Potter to James M.Brown, 20 September 1885, quoted in Perkins, Financing Anglo-American Trade, pp.76-7

3 Brown, Shipley Mss, 20,111/2, B.S.London to B.S.Liverpool, 17 March 1887
Hamilton to S.H.Brown, 26 April 1887

be continued in the pensions which would be payable to the staff (by then 14 clerks and 7 porters).[1] The American partners were, however, quite clear that the performance of the Liverpool operation was unsatisfactory, and over-reliant on past business organisation:

> '...the Liverpool House, as now conducted, is no longer remunerative, and should without delay be either set off by itself as an independent concern, or reduced to a mere agency on an economical footing, or be closed altogether. We can no longer look for profits from our old and accustomed sources of business, which are passing away from causes over which we have no control. Competition and rapid communication have reduced profits, changed methods, and altered channels of business. What no longer pays must be abandoned and new sources of profit looked after and worked up, so that our new departure so...auspiciously inaugurated here and so successfully carried on for the past two years with London's hearty co-operation was adopted none too soon...
>
> '...it has been to us a matter of great disappointment that we and you, as far as we know, have failed to receive either the slightest word of encouragement or active help from our Liverpool partner, nor has the Liverpool house sold any of the first class securities we have marketed so freely here and in London, nor made any effort in that direction, and this at a time when our competitors were doing a good business of this kind in their neighbourhood.
>
> '...in our opinion it will be unwise to invite Mr S.H.Brown to London to take a leading part in the management there... This co-operation and help (necessary to the new business being cultivated) we have not yet received from Liverpool, nor do we see evidence of any attempts to build up new business of this or any other kind there, while at the same time we are finding it increasingly difficult even to retain such Liverpool business as we have...Mr S.H.Brown is not the man to represent the firm successfully in London.
>
> '...it might possibly suit him to take over the "goodwill" and the business at Liverpool...'[2]

The decision to close the Liverpool House was probably taken at a conference of partners, attended by John Crosby Brown, on a flying visit from New York, held in London on 6 August 1888. It was agreed that S.H.Brown would retire, and that his son, Egerton S.Brown would remain in Liverpool till the closure of the House at the end of June 1889, in order to collect

1 Brown, Shipley Mss, 20,111/2, B.S.London to B.B.New York, 30 December 1887
B.S.London to B.S.Liverpool,27 November 1888

2 Ibid, 20,108/7, B.B.New York to B.S.London, 6 July 1888

bills bought before 31 December 1888, but maturing after that date.[1]

The Browns felt that the credit-issuing business in Liverpool could easily be transferred to London, as also the collection accounts on the Liverpool books. However, it was essential to provide in Liverpool for the expedition handling and forwarding of shipping documents in connection with the credit business; for the supply of information on the condition of parties in Liverpool on whom the House usually bought bills; for gaining acceptance of bills sent to Liverpool, and deliveries against payment; and for good parties to be able to get authorities, through London, or an agent in Liverpool. This was most important for Alexander Brown and Sons, or

> 'a most valuable part of our documentary exchange business will be in danger of drifting into Barings hands, because it is undoubtedly true that a large number of acceptors of Cotton Bills restrict the sellers, on this side, to either ourselves or Barings, owing to the greater facilities, and better judgment exercised by us and them in handling their documents'.

It was also desirable to provide in Liverpool for travellers to be met, since the travelling credit business was expanding; for facilities for making small payments by cable and drafts, and for transmission to the United States: this formed a lucrative part of the exchange business of the Boston agency, particularly in the autumn in connection with shipments of apples and perishable goods. The Browns wished to maintain their favoured position as buyers of documented bills. When a bill was held by themselves (or Barings), the acceptor knew that all or part of it could be discounted at any time, in order to take up the produce covered to fulfil a contract or an order. They did not wish to leave the field to Barings - although they would be better off to abandon it altogether;

1 Brown, Shipley Mss, 20,11/2, B.S.London to B.B.New York, 18 July, 7 August, 24 November 1888
20,108/7, B.B.New York to B.B.London, 7 August 1888
S.B.Brown to B.S.London, 26 November 1888

but wished, through a suitable representative, to retain the advantage of the personal supervision of acceptors, and direct control over the business. Their preferred representative was a merchant in the same business as produce importers, rather than a bank, who would gain the confidence of their customers:

> '...one good intelligent man, on a salary of say £1,000 a year, with a couple of clerks, ought to do all we require, the documents themselves meanwhile being left for greater safety in the custody of a Bank'. [1]

In the event, the position went to the Bank of Liverpool, which undertook to receive, and gain acceptance of, bills on parties in Lancashire; to provide reports on Lancashire firms; to make payments for circular letters of credit up to £10,000 per day; to provide facilities to cable money to the United States through Brown Brothers; and to honour drafts drawn by Brown Brothers on the Bank. For this, the Bank was paid £1,875 per annum fixed, and 6d% on bills received for Brown Brothers or Brown, Shipley over £5,000.[2] The departure of Brown, Shipley from Liverpool was regretted by the local Branch of the Bank of England, since it involved the loss of valuable commutation income from a drawing account,[3] which, in the 1880s, was used as much for drawing cheques as for remitting money to London.[4] Nevertheless, the move was a logical conclusion to developments within the firm, which ante-dated the American Civil War, as much as to the circumstances of post-War commerce.

1 Brown, Shipley Mss, 20,108/7, B.B.New York to B.S.London, 11 September 1888

2 Ibid., J.N.Simpson, Manager, Bank of Liverpool to B.S.London, 5 December 1888

3 Bank of England Liverpool Letter Books, 30, 15 December 1888, p.400

4 Ibid., 27, 13 July 1882, p.160

CHAPTER SIX

Commercial Houses in Liverpool (II)

B. Baring Brothers and Company

(i) Origins and Organisation

As the leading House in the financing of Anglo-American trade in the 1830s, Barings felt that it was desirable to offer some competition to the dominant house in Liverpool, W.& J.Brown and Company, through the establishment of a branch. Such a move would increase the consignment business of the firm, and would enable it to operate without involving merchants in Liverpool. The result would be lower costs for American consignors, greater supervision over buying and selling in Liverpool, underwritten by credits from the London House, and the opportunity for increased revenue from commissions. The activities of the Liverpool House were to be confined to a commission business in goods and services such as selling cotton and buying dry goods, negotiating insurance, and arranging the forwarding of freight and passengers. The House was not to be involved with accepting and paying bills of exchange, and had to pay a commission to the London House for accepting bills which arose from business in Liverpool.[1]

The venture was generally successful, enabling Barings to increase their involvement in direct trade in Liverpool, particularly in cotton, of which they became the largest receivers by 1839. Business was usually done on the basis of own account operations for the sake of profitability,[2] but, at the same time, credit financing was developed through the granting of facilities to firms in the North of England.[3] Barings were prepared

1 Hidy, House of Baring, pp.106-7, 125-8
Goofey, Liverpool Office, p.2

2 Hidy, House of Baring, pp.298-9
Perkins, Financing Anglo-American Trade, pp.101-2

3 Hidy, House of Baring, p.138

to deal in any commodity widely in demand in addition to cotton, such as tea, coffee, sugar, indigo, copper, grain, tobacco, rice or tallow; and the policy was invariably to dispose of consignments quickly to avoid a downturn in the market.[1]

For much of the 1850s, Barings exploited the sailing packets, for which they had provided the funds, or for which they acted as agents, in the transatlantic consignment trade. Bar and pig iron from the Weardale Iron Company, in which the House had a controlling interest, was exported to the United States in the packets of Grinnell, Minturn and Company of New York. Similarly, rails were bought on commission for, and exported to, American railroad companies and importers. Barings also took a financial interest in the transportation of immigrants to the United States in the Old Line packets, by assuming the 'small bill' business in immigrant remittances from Ireland and Germany, after the failure of the leading firm in the field, Harnden and Company of Liverpool.[2]

Towards the end of the 1850s, Barings began to withdraw from operations in the cotton market, chiefly because of the financial crisis in the United States in 1857, and the deteriorating political situation there. A particularly lucrative trade involving the import of American Indian corn and meal during the Irish Famine, followed by wheat and flour during the Crimean War, came to an end after 1857, when agricultural prices collapsed in the face of abundant cereal harvests in Europe and Russia.[3] The predominance of their American trade was temporarily ended, and Barings found that their clients preferred to operate and invest in Europe and the Far East. From 1857 till the outbreak of the Civil War, Barings continued

1 Hidy, House of Baring, pp.258-9
P.Ziegler, The Sixth Great Power: Barings, 1762-1929, London, 1988, pp.131, 145

2 Hidy, House of Baring, pp.401-2

3 Ibid., pp.357-8, 436-8

to advance on consignments, albeit under stricter conditions, but reduced purchases of cotton on their own account very considerably in the light of the lack of demand for manufactured textiles in Europe and the Far East.[1]

Following the re-organisation of the House in 1828, and the absorption of Bates and Baring, the volume and variety of American business expanded, due in no small part to the activities of the chief American agent, T.W.Ward of Boston. He obtained any facilities which might be required in New York through Goodhue and Company, and Prime, Ward, King and Company; and organised consignment business (especially cotton) for Barings through commission houses in the major markets: Philadelphia, Petersburg (Va.), Charleston, Savannah, Mobile, Augusta, Natchez, and New Orleans, where Barings also had as correspondents, the Union Bank of Louisiana, the Consolidated Association of Planters of Louisiana, and, from 1847, E.J.Forstall and Sons.[2] Although there was a preference for Ward to supervise most transactions, Barings continued to develop these direct relationships, as when they financed the purchase of ships for Goodhue and Company, and took on the agency of the Grinnell, Minturn packets from Wildes and Company.[3]

In the competition for consignment business in the 1840s, Barings found that it was necessary to advance up to 90% of the purchase price of cotton. Shipments were facilitated by means of the system favoured by the Browns, whereby the bills, with the shipping documents attached, were used as remittances to cover bills drawn on firms in the North of the United States, or in Britain.[4] An invariable rule of the House was

1 Hidy, House of Baring, pp.460-5, 470-1, 475
Goofey, Liverpool Office, p.16

2 Hidy, House of Baring, pp.98-106, 173-4, 185, 348

3 Ibid., pp.185-6, 250, 358, 363

4 Ibid., pp.342-6, 355-61

never to discount bill remittances, thereby maximising profits, so long as the acceptors were sound.[1] Barings tried to enforce a rule that firms in receipt of their credits should not also accept credits from other sources; but this was difficult, since their American clients gained in financial status, and attracted additional commercial opportunities.[2]

The Liverpool House benefited in July 1867 when Barings absorbed a neighbouring House in London, Finlay, Hodgson and Company, which had considerable interests in both the Indian and American trades. Much of the American business in Finlay, Hodgson was secured by their enthusiastic New York correspondents, Duncan, Sherman and Company. Barings found it necessary to limit the credits issued in their name by Duncan, Sherman - a reflection of the unease which the New York firm seemed to arouse in more cautious operations such as the Browns, and Barings themselves.[3]

1 Hidy, House of Baring, p.149

2 Ibid., pp.444-7

3 Goofey, Liverpool Office, p.4

Brown, Shipley Mss, 20,111/1, B.S.London to B.B.New York, 10 November 1866, 14 December 1867

20,112/4, B.S.London to B.B.New York, 31 December 1867

(ii) Trading Activities, 1865-75

During the American Civil War, like most others in the cotton trade, Barings had been obliged to look to sources in South America, Egypt and India, but these strains were not widely welcomed in the industry, nor did they sell sufficiently well in order to undermine the unprecedented high prices in the market. Since cotton was moving so slowly, Barings in Liverpool decided by February 1865, on the advice of the London House, to cease imports of cotton from Venezuela.[1] Barings were interested in returning to a large business in American cotton, once the American War had come to an end, but were persuaded to exercise some caution by the state of the Liverpool market.[2] With spinners staying away to await lower prices, although many in England and on the continent of Europe were out of cotton and goods, Barings elected to confine their cotton business to advancing on consignments from respectable parties at moderate rates. Later in the summer, the Liverpool House used funds provided by London to buy and sell Egyptian and Indian cotton in the Liverpool market; to ship cotton for mills in Russia, through Achenbach and Colley in Moscow; and even to re-open orders for Venezuelan cotton. These activities were a measure of the uncertainty about stocks in the American South, the prospects for the next crop, and the unreliable future supply from the Far East.[3]

In 1866, Barings limited their advances to their shippers in New York, New Orleans, Baltimore and Savannah, since stocks in the United States, and shipments from India proved to be much greater than they had expected.[4] Nevertheless, by the end of the season Barings held in Liverpool

1 Baring Bros Mss, 18,321/24, B.B.Liverpool to B.B.London, 4 February, 29 March 1865

2 Ibid., B.B.Liverpool to B.B.London, 4, 10 March, 3 May 1865

3 Ibid., B.B.Liverpool to B.B.London, 19, 20 July, 14, 25 August, 20 October, 28 November, 29 December 1865

4 Ibid., B.B.Liverpool to B.B.London, 10, 13 April 1866

11,528 bales for 22 owners.[1] Throughout the autumn of 1866, they sold regularly in the market, reducing the consigned cotton to 2,000 bales by mid-November, and at the same time, selling most of 3,793 bales, bought on account of their London House.[2]

1867 saw cotton prices in the Liverpool market begin to sink to the level of those which had prevailed before the Civil War. In a difficult year, the Liverpool House recorded 7,700 bales out of a total sales of 17,700 bales of imported American cotton as representing bad bills: i.e., Barings had been left with 7,700 bales to sell in order to recover the advances which they had made for the purchase of the cotton.[3]

In preparing for the following marketing season, Barings were able to take account of a less competitive trading situation in Liverpool, which made it possible for them to adopt a more expansive policy in cotton. With some of the larger cotton importers (responsible for 20% - nearly 250,000 bales - of the total import in 1866-67) no longer operating, or doing so in a restricted way, the Liverpool House expected to acquire business on safe terms. S.G. and G.C.Ward in New York were required to offer limited advances, based on lower selling prices, with reduced return commissions. The Liverpool House thought that advances were preferable to purchases, since the use of the Atlantic cable interfered with bringing cotton to the Liverpool market by means of direct purchase.[4] 15,000 bales were also sought in Bombay from January 1868, again with consignments preferred to purchases.[5] By March, the low limits on advances (4-4½d per lb) had to be raised to 5½d-6d per lb, even to secure purchases.[6]

1 Baring Bros Mss, 18,321/24, B.B.Liverpool to B.B.London, 20, August, 1866
2 Ibid., B.B.Liverpool to B.B.London, 19 November, 19 December 1866
3 Ibid., B.B.Liverpool to B.B.London, 3 October 1867
4 Ibid., 18,321/25, B.B.Liverpool to B.B.London, 25, 27 September 1867
5 Ibid., B.B.Liverpool to B.B.London, 17 January 1868
6 Ibid., B.B.Liverpool to B.B.London, 3 March 1868

Barings themselves admitted that they had missed the opportunity to acquire cheap cotton, largely because so much of the 1867 crop had gone for once to the Manchester market rather than to Liverpool.[1]

Since the amalgamation with Finlay, Hodgson and Company, Barings had the opportunity to do business with their New York correspondents, Duncan, Sherman and Company. In subsequent years, this was extensive, involving both consignments for the accounts of clients in the United States and Britain, as well as joint account purchases. Occasionally, the volume of this activity caused some alarm, as when Thomas Taylor and Brother of Wigan were importing cotton speculatively in the summer of 1869. At one stage, Taylor was reputed to have more than 30,000 bales in the hands of various brokers, while Barings held 4,500 bales in store, and expected another 1,348, and Duncan, Sherman were continuing to buy for Taylor in the United States. When Barings refused to give up bills of lading for further purchases, Taylor retaliated by refusing to accept Duncan, Sherman's drafts for more than half the value of 8,351 bales of cotton. Barings realised that Taylor would take such profitable cotton, however, and accept, or pay, the bills.[2]

Joint account business with Duncan, Sherman was a feature of each year till the collapse of the New York firm in 1875. It involved sales in the Liverpool market of purchases of cotton made there, as well as in the United States through Duncan, Sherman. In 1870, more than 10,000 bales were ordered for the joint account of Barings in London and Duncan, Sherman;[3] and the following year, up to 25,000 bales were bought and held in Liverpool in what proved to be a rising market.[4] At the same time,

1 Baring Bros Mss, 18,321/25, B.B.Liverpool to B.B.London,10 February 1868

2 Ibid., B.B.Liverpool to B.B.London, 8,18,19,21,24,May, 3,19 June 1869

3 Ibid., B.B.Liverpool to B.B.London, 7 January, 11,19 March 1970

4 Ibid., H.C.3.35/26, B.B.Liverpool to B.B.London, 9 May, 21 November 1871

the London House was buying and selling on their own account in the Liverpool market and the United States.[1] This activity continued well into 1872, with consignments from Duncan, Sherman, as well as purchases by Barings on behalf of American clients of the New York firm.[2]

After resisting further proposals from Duncan, Sherman for joint account operations for much of 1873, Barings changed their policy in the autumn, when the effects of the American financial crisis, and the difficulties in moving the new crop became clear.[3] The Liverpool House pressed for immediate shipments of 20,000 bales from Duncan, Sherman (which London reduced to 10,000) in order to emulate the policy of Brown, Shipley and Schroders.[4] At the end of November, consignments and purchases from the United States totalled 13,010 bales of which 7,150 were for Barings' own or joint account.[5] By the beginning of 1874, about 13,600 bales had been purchased on joint account with Duncan, Sherman, of which a few hundred had been bought in the Liverpool market.[6] Barings preferred to limit purchases in Liverpool to spot cotton, or cotton 'to arrive' on guaranteed samples. Purchases for 'distant arrival' - i.e., up to six months in the future - were considered to be a prey for the manipulations of unsound buyers and sellers.[7] In consequence, Barings rejected a consignment from Duncan, Sherman for June delivery, but agreed to receive

1 Baring Bros Mss, H.C.3.35/26, B.B.Liverpool to B.B.London, 13,21 January, 17,23 February, 21 June 1871

2 Ibid., T.Baring to 'My dear Ned', 19 July 1872
B.B.Liverpool to B.B.London, 1,9 August, 8 October 1872
W.B.Halhed to C.L.Norman, 17 August 1872

3 Ibid., H.C.3.35/27, B.B.Liverpool to D.S.New York, 11 February 1873
B.B.Liverpool to B.B.London, 6,27 February 1873

4 Ibid., B.B.Liverpool to B.B.London, 11,30 October 1873
? T.Baring to E.Baring, 27 October 1873

5 Ibid., B.B.Liverpool to B.B.London, 28 November 1873

6 Ibid., B.B.Liverpool to B.B.London, 30 October, 8,11,15 December 1873, etc.

7 Ibid., B.B.Liverpool to B.B.London, 10 January 1874

a shipment from Allen G. McCantz and Company of Mobile for delivery in March or April.[1]

By February 1874, the Liverpool House still had 9,500 bales of the Duncan, Sherman joint account cotton.[2] In May, the total holdings of the House were as follows:

9,844	bales American:	joint account with Duncan, Sherman
6,280	" " :	account Duncan, Sherman
7,323	" " :	accounts Duncan, Sherman clients
9,011	" " :	accounts clients of Forstall; Boit, Mackenzie; McCantz
2,454	" " :	at sea, from Duncan, Sherman and Forstall
34,912	" "	
1,760	bags Brazils :	account Mills, Latham
2,157	" " :	account Duncan, Sherman
1,546	" " :	at sea, from Mills, Latham
5,463	" "	
688	bales Surats :	account Barings, London

[3]

Following further joint account purchases with Duncan, Sherman, and consignments from E.J.Forstall and Sons of New Orleans, etc., the holdings of the Liverpool House stood at 40,970 bales in September 1874, and included 11,785 bales of joint account purchases, and 27,505 from various consignments.[4] W.B.Halhed was reluctant to offer the joint account cotton in a declining market, and felt that the Duncan, Sherman account was thoroughly unsatisfactory, adding:

> 'Liverpool is an impoverished place, and but for the absolute poverty of the commercial body and their being so thoroughly disheartened, Cotton wd. not have been at its present price'.[5]

1 Baring Bros Mss, H.C.3.35/27, B.B.Liverpool to B.B.London, 30 January 1874

2 *Ibid.*, B.B.Liverpool to B.B.London, 12 February 1874

3 *Ibid.*, B.B.Liverpool to B.B.London, 15 May 1874

4 *Ibid.*, B.B.Liverpool to B.B.London, 14,23 May, 2 July, 4 September 1874

5 *Ibid.*, W.B.Halhed to J.S.Hodgson, 4 September 1874

Nevertheless, many of the receipts of the year were cleared by the end of October, although the shippers and their clients suffered heavy losses, which Barings avoided because of the margins which they allowed on their advances.[1]

During 1875, a similar large business was repeated, with the Liverpool House adding to some 12,000 bales held over from the previous year.[2] By July, Barings held cotton, or the contracts and drafts for the shipments, from Duncan, Sherman, amounting to 37,057 bales, of which 14,000 were the results of the purchases of J.N.Beach and Company, the agent in Liverpool of Duncan, Sherman. In his purchases, Beach made use of the financial facilities provided by Barings for Duncan, Sherman, e.g., when buying 3,600 bales of spot cotton for the Duncan, Sherman account without prior consultation with Barings. Beach then drew on Barings for the 3,600 bales, in order to pay himself what was owed to him by Duncan, Sherman, and left Barings with the cotton.[3] When Duncan, Sherman suspended in August, Barings proceeded to sell the cotton at current rates, probably buying out Duncan, Sherman's interest in the joint account cotton.[4] Nearly 35,000 bales were sold in five weeks, happily without affecting the market.[5] The operation was exacerbated by the need also to sell off 2,800 bales of inferior cotton shipped by A.G.McCantz of Mobile.[6]

Apart from the business done with Duncan, Sherman, Barings regularly received cotton from other American houses, including:

1 Baring Bros Mss, H.C.3.35/27, W.B.Halhed to 'My dear Mr Norman', 15 October 1874
B.B.Liverpool to B.B.London, 31 October 1874

2 Ibid., H.C.3.35/28, B.B.Liverpool to B.B.London, 29 January 1875

3 Ibid., T.Baring to (E.Baring), 28 June 1875
B.B.Liverpool to B.B.London, 26 July, 17 August 1875
B.B.Liverpool to Duncan, Sherman, 5 August 1875

4 Ibid., B.B.Liverpool to B.B.London, 25,27,30 August, 2 September 1875

5 Ibid., W.B.Halhed to C.L.Norman, 8 September 1875

6 Ibid., B.B.Liverpool to B.B.London, 7 October, 17 November 1875

in New York, S.G. and G.C.Ward, who acted as main agents, with authority to offer advances up to limits laid down by Barings to suppliers usually in the South at the beginning of each marketing season;[1]

in New Orleans, the Citizens' Bank of Louisiana, A.Carriere and Company, and, most frequently, E.J.Forstall and Sons;[2]

in Mobile, Morris G.Towler and Company, who were succeeded by Allen G.McCantz and Company in 1872, and Brown, Begouen and Company, who were succeeded by Crawford, Walsh, Smith and Company in 1871;[3]

in Savannah, C.Green, Son and Company, and Boit and Mackenzie;

in Charleston, Gibbes and Company; etc.

Among those who supplied non-American cotton from source, were Mills, Latham and Company of Pernambuco, Brazil, often through their associated New York House, C.Stewart Mills and Company; and Finlay, Scott and Company of London, who operated a large and varied merchant business through associates and native shippers in India. Just as the amalgamation with Finlay, Hodgson and Company made possible a profitable relationship with Duncan, Sherman, so also it led to an expansion of Indian trade for Barings, of which cotton formed a large part.[4] By the 1870s, however, Finlay, Scott were suffering major losses on native consignments from India, and were consequently re-organised, with Barings taking responsibility for their

1 Baring Bros Mss, 18,321/25, B.B.Liverpool to B.B.London, 27 September 1867, 1 September 1868

2 Ibid., H.C.3.35/27, B.B.Liverpool to B.B.London, 23 May 1874
H.C.3.35/28, B.B.Liverpool to B.B.London, 3 April 1875

3 Ibid., B.B.Liverpool to B.B.London, 14 November, 17 September 1872

4 Brown, Shipley Mss, 20,111/1, B.S.London to B.B.New York, 10 November 1866

financial affairs, in return for a lien on their property in Bombay and Karachi; and with W.Moir providing a credit of £20,000 to facilitate consignments of cotton, etc.[1]

In addition to their large involvement in the cotton trade, Barings regularly handled, through their Liverpool House, a variety of other commodities, chiefly from the Americas, but also from the Near and Far East. At the close of the American Civil War, the Liverpool House was importing and marketing large quantities of copper and Manila hemp. In May 1865, the House reported that it held 8,100 bales of the 11,600 bales of hemp then reckoned to be the stock in Liverpool.[2] Between December 1865 and May 1866, Barings sold more than 11,000 bales;[3] thereafter, they seem to have been less active in hemp, although moderate amounts were imported and sold in 1867, 1869, 1872, and 1875.[4]

Business in copper, which was received from the shipper, Alsop and Company of Valparaiso was variable, and sometimes involved substantial losses on consignments, as in the early 1870s.[5] The Liverpool House was also prepared to advance on copper ores shipped by Glidden and Williams of Boston to James Lewis and Son in Liverpool, providing 80% of the value of up to 10,000 tons per annum for 1½% commission.[6]

1 Baring Bros Mss, 18,321/25, W.Moir to J.S.Hodgson, 18 July 1870
H.C.3.35/26, W.Moir to B.B.London, 7 March 1871, 30 January 1872
W.Moir to 'My dear Norman', 14 March 1871
B.B.Liverpool to B.B.London,12 November 1872
H.C.3.35/27, B.B.Liverpool to B.B.London,8 December 1874
H.C.3.35/28, Statement of Finlay, Scott account at December 1874, encl. in B.B.Liverpool to B.B.London, 31 May 1875

2 Ibid., 18,321/24, B.B.Liverpool to B.B.London, 31 May 1865

3 Ibid., B.B.Liverpool to B.B.London, 7 February, 10 April 1866

4 Ibid., 18,321/25, B.B.Liverpool to B.B.London, 3 April 1867, 22 May 1869
H.C.3.35/26, B.B.Liverpool to B.B.London, 14 September 1872
H.C.3.35/28, W.Halhed to C.L.Norman, 8 September 1875

5 Ibid., H.C.3.35/27, B.B.Liverpool to B.B.London, 5 November 1873

6 Ibid., H.C.3.35/28, B.B.Liverpool to B.B.London, 3 June 1875

Barings entered the trade in breadstuffs initially with some reluctance to be involved in what was a large and specialised trade. A proposal from Grinnell, Minturn and Company for joint account purchases of grain and flour in the United States for the Liverpool market was declined. It was felt that these operations seldom paid, and that, if the cable reduced the chance of loss, it also reduced the margin for profit. Barings were prepared for a commission business, preferring to leave purchases to the Greeks (sic) and houses exclusively in the trade, who would be satisfied with smaller returns than either themselves or Grinnell, Minturn.[1] Commission business was done in 1867 through S.G. and G.C.Ward of New York, achieving satisfactory returns.[2]

In the light of poor British harvests in the early 1870s, and low stocks of wheat in Europe, Barings accepted on cargoes of wheat from San Francisco to James Lewis and Company in Liverpool; and also received consignments on their own account from C.A.Low and Company in San Francisco, and Balfour, Guthrie and Company etc., in addition to joint account consignments of Indian corn from C.Morton Stewart and Company in Baltimore.[3] Further joint account business on the basis of consignments or firm offers was arranged with C.A.Low (the wheat being supplied by the Granger associations) in 1874 and 1875, when European stocks were depleted.[4]

An import of variable profitability proved to be sugar, recorded in April 1868, January 1869, August 1872, when a joint account arrangement was made with C.Stewart Mills and Company through Mills, Latham and Company of Pernambuco, although on a more retricted scale than was first

1 Baring Bros Mss, 18,321/24, B.B.Liverpool to B.B.London, 4 December 1866
18,321/25, B.B.Liverpool to B.B.London, 5 July 1867

2 Ibid., B.B.Liverpool to Ward, New York, 11 September 1867
B.B.Liverpool to B.B.London, 27 September 1867

3 Ibid., H.C.3.35/26, B.B.Liverpool to B.B.London, 7,8 August, 2,14,16,26 September, 5,8 November, 19,27 December 1872

4 Ibid., H.C.3.35/27, B.B.Liverpool to B.B.London, 2,5 June 1874
H.C.3.35/28, B.B.Liverpool to B.B.London, 17 September 1875

proposed, and January 1873, extending the joint account business with Mills, Latham.[1] Despite the high hopes for a good profit from this operation, the Liverpool partners had to admit that they made a 'mess of our last sugar speculation'. Halhed wrote in March 1874 that sugar prices were lower than they had been for 20 years, because of the large stocks held in Britain and France, and increased supply from Cuba, which was not compensated by the increased consumption in Britain, France, the United States and the countries of the Zollverein. In vain, Thomas Baring urged a further purchase of 2-3,000 tons.[2] The joint account purchases with Mills, Latham may not all have been sold till the end of 1874, in an effort to avoid losses of £8,000.[3]

The trade in nitrates, which became significant after 1875, seems to have been established in 1872, with cargoes of some 2,000 tons shipped in August from Alsop and Company in Valparaiso.[4] Declining prices led the Liverpool House to stay out of an over-stocked market, and sell cargoes as deliveries.[5]

It was unusual for Barings to become directly involved in the transatlantic shipping of commodities, although since 1864 the London House had acted as agents for a London - New York line of sailing packets in return for brokers' commissions and for securing consignments to Grinnell, Minturn and Company of New York. Two years later, Grinnell, Minturn

1 Baring Bros Mss, 18,321/25, B.B.Liverpool to B.B.London, 15 April 1868, 9 January 1869
H.C.3.35/26, B.B.Liverpool to B.B.London, 2,6 August, 12 September (2) 1872
H.C.3.35/27, B.B.Liverpool to B.B.London, 21 January 1873

2 Ibid., H.C.3.35/27, T.Baring to (?E.Baring), encl. Halhed Memo, 30 March 1874

3 Ibid., B.B.Liverpool to B.B.London, 2 February 1874
H.C.3.35/28, B.B.Liverpool to B.B.London, 29 January 1875

4 Ibid., H.C.3.35/26, B.B.Liverpool to B.B.London, 12 August 1872

5 Ibid., H.C.3.35/27, W.Halhed to C.L.Norman, 25 August 1873
B.B.Liverpool to B.B.London, 28 December 1874

asked the Liverpool House to act as consignment agents for their sailing packets to Liverpool. Although Barings were agreeable to the proposal, little future was seen in it:

> 'The days of sailing packets are numbered. There are 6 or 7 steamers leaving this port for New York every week and will be more. They take all the fine goods and nearly all the steerage passengers, so that there is little left for sailing vessels but dead weight and rough cargo'. [1]

Returning to this theme at the end of 1871, the Liverpool correspondence made the point that '...so much of the cotton comes (by steam) now...'[2] In a subsequent letter, the comparative insurance rates for sailing from the different American ports to Liverpool clearly established that sail was twice as costly (and therefore considered to be twice the risk) as steam.[3]

Although vessels were chartered as required,[4] any temporary ownership of shipping was invariably the result of the indebtedness of clients.[5]

Of all the commercial disasters which touched Barings in Liverpool in the ten years after the Civil War, the most significant for transatlantic commodity trading was the collapse of Duncan, Sherman and Company in 1875. This firm was known for the extent of its operations, and for an almost reckless trading policy, on quite moderate capital. The financial support of Barings for Duncan, Sherman went some way towards re-assuring other commercial houses, such as Brown, Shipley, as to the legitimacy of the

1 Baring Bros Mss, 18,321/24, B.B.Liverpool to B.B.London, 13 August 1866, and encl.: Grinnell, Minturn to B.B.Liverpool, 28 July 1866

2 Ibid., H.C.3.35/26, B.B.Liverpool to B.B.London, 25 November 1871

3 Ibid., B.B.Liverpool to B.B.London, 12 December 1871

4 e.g., Ibid.,18,321/25, B.B.Liverpool to B.B.London, 24 March 1868
H.C.3.35/27, B.B.Liverpool to B.B.London, 31 October, 3 November 1874

5 Ibid., H.C.3.35/28, B.B.Liverpool to B.B.London, 3 April, 18 December 1875, 26 January 1876

scale of their interests.[1] In the early 1870s, the Liverpool House of Barings received a stream of consignments, particularly cotton, from Duncan, Sherman, and also made purchases on their behalf. Barings seem to have been able to avoid the worst of the losses on the Duncan, Sherman accounts by selling the cotton for which they assumed ownership and responsibility.[2] Nevertheless, it is likely that the loss of substantial and regular shipments of goods, and of the entrepreneurial commercial operations which Duncan, Sherman initiated, played no small part in the subsequent reduction in the involvement of the Liverpool House in direct commodity trading.

1 Brown, Shipley Mss, 20,111/1, B.S.London to B.B.New York, 10 November 1866, 14 December 1867
20,112/4, B.S.London to B.B.New York, 10 January 1868

2 Ibid., H.C.3.35/28, B.B.Liverpool to B.B.London, 25,27,31 August, 17 September 1875

(iii) Trading Activities, 1875-90

In the aftermath of the failure of Duncan, Sherman, Barings clearly continued to operate in transatlantic trade, and particularly in cotton, as they had done in the past. For consignments of cotton, the Liverpool House looked to a number of American houses in the later 1870s, including:

E.J.Forstall and Sons, New Orleans
C.Green, Son and Company, Savannah
C.Morton Stewart and Company, Baltimore (shipping from Norfolk, Virginia)
John C.Graham and Company, Selma
Gibbes and Company, Charleston
Barry and Company, Norfolk
Trabue, Davis and Company, Louisville
William Bowles and Company, Memphis
Morris Ranger and Company, New Orleans and New York.

In addition, Barings provided credits for the purchase of cotton by the agent of A. and G.Chludow of Moscow,[1] and bought spot cotton in Liverpool for Alexander Barclay and Company of Gothenburg.[2] A less direct participation in the trade involved Barings in underwriting the purchases by Kidder, Peabody and Company of New York of documentary bills drawn by A.A.Paton and Company of St.Louis and Memphis on A.B.Paton and Company of Liverpool. The American firm were cotton merchants with a large business but only moderate capital, who had previously received finance from McCalmont Brothers. The cotton was sold 'forward', and the bills of lading were taken up under the guarantees of Liverpool brokers - Smith, Edwards and Company, William Bright and Sons, Alexander Eccles and Company - on the arrival of the shipments. The Liverpool House advised Barings in London that this type of business represented the character of the

1 Baring Bros Mss, H.C.3.35/28, W.B.Halhed to C.L.Norman, 8 September 1875
H.C.3.35/29, B.B.Liverpool to B.B.London, 17 June 1878

2 Ibid., H.C.3.35/28, B.B.Liverpool to Alex.Barclay Jnr., 22 March 1876
B.B.Liverpool to B.B.London, 27 December 1876

bulk of the cotton transactions which were carried on in 1878.[1] Kidder, Peabody were prepared for an expansion of shared financial involvement with Barings in connection with consignments of cotton and sales of futures, the transactions being guaranteed by the cotton brokers usually employed by Barings in Liverpool, Cunningham and Hinshaw.[2]

In 1879 and 1880, consignments of cotton continued to reach Barings in Liverpool, notably from Morris Ranger from New Orleans and New York, and John C.Graham in Selma.[3] Nevertheless, the Liverpool House reported holdings of only 2,500 bales at the close of 1879, and about 5,000 bales at the end of 1880; previously, the House would have expected to have 10,000 bales or more in hand at the close of a year.[4]

Towards the end of 1876, Barings were approached by the Liverpool cotton brokers, R. and C.Gill with a proposal to finance and manage a French Syndicate which intended to deal in 50-60,000 bales of cotton. Barings in London was expected to provide up to £500,000 by the end of February 1877. In the opinion of Halhed,

> 'With a most insignificant consignment business this year, such an operation would be acceptable to us, and the commissions, etc., somewhat of a tonic'.[5]

After some early activity, in which the intended participation of Barings does not seem to have been revealed to the French Syndicate, the operation was postponed in the light of fears in Paris that the uneasy political situation between Russia and Turkey might create unexpected risks for the speculation.[6]

1 Baring Bros Mss, H.C.3.35/29, B.B.Liverpool to B.B.London, 25, 27 November 1878

2 Ibid., H.C.3.35/30, B.B.Liverpool to B.B.London, 9 December 1879

3 Ibid., B.B.Liverpool to B.B.London, 2 May 1879, 6 November 1880

4 Ibid., B.B.Liverpool to B.B.London, 15 January 1880, 26 January 1881

5 Ibid., H.C.3.35/28, B.B.Liverpool to B.B.London, 13 December 1876
W.B.Halhed to E.C.Baring, 13 December 1876

6 Ibid., B.B.Liverpool to B.B.London, 22 December 1876

From 1881, the profitability of trading in cotton became less certain. The Liverpool House recorded debit balances on cotton accounts at the end of 1881 and 1882, although these were, for the most part, secured by consignments.[1] The failure of Morris Ranger in October 1883, and the consequent collapse of several Liverpool brokers, emphasised the hazardous nature of the trade. The exchange business with Kidder, Peabody continued to include the financing of the cotton imports of Liverpool brokers, such as Cunningham and Hinshaw and A.B.Paton, by means of credits. Risks were minimised, but not ruled out, as, for example, in March 1886, when Cunningham and Hinshaw found difficulty in selling the 70,000 bales which they had imported by means of credits provided by Barings (and others) through Kidder, Peabody. In the opinion of Halhed, however, 'This moderate issuing of credits is about the only safe commission business we have done for years'.[2]

When, in August 1885, the Liverpool House was asked to recommend American firms still involved in the consignment of cotton, the response was that G.H.Green and Company, New Orleans, Charles Green's Sons and Company, Savannah, Alexander Sprunt and Son, Wilmington, and John C.Graham and Company, Selma 'are the only prominent American Cotton shipping Houses known to us'. Furthermore, 'The only firm we know at Charleston is that of Gibbes; they are quite unreliable'. In any case,

> '...we do not think there is the least prospect of obtaining Consignments from them or from any other houses, American or English - neither we nor our neighbours can. - The whole Trade is changed in character, everything is done on the basis of "firm offers", covered by "future delivery" contracts, and the business is conducted mainly by English houses'.[3]

1 Baring Bros Mss, H.C.3.35/31, B.B.Liverpool to B.B.London,16 January 1882, 13 January 1883

2 Ibid., H.C.3.35/32, W.Halhed to Lord Revelstoke, 17 March 1886
W.Halhed to K.D.Hodgson, 20 July 1886

3 Ibid., H.C.3.35/31, B.B.Liverpool to B.B.London, 4 August 1885

The last of the American houses which consigned cotton to Barings at Liverpool, Trabue and Company of Louisville, closed its doors in 1886 as a result of the destruction of their premises and the death of a senior partner in a fire.[1] Thereafter, Barings concentrated on the provision of credits for Liverpool brokers who wished to import cotton for third parties. In the case of the most trusted firms, this could also involve special terms for the renewal of their own acceptances on maturity.[2] From the end of October 1887, the Liverpool House began to send to London a monthly statement of acceptances under cotton credits. The bills usually came through Kidder, Peabody, and most were paid before maturity.[3] Barings were also prepared to consider requests from brokers for an advance of cash, or to accept the brokers' bills (which both sides preferred and which could be discounted by the brokers) against cotton deliveries, which were warehoused in Barings' name. This type of business was becoming quite common and was safe, although it produced few large returns; it was 'infinitely preferable to Consignments which of late years have been quite unsafe and which we have seen, fortunately, little of'.[4]

Although Barings were able to expand their participation in the American cotton trade through acceptances, some anxiety was felt when these went into general circulation through the London discount houses. The Liverpool House temporarily suspended the acceptance of brokers' bills till it was clear that they went only to the Liverpool Branch of the Bank of England, attracted by the special rate of discount offered there.[5]

1 Baring Bros Mss, H.C.3.35/33, B.B.Liverpool to B.B.London,15 January 1887
2 Ibid., H.C.3.35/34, B.B.Liverpool to B.B.London,8,10 (2), 12 August 1887
3 Ibid., B.B.Liverpool to B.B.London, 29 October 1887
4 Ibid., B.B.Liverpool to B.B.London, 6 October, 21,23 November 1887
5 Ibid., H.C.3.35/35, B.B.Liverpool to B.B.London, 27 June, 6 July 1888
W.Halhed to Lord Revelstoke, 6 July 1888

From 1888, the volume of acceptances under cotton credits began to diminish, almost certainly as a matter of policy.[1] Barings restricted these credits at the same time as a number of financing institutions in Liverpool were withdrawing their support for cotton importers.[2] By November 1890, Barings seem only to have had credits open for two importing brokers, Cunningham and Hinshaw and S.A.Woolley and Company.[3]

Towards the end of the 1870s, Barings in Liverpool again began to handle the imported fertilizers, sodium nitrate and guano. Consignments of nitrate were received from Grace Brothers of Callao, who were advancing to the Peruvian monopolist producers.[4] The volume of shipments was such that Barings looked for outlets in addition to the Liverpool market, and, whenever possible, sold cargoes afloat. Continental ports, such as Dunkirk, were used by the Liverpool House, and this helped to avoid the need to store stocks in warehouses, which incurred charges, and hindered the sale of cargoes afloat. In April 1879, Antony Gibbs and Company proposed to the London House that they should sell their stocks in Dunkirk jointly rather than in competition (as Gibbs already did with another firm), in order to maintain a strong market. The Liverpool partners disapproved of this scheme, which might interfere with their operational independence, and oblige them to accumulate stocks as if they were dealers, deprived of free access to the Dunkirk market.[5] Consignments were sold throughout

1 Baring Bros Mss, H.C.3.35/35, B.B.Liverpool to B.B.London, 17 November 1888
H.C.3.35/36, B.B.Liverpool to B.B.London, 16,28 October 1889

2 Ibid., H.C.3.35/37, B.B.Liverpool to B.B.London, 30,31 October 1890

3 Ibid., B.B.Liverpool to B.B.London, 7 November 1890

4 Ibid., H.C.3.35/39, B.B.Liverpool to B.B.London, 1, 26 November 1878

5 Ibid., H.C.3.35/30, A.Gibbs & Co. to B.B.London, 15 April 1879
W.Halhed to C.L.Norman, 16 April 1879
B.B.Liverpool to B.B.London, 16 April 1879
B.B.Liverpool to Grace Bros, 1 May 1879

1879 and 1880 - not without difficulty owing to the level of the stocks in Britain and Europe - and half the total commissions earned in 1880 came from the trade in nitrates.[1]

Involvement in trade in the less popular guano was initially rejected by the Liverpool House, since there were large stocks in Europe, and the cargoes could not be sold afloat, but had to be offered from store in small lots. Protracted negotiations involved Thomas Baring, W.R.Grace and Company of New York, M.P.Grace and Company of Valparaiso, and the Chilean government, but failed to produce a long-term contractual involvement for Barings.[2]

Business in nitrates continued to be valuable in the 1880s so long as consumption remained high, although supply was usually in excess of demand.[3] Regular monthly consignments of up to 30,000 tons were arranged through M.P.Grace in Valparaiso, but these were temporarily suspended in 1886, when the Liverpool partners anticipated a collapse in prices in British and continental markets;[4] and again in 1887 and 1888, after the breakdown of a combination of producers to restrict production.[5] Nevertheless, 19 cargoes of nitrate were sold in 1887, business which provided the mainstay of earnings on commissions for the Liverpool House.[6]

1 Baring Bros Mss, H.C.3.35/30,B.B.Liverpool to B.B.London,26 January 1881

2 <u>Ibid</u>., B.B.Liverpool to B.B.London, 24 July 1880, 28 April 1881
B.B.Liverpool to W.R.Grace and Co., 3 March 1881
H.C.3.35/31, T.Baring to B.B.London, 6 December 1883
B.B.Liverpool to B.B.London, 20 November 1883, 23,27 January, 4 February 1884

3 <u>Ibid</u>., B.B.Liverpool to B.B.London, 29 November 1882

4 <u>Ibid</u>., B.B.Liverpool to B.B.London, 22,24,29 January 1885
H.C.3.35/32, B.B.Liverpool to W.R.Grace & Co., 14 May 1886
H.C.3.35/33, B.B.Liverpool to B.B.London, 9 March 1887

5 <u>Ibid</u>., H.C.3.35/33, B.B.Liverpool to B.B.London, 1 April 1887
H.C.3.35/36, B.B.Liverpool to B.B.London, 15 January 1889

6 <u>Ibid</u>., H.C.3.35/35, B.B.Liverpool to B.B.London, 17 January, 11 April 1888

Baring Brothers in Liverpool, while rejecting restricted production, were in favour of a combination to control shipments in the interests of values, and the continued solvency of those in the trade. They advocated limited support for a Nitrate Development Company, in which the Grace houses were also involved, to buy from the West Coast producers.[1]

Among the other commodities which Barings traded most frequently and profitably were cereals, tobacco, copper, sugar, cotton seed oil cake, iron, tin-plates, india-rubber and hemp. During the period 1875-90, the largest trade was usually in cereals, copper and india-rubber, with cereals most prominent up to the early 1880s, and copper and india-rubber for much of that decade. Other commodities seem to have been handled irregularly, and, by the end of the 1880s, scarcely at all.

With the exception of rice which usually came from India and the Far East, cereals were largely imported into Liverpool from the Americas. A major source of wheat was California, with the chief exporters based in San Francisco: Cross and Company (till their failure in 1877); C.A.Low and Company; Balfour, Guthrie and Company; J.W. Grace and Company, etc. In New Orleans, wheat as well as corn was exported by E.J.Forstall and Sons and C.F.Conrad; and consignments of Chilean wheat were sent through Hazen and Compton of Valparaiso and Grace Brothers of Callao. Indian corn was supplied mainly from New Orleans by Forstall and Conrad, but the East coast ports of Baltimore (C.Morton Stewart and Company), Norfolk and Boston were also involved with this trade. Although it was common for cargoes of cereals to be sold afloat, this practice was not without hazards, since they might arrive damaged or sub-standard. Buyers, including speculators, preferred deliveries ex quay or from store, so that sea damage or inferior quality was apparent.[2]

1 Baring Bros Mss, H.C.3.35/37, B.B.Liverpool to B.B.London, 14 April (1&2), 19 May, 26 July, 31 October 1890

2 Ibid., H.C.3.35/31, B.B.Liverpool to B.B.London, 28 March 1885

During the 1870s, business in cereals was often described as large and remunerative,[1] and Barings were usually interested in own account or joint account operations: corn in 1876, 1877 and 1878; wheat in 1880 and 1881, on joint account with J.W.Grace and Company of San Francisco.[2] At the same time, difficulties and losses were not infrequent. In October 1877, the Liverpool House reported a loss of £1,891 on sales of Indian corn on the London account, the grain arriving after the market had fallen.[3] Further losses were incurred in June 1878 as a result of bad debts and failures in the Liverpool trade.[4] The death of C.F.Conrad, reported in September of the same year, removed one of the largest shippers from the trade.[5] Losses to be written off in 1878 came to £15,444, of which the operations of Conrad were responsible for £12,744.[6]

Henceforth, in the 1880s, Barings became more reliant on the different Grace Houses (W.R.Grace in New York, J.W. Grace in San Francisco, M.P.Grace in Valparaiso and Grace Brothers in Callao) for consignments of cereals, in the absence of shipments from Conrad and Forstall. In May 1885, the Liverpool House aspired to replace Balfour, Williamson as the receivers of consignments of wheat (and copper) from Wells, Fargo and Company.[7] However, this was a bad time to be expanding in this trade: by 1886, the value of wheat in a weak and depressed Liverpool market was as low as it had ever been (except for the scarcer American varieties), and at least three firms had failed.[8] The following year, prices in the market

1 Baring Bros Mss, H.C.3.35/28, B.B.Liverpool to B.B.London,2 January 1876
H.C.3.35/29, B.B.Liverpool to B.B.London,25 January, 24 October 1877; 30 January, 7 March, 5 July 1878

2 Ibid., H.C.3.35/30, B.B.Liverpool to B.B.London, 30 September 1880, 14 June 1881

3 Ibid., H.C.3.35/29, B.B.Liverpool to B.B.London, 24 October 1877

4 Ibid., B.B.Liverpool to B.B.London, 5,17 June 1878

5 Ibid., B.B.Liverpool to B.B.London, 12 September 1878

6 Ibid., H.C.3.35/30, B.B.Liverpool to B.B.London, 25 January 1879

7 Ibid., H.C.3.35/31, B.B.Liverpool to B.B.London, 23 May 1885

8 Ibid., H.C.3.35/32, B.B.Liverpool to B.B.London, 12 February 1886

were forced up by the controlling activities of the Bank of Nevada and its approved buyers, such as Isaac Mackay and Company, and of the Californian wheat syndicate.[1] Once the operations of the Californian ring were queried in the courts, Barings began to receive overtures to advance on Californian wheat at more normal prices.[2] Discussions were opened on the further proposal that Barings should fund a syndicate of the leading dealers in the Liverpool market to take up the stocks of the Californian ring over 12 to 18 months, at a cost of perhaps, more than £3¼ millions, which the local banks in Liverpool could not provide.[3] The scheme helped to underline the continuing importance of consignee and financier in the market at the end of the 1880s.

At the end of the 1870s, the Liverpool House became involved in the cattle imports of James Nelson and Sons, the largest dealers in Liverpool. The arrangement was that the Boston and Albany Railroad Company would consign cattle via J.H.Sears and Company of Boston to Barings for Nelson and C.W.Kellock and Company. This activity was to form part of the business of a regular steamer link between Liverpool and Boston, which, it was hoped, would bring in commissions on consignments of £3-4,000 per annum. Barings arranged for at least six steamers to be chartered from Adam Brothers of Newcastle-upon-Tyne, who acted for their owners. Although the scheme was originally intended to be of limited duration - 1 January-1 September - it seems that it went ahead on a more permanent basis. The Liverpool balance sheet for 1879 shows an increase in commission earnings, and also £7,000 set aside to meet the claims of Adams and Tully relating to steamers. The scheme was not unique since J.H.Schroder and

1 Baring Bros Mss, H.C.3.35/33, B.B.Liverpool to Kidder, Peabody, 5 March 1887
B.B.Liverpool to B.B.London, 8 March 1887

2 Ibid., H.C.3.35/34, B.B.Liverpool to B.B.London, 5,8 August 1887

3 Ibid., B.B.Liverpool to B.B.London, 10 August 1887 (1)

Company operated a similar line with the Pennsylvania Central Railroad between Philadelphia and Liverpool through a large firm of shipowners in Hull.[1]

Barings were still providing finance for the trade in August 1885, when its profitability was beginning to decline after several successful years. At this time, C.Morton Stewart was attempting to divert the cattle trade from Boston to Baltimore - at the expense and trouble of Barings, according to Halhed, who thought that the scale of the cargoes and of the bills was too large. The Liverpool House was also concerned at irregularities in the trade, which enabled consignees to take delivery of the cattle without producing a bill of lading, and to gain the proceeds from sales days before the bills were due.[2]

Barings were also authorising advances on frozen meat from Buenos Ayres to Nelson.[3] This included credits for Nelson to open an establishment in the River Plate region to advance on frozen mutton, when the local suppliers, Sansimiena and Company, disposed of their meat freezing business to an American syndicate.[4] However, in November 1887, Sansimiena and another supplier, W.Cook, were still operational;[5] while, in April 1890, Barings were preparing to seize stocks of frozen meat in London and Liverpool when Sansimiena were unable to meet their acceptances.[6]

Of the older import trades, sugar continued to be received from the

1 Baring Bros Mss, H.C.3.35/29, B.B.Liverpool to B.B.London, 21,22 November, 20 December 1878
B.B.Liverpool to S.G. & G.C.Ward, New York, 23 November 1878
H.C.3.35/30, B.B.Liverpool to B.B.London,15 January 1880

2 Ibid., H.C.3.35/31, B.B.Liverpool to B.B.London, 28 August 1885
W.Halhed to C.L.Norman, 30 August 1885

3 Ibid., T.Baring to C.L.Norman, 14 August 1884

4 Ibid., H.C.3.35/32, B.B.Liverpool to B.B.London, 11,12 March 1886

5 Ibid., H.C.3.35/34, B.B.Liverpool to B.B.London, 11 November, 1887

6 Ibid., H.C.3.35/37, B.B.Liverpool to B.B.London, 19 April 1890

West Coast houses of the Grace firms for sale in the Liverpool market, in return for credits, acceptance of their drafts, and shipment of goods purchased in Liverpool. The 'usual objections' were registered by Barings in Liverpool to this type of (consignment) business, but it represented the normal system for West Coast houses.[1] In the case of tobacco, the drafts of Cope Brothers, dealers and manufacturers in Liverpool, were accepted against orders for Manila tobacco via Russell and Sturgis.[2] Barings also acquired consignments from M.B.Nash in Louisville for their London House in the later 1870s, but these proved difficult to sell: by 1884, some had been held for 4-5 years.[3] Another import line which came to an end in the 1870s was cotton seed oilcake, following the withdrawal of the main supplier, E.J.Forstall and Sons, from active participation in transatlantic trade. Consignments had been secured by Forstall from the Association of Cotton Seed Crushers of Louisiana and Texas of a commodity which was easily saleable ex quay in the 1870s.[4]

Apart from traditional imports, other commodities which particularly interested Barings in the 1880s were copper and india-rubber, much of which also derived from South America even if the American side of the commerce might be handled in an East Coast centre such as New York or Baltimore. In the case of copper, Barings accepted bills drawn on them, or underwrote advances for, among others, M.P.Grace and Company of Valparaiso, Kidder, Peabody and Company of New York, Pope, Cole and Company and C.Morton

1 Baring Bros Mss, H.C.3.35/31, B.B.Liverpool to B.B.London, 10 January 1882
H.C.3.35/36, B.B.Liverpool to B.B.London, 21 October 1889

2 Ibid., H.C.3.35/28, B.B.Liverpool to B.B.London, 1 January 1876

3 Ibid., H.C.3.35/29, B.B.Liverpool to B.B.London, 21 September 1877, 17 June 1878
H.C.3.35/31, B.B.Liverpool to B.B.London, 14 January 1884

4 Ibid., H.C.3.35/28, B.B.Liverpool to B.B.London, 30 March 1876
H.C.3.35/29, B.B.Liverpool to B.B.London, 21 September 1877, 7 March 1878

Stewart and Company of Baltimore, Wells, Fargo and Company, etc.[1] They were reluctant to become more closely connected with production: in March 1888, the Liverpool House declined a proposal from Stewart to purchase and work a mine in Vermont from which the House was already receiving consignments.[2]

Towards the end of the decade, the copper market was disrupted first by the operations of the French syndicate, which temporarily controlled huge stocks; and, after their collapse, by the activities of American producers and speculators.[3] Despite a market flooded with supplies, and declining prices, Barings continued to place with smelters consignments of copper matte from Kidder, Peabody, and some of the French stocks; and also to finance the imports of the leading Liverpool broker, James Lewis and Son, from Lewisohn and Company of New York.[4]

Most of the business in india-rubber done by the Liverpool House was in association with W.R.Grace and Company, or, less frequently, the Sears Commercial Company of New York. The rubber was usually bought in Para through Singlehurst, Brocklehurst and Company, and then sent to the market either in New York or Liverpool, using credits provided by Barings themselves, or by S.G. and G.C.Ward on their behalf in New York.[5] Later, Grace arranged for consignments of rubber, which had been bought

1 Baring Bros Mss, H.C.3.35/30, B.B.Liverpool to B.B.London, 22 December 1881
H.C.3.35/31, B.B.Liverpool to B.B.London, 9 October 1884, 23 May 1885

2 Ibid., H.C.3.35/35, B.B.Liverpool to B.B.London, 21 March 1888

3 Ibid., W.Halhed to C.L.Norman, 1 March (encl. C.M.Stewart & Co. to B.B.Liverpool, 27 January), 5 July 1888
W.Halhed to ?, 18 May 1888
H.C.3.35/36, W.Halhed to Lord Revelstoke, 14 April 1889 (encl. H.H.Hornby to W.Halhed, 'Friday')
B.B.Liverpool to B.B.London, 22 August 1889, etc.

4 Ibid., B.B.Liverpool to B.B.London, 3 June, 20 August 1889
H.C.3.35/37, B.B.Liverpool to B.B.London, 21,27 February, 3,7 November 1890.

5 Ibid., H.C.3.35/30, B.B.Liverpool to B.B.London, 9 December 1879, 20 September, 26 October 1881

in Para by a Syndicate of American rubber manufacturers, to be sent to Europe via the Liverpool House. Although the rubber trade through Grace was greatly valued, Barings tried to retain control over sales, since holding large stocks for indefinite periods was not welcomed.[1] By the end of the decade, the Liverpool House was both receiving and selling for W.R.Grace and the Sears Company, of which M.P.Grace was then Company President.[2]

From time to time, Barings continued to come into possession of shipping owing to non-payment of debts, as in the case of three vessels of the Compania Mexicana Trasatlantica, which ran steamers between Europe and Mexico.[3] After a series of abortive negotiations for the Liverpool House, the ships were eventually sold to the Compania La Veloce of Genoa, which operated a line between southern Europe and Argentina. After initially accepting shares in the Genoese line, for the sake of their River Plate trade, and Brazilian immigration business, Barings soon disposed of their shares, dissatisfied with the company finances.[4]

The London House declined two projects for involvement in shipping put forward from Liverpool. The first was to underwrite a scheme for a weekly mail and passenger service between Liverpool and Halifax, Nova Scotia, with an annual subsidy from the Canadian government, and support from the Canadian Pacific Railway.[5] The second was the purchase of the

1 Baring Bros Mss, H.C.3.35/31, B.B.Liverpool to B.B.London, 20 August 1883
W.Halhed to W.R.Grace, 20 August 1883

2 Ibid., H.C.3.35/32, B.B.Liverpool to B.B.London, 8 November 1886
H.C.3.35/34, B.B.Liverpool to B.B.London, 4,11 November 1887
H.C.3.35/35, B.B.Liverpool to B.B.London, 28 December 1888

3 Ibid., H.C.3.35/31, B.B.Liverpool to B.B.London, 27 August 1885
H.C.3.35/32, B.B.Liverpool to B.B.London, 25,27 February, 12 April, 22 May, 4 June 1886

4 Ibid., H.C.3.35/34, B.B.Liverpool to Granet, Brown, Genoa, 8 July 1887
H.C.3.35/35, W.Halhed to C.L.Norman, 2,29 March 1888
B.B.Liverpool to B.B.London, 23 July, 19 December 1888, etc.

5 Ibid., H.C.3.35/33, B.B.Liverpool to B.B.London, 7 June 1887 (encl. J.A.Hankey to C.Macher)
J.A.Hankey to W.Halhed, 18 June 1887

fleet of the insolvent Inman Steam Ship Line to prevent its acquisition by the International Navigation Company of Philadelphia, acting for the Pennsylvania Railroad Company. The aims were to protect Cunard from American competition, and to give the Liverpool House some management commission to replace those lost in commerce. Since the Inman stock was later secured by the International Navigation Company, Halhed was unable to aid Cunard, on whose Board he had long aspired to replace Thomas Baring, who had gone to Kidder, Peabody in New York. In the event, neither Thomas Baring nor Lord Revelstoke thought that the administration, or the prospects, of the Cunard Company warranted a close involvement of their House.[1]

Barings in Liverpool continued to receive consignments on their own account, or for the account of others till the later 1880s. At this point, supplies of cotton, cereals, tobacco, sugar, cattle, etc., were no longer forthcoming, although nitrate, copper and rubber were still received. In the aftermath of the collapse of Duncan, Sherman and Company in 1875, consignment and commission business was much reduced, and stocks often sold at a loss. The situation was compounded by the death of C.F.Conrad in September 1878, and the end of a flourishing grain trade.[2] Another firm which had built up a substantial trade with Barings, Morris Ranger and Company, failed in October 1883.[3] E.J.Forstall's Sons were still operating in September 1884,[4] but, by this time, the Liverpool partners

1 Baring Bros Mss, H.C.3.35/31, T.Baring to E.Baring, 28 October, 15 December 1885
W.Halhed to Lord Revelstoke, 31 December 1885
H.C.3.35/32, B.B.Liverpool to B.B.London, 11,19,22 October 1886
W.Halhed to Lord Revelstoke, 12 February, 22,28 June 1886
H.C.3.35/33, W.Halhed to Lord Revelstoke, 15 March 1887

2 Ibid., H.C.3.35/30, B.B.Liverpool to B.B.London, 12 September 1878

3 Ibid., H.C.3.35/31, B.B.Liverpool to B.B.London, 31 October 1883

4 Ibid., B.B.Liverpool to B.B.London, 6 September 1884

felt that '...the outlook, so far as our business is concerned, is not such as to make us very hopeful of the future'.[1] After a temporary boost through the employment of the Mexican steamers, it was acknowledged that the

> '...steady decline of the commercial business of your Liverpool House is more emphasised this last year (1887) by the absence of commissions previously gained on the Mexican steamers'.[2]

The loss of American connections and sources of consignments, particularly in the South, was reflected in the declining opportunities for exchange business. According to Thomas Baring:

> 'All these Southern Exchange credits have now lost their meaning... Formerly there was a separate market for Exchange in N/Orleans, now <u>all</u> Exchange from all parts comes to N/York for a market & any credits you give for Exchange purposes only set up competitors against yourselves...'[3]

Although Halhed was able to assure Lord Revelstoke that there was no shortage of work for the Liverpool House in April 1888,[4] an arrangement whereby the House would oganise the consignment of shipments to the River Plate was recorded with some relief, despite the limited potential for commissions.[5] By the beginning of 1889, the partners in Liverpool were being restricted by London in the credits which they could authorise,[6] although as late as September 1890 they were seeking through London a permanent credit at the Liverpool Branch of the Bank of England of £20,000 for use in the absence of remittances (e.g., from Kidder, Peabody and

1 Baring Bros Mss, H.C.3.35/31, B.B.Liverpool to B.B.London, 17 January 1885

2 <u>Ibid</u>., H.C.3.35/35, B.B.Liverpool to B.B.London, 17 January 1888

3 <u>Ibid</u>., H.C.3.35/31, T.Baring to E.Baring, 26 August 1884

4 <u>Ibid</u>., H.C.3.35/35, T.Halhed to Lord Revelstoke, 20 April 1888

5 <u>Ibid</u>., B.B.Liverpool to B.B.London, 7 November 1888

6 <u>Ibid</u>., H.C.3.35/36, B.B.Liverpool to B.B.London, 17 January 1889

Company).[1] Surplus office accommodation was abandoned in September 1889, reducing the dimensions to what they had been before 1867.[2] Following the financial collapse of Baring Brothers in London in November 1890, and the establishment of the new firm, Baring Brothers and Company Ltd., the Liverpool House was changed to an Agency in October 1891. The first Agents were the previous partners in Liverpool, W.B.Halhed and W.B.Gair; Halhed remained convinced of the importance of a continued presence in Liverpool for the firm.[3]

1 Baring Bros Mss, H.C.3.35/37, B.B.Liverpool to B.B.London, 27 September 1890

2 Ibid., H.C.3.35/36, B.B.Liverpool to B.B.London, 17 September 1889

3 Ibid., H.C.3.35/38, W.Halhed to J.S.Hodgson, 8 September 1891
Notice of Agency, 2 October 1891

(iv) Performance of the Liverpool House, 1864-91

Date of letter	Year	Profits	Commissions
12 Jan. 1865	1864	£11,697	£11,951
27 Jan. 1866	1865	£28,801	
28 Jan. 1867	1866	c£40,000	
2 Aug. 1867	1867	£12,000	(est.Jan.-June)
? Jan. 1869	1868	£57,981	£69,501
11 Feb. 1870	1869	£56,438	
9 Feb. 1871	1870	£37,867	
23 Jan. 1872	1871	£34,265	£29,333
30 Jan. 1873	1872	£26,409	£31,509
2 Feb. 1874	1873	£23,426	£27,976
29 Jan. 1875	1874	£31,393	£35,743
26 Jan. 1876	1875	£33,683	£39,279
29 Jan. 1877	1876	£51,964	£19,446
30 Jan. 1878	1877	£7,563	£19,583
25 Jan. 1879	1878	£168	£18,795
15 Jan. 1880	1879	£20,001	£39,696
13 Jan. 1881	1880	£10,297	£17,067
16 Jan. 1882	1881	£9,451	£13,692
13 Jan. 1883	1882	£11,414	£16,106
14 Jan. 1884	1883	£5,010	£9,637
14 Jan. 1885	1884	£6,718	£8,383
20 Jan. 1886	1885	£8,743	£10,296
15 Jan. 1887	1886	£8,156	£7,416
17 Jan. 1888	1887	£5,793	£6,444
15 Jan. 1889	1888	£7,188	£8,048
20 Jan. 1890	1889	£7,318	£8,730
19 Jan. 1891	1890	£7,267	£9,692
14 Oct. 1891	1891	£3,031	£4,607 (- 4 October)

Source: Baring Bros Mss, 18,321/24-25
H.C.3.35/26-38

C. Balfour, Williamson and Company

This house was originally established in Liverpool in February 1851 by Stephen Williamson as S.Williamson and Company, and only later adopted the more familiar style when Alexander Balfour took over responsibility for the Liverpool operation. Williamson spent much of the initial period of the existence of the firm in the overseas House opened in Valparaiso, Chile, Williamson, Duncan and Company, changed to Williamson, Balfour and Company when the partnership was re-organised in 1863.

The firm acted primarily as forwarding agents and shippers, handling consignments on commission between Liverpool and Valparaiso, and also for agents and correspondents in other centres in Latin America - Panama, Guayaquil, Lima, Arequipa, Iquique, etc. Manufactured goods from Manchester and Dundee were shipped to Valparaiso in return for Latin American produce, which included wool, nitrates, guano, wheat and copper, and which was usually sold in markets in Liverpool.[1] In common with other British firms with establishments in South America, although not always Frederick Huth or Anthony Gibbs, who were disinclined to assist competitors, Williamson, Balfour were prepared to invest in local Chilean enterprises, such as the National Bank.[2] Shares were also owned in sailing ships, which could earn freights when the price of wheat was too low to pay adequately.[3]

In general, the business prospered in the 1850s, although there was a cash-flow crisis at the end of the decade when stocks of dry goods built up in Valparaiso, and remittances to Liverpool were delayed beyond the maturity of the bills which had financed the shipment of the goods.

1 W.G.G.Hunt, Heirs of Great Adventure, London, 1951, vol.I: 1851-1901, pp. 15, 19, 23-7, 45-6

2 Balfour, Williamson Mss, Box 4, S.Williamson Letter Book 1864-74, S.Williamson to A.Balfour, 17 April 1865

3 *Ibid.*, S.Williamson to D.W.Allardice, 31 March 1866
Hunt, Heirs of Great Adventure, pp.81-2

Balfour, Williamson avoided recourse to support from a bank through the good offices of a Dundee correspondent, F.Molison and Company.[1] As far as possible, the firm favoured a fast turn-over: 'Our object is to supply the market and it will never do for us to be retentive' was the advice of Stephen Williamson with regard to the Chilean market.[2] Similarly, produce shipped from Valparaiso to England should be sold on arrival or sooner so long as there was a 'clear selling comn. over cost and interest', which, experience suggested, was all that could be expected.[3] Record profits were achieved by the firm in 1866, and the Valparaiso consignment business continued satisfactorily till the end of the 1860s, when Balfour, Williamson began, like other British houses, to look for wider opportunities outside Latin America.[4] A subsidiary House was set up in San Francisco, Balfour, Guthrie and Company, to share in the shipping of wheat and other Californian produce, in return for consignments of manufactured goods, chemicals and coal for the local market. Balfour, Williamson arrived in California at the time of the completion of the transcontinental railroads, as they had in Chile during the building of the North-South railroad.[5]

The business in breadstuffs from San Francisco was launched so successfully that Stephen Williamson needed to restrain the volume of shipments. He instructed Balfour, Guthrie to operate within a limited amount of capital; to avoid consignments, and only to execute orders; and only to accept orders on the understanding that the remittance for the cost of

1 Hunt, Heirs of Great Adventure, pp.33-5

2 Balfour, Williamson Mss, Box 4, W.Williamson Letter Book 1864-74, S.Williamson to C.McCulloch, 1 May 1866

3 Ibid., S.Williamson to A.Balfour, 15 January 1868

4 cf. D.C.Platt, Latin America and British Trade, pp.136-8

5 Hunt, Heirs of Great Adventure, pp.67-73

a shipment should reach Liverpool within six months of the date of the invoice or bill of lading, irrespective of the progress of vessels at San Francisco.[1] The caution was timely, since wheat shipments in 1869 and 1870 were sold at a loss, which was only recovered in the 1871 season.[2]

At the same time, copper shipped from Valparaiso was producing little if any profit owing to low prices in Europe, and Balfour, Williamson were obliged to withdraw their stocks from the market in the hope that Chilean production and shipments would be reduced. Continental consumption of copper had been undermined by the Franco-Prussian War which 'drags on and with it commercial perplexity and distress'.[3]

The uncertainty of trade from 1869 convinced Balfour, Williamson of the unprofitable nature of consignment business, and that it was preferable either to act simply as shippers, or to buy and sell on their own account. The substantial profits achieved during the first half of the 1870s - 1872 being the most successful year with net profits of £54,483 - seemed to justify the policy.[4] By the middle of the decade, the trade of the House in manufactured goods to Chile, in copper, wheat, and nitrates shipped from Valparaiso, and in wheat from San Francisco (90 cargoes in 1874) was extensive. Since the bills drawn on buyers, or on shipowners if goods were being shipped on ship's account, matured long before the arrival of the vessels, Balfour, Williamson opened a discount account with the Liverpoool Branch of the Bank of England, to bridge the difference between the 60 days of the acceptance and the five months journey from

1 Balfour, Williamson Mss, Box 4, S.Williamson Letter Book, S.Williamson to R.Balfour, 11 November 1869
S.Williamson to (R.Balfour & A.Guthrie), 29 January 1870

2 Ibid., S.Williamson to D.W.Allardice, 16 January 1871, 1 June 1872

3 Ibid., S.Williamson to (Don Ramon), 1 October 1870
S.Williamson to D.W.Allardice, 28 October 1870

4 Ibid., Box 6, B.W.Letter Book (1872-85), Balfour, Williamson to Williamson, Balfour 1873-76 , pp.31, 52, 64, 96, 121-2

San Francisco.[1] The hazards of the grain trade were demonstrated by the high prices in England in July and August 1875 following a poor harvest, which attracted supplies from the abundant crops of 1874 in Europe and the United States. The result was a rapid fall in prices, and an embarrassment for Balfour, Williamson, with 5 or 6 cargoes afloat of their own wheat in December, and a further 6 cargoes consigned by Californian farmers and dealers.[2] Furthermore, they were unable to persuade the Bank of England to raise the upper limits on their discount account.[3]

A downturn in performance in some parts of the firm's business in 1876 (when net profits were no more than £9,766)[4] prompted a review of priorities. In November 1876, Stephen Williamson wrote to the San Francisco House:

> 'Our Valparaiso and Liverpool businesses are extremely bad. The prospect for them and for shipping property is disheartening (in contrast to the)...very large and successful business you are now doing'.

There was every prospect of resources being increasingly withdrawn from Chile for the sake of good business developed at San Francisco. There was already a considerable amount of shipping property involved in the Californian grain trade, and recent experience suggested that the firm should not have on its own account more than 2 or 3 cargoes afloat and unsold at any one time. Nevertheless, Williamson was prepared to see an agency opened in Portland, Oregon, chiefly for interests supportive of the breadstuffs trade, such as financing and insurance; and noted that '(Alexander) Balfour thinks the business might even take in the future

1 Bank of England, Liverpool Letter Books, vol.23, T.R.Stolterfoht to E.M.Courtney, 7 June 1875, p.136; 18 June 1875, p.146

2 Balfour, Williamson Mss, Box 5, S.Williamson Letter Book, 1874-87, S.Williamson to (Alexander Lawson), 13 December 1875

3 Bank of England, Liverpool Letter Books, vol.24, 4 February 1876, p.34; 19 May 1876, pp.135-6

4 Balfour, Williamson Mss, Box 6, B.W.Letter Book (1872-85), Balfour, Williamson to Williamson, Balfour, 7 April 1877, pp.143-4

a wider development in a Banking direction'.[1] Williamson was anxious to turn over a smaller stock much more quickly both in Liverpool and in Valparaiso. He thought that Chilean buyers seemed very unsound; and he was concerned that the National Bank and other banks in Chile could not back their issues with specie, since the gold was all gone, and the silver partly so. McCulloch in Valparaiso was told to make copper purchases with the bill collections of Williamson, Balfour, and not to draw on the Liverpool House.[2]

1877 proved to be a year of moderate success, with profits of £16,749, despite consignment earnings of only £500 against £4,600 in previous years.[3] Earnings on commission in Liverpool reached £15,000, compared with £13,000 in 1870, and £109,000 for the firm in 1864-65.[4] Profits declined to £1,787 in 1878,[5] when Stephen Williamson took a gloomy view of the opportunities available to the House. In February he wrote to Alexander Balfour:

> '...the Californian trade in wheat is finished as a comn. trade. We must try to make the most of it and are doing so. But the cable puts an end to all your old fashioned comn. businesses. We have to adapt ourselves to the new circumstances. We are doing so in the best way we can. But at this juncture it will not do to lay it on our conscience or on theirs that we are to attempt business unless we secure a certain definite comn.'[6]

1 Balfour, Williamson Mss, Box 5, S.Williamson Letter Book 1874-87, S.Williamson to R.Forman, 17 November 1876

M.Rothstein, A British Firm on the American West Coast, 1869-1914, Business History Review, vol.XXXVII, 1963, pp.398-400

2 Balfour, Williamson Mss, Box 5, S.Williamson Letter Book 1874-87, S.Williamson to C.McCulloch, 24 August 1876, 3 May 1877

3 Ibid., Box 6, B.W. Letter Book 1872-85, p.157
Box 5, S.Williamson Letter Book 1874-87, S.Williamson to C.McCulloch, 20 March 1878

4 Ibid., Box 4, S.Williamson Letter Book 1864-74, S.Williamson to 'My dear Archie', 13 September 1865

Hunt, Heirs of Great Adventure, p.54

5 Balfour, Williamson Mss, Box 6, B.W.Letter Book (1872-85), p.200

6 Ibid., Box 5, S.Williamson Letter Book 1874-87, S.Williamson to A.Balfour, 18 February 1878

In October, he rejected a proposal from McCulloch in Valparaiso that the firm should make advances to farmers and buy growing crops, since this was 'thoroughly illegitimate for us as merchants', and 'only suitable for monied country Dealers'. Wheat should be bought when it was grown, and in the possession of the vendor at a suitable point for delivery in exchange for money. McCulloch was told to run down stocks of manufactured goods if possible, selling at reasonable prices, and only for cash. In the meantime, Balfour, Williamson would suspend further shipments till goods became very scarce. The bad times also affected Chilean exports, with nitrate virtually unsaleable, and little hope for copper.[1]

The business of shipping nitrate of soda was given a boost through the acquisition by Chile of the Peruvian fields. Williamson, Balfour became heavily involved in the trade, and opened an office in Iquique - Pettie and Company - in 1882, to handle the exports. For a few years, till 1884, this 'gigantic business' was shared on joint account by Williamson, Balfour and Graham, Rowe and Company as a reasonably prosperous venture, till a more permanent slump occurred in nitrate prices. Given the fluctuations in the market, few profits accrued to the Valparaiso House, but large gains and commissions were achieved in Liverpool.[2] A proposal for a similar business in guano with the Peruvian Guano Company for the Chilean government, which involved shipping at least 100,000 tons per annum, at regular intervals, to guarantee employment to the labour force, was thought to be too much without the co-operation of Anthony Gibbs and Sons. It was feared that the financial investment by Balfour, Williamson might be threatened by competition or lack of demand in Europe. Only

1 Balfour, Williamson Mss, Box 5, S.Williamson Letter Book 1874-87, S.Williamson to C.McCulloch, 3 October 1878

2 Ibid., Box 7, W.R.Henderson Letter Book 1880-84, W.R.Henderson to S.Williamson, 12 July 1881, 20 February 1883
Hunt, Heirs of Great Adventure, pp.113-16, 125

a small proportion could be sold to arrive, or ex quay, and the rest would need to be stored for future demand. This would require the maintenance of agencies in British and continental ports. A further disadvantage was the requirement to deal with the Peruvian Guano Company, which was reputed to be of an objectionable character.[1]

Subsequently, nitrate shipments and sales produced losses, with supply well in excess of demand, and the agency at Iquique was closed.[2] Stephen Williamson was usually reluctant to pass up this business, however, and pressed Henderson to secure consignments from Inglis and Company and others in August 1885. Since the nitrate producers were then operating profitably, he felt that Balfour, Williamson could do as well or better for Inglis as Barings.[3] Two years later, he urged Henderson to employ chartered shipping for cargoes of nitrate (and Chilean wheat) sold to arrive, so that the margin on the sales would be augmented by charter commissions.[4] In February 1889, he again underlined the opportunities, since the English nitrate companies could not ship their own production successfully to England and Europe. Henderson was told to look out for cheap tonnage, the tactic employed by the Grace firms.[5] For his part, Henderson argued for the firm to show a greater interest in the East Coast and cotton-producing states of the United States as a potential market for fertilizers. In May 1881, he suggested that Balfour, Guthrie was best placed of all the firms on the West Coast to secure American orders for nitrate, and that ultimately there should be representation in New York.[6] By December

1 Balfour, Williamson Mss, Box 7, W.R.Henderson Letter Book 1880-84, W.R.Henderson to S.Williamson, 29,31 January 1881

2 Ibid., Box 5, S.Williamson Letter Book 1874-87, S.Williamson to W.R.Henderson, 4 January 1884

3 Ibid., S.Williamson to W.R.Henderson, 26 August 1885

4 Ibid., S.Williamson to W.R.Henderson, 7 April 1887

5 Ibid., S.Williamson Letter Book 1887-96, S.Williamson to W.R.Henderson, 21 February, 27 December 1889

6 Ibid., Box 7, W.R.Henderson Letter Book 1880-84, 31 January, 2 May 1881

1889, with European consumption not increasing, Williamson too was prepared to turn to American markets in the East;[1] and a year later, in November 1890, he acknowledged the firm's losses on chartered shipments of nitrates because of the accumulation of stocks in the world.[2]

Williamson also regretted his enthusiasm for consignments of copper in 1885, when, by the end of the year, it was clear that they had contributed to losses at Valparaiso. It was accepted in Liverpool that it had been unwise to press the Valparaiso House to ship regulus at too high a cost, and then to hold it in Liverpool in the face of rapidly declining prices. For their part, Williamson, Balfour were blamed for giving extended credit to a firm which had deceived them.[3] From 1883, Balfour, Williamson and Balfour, Guthrie were also financing the Anaconda copper mine in Montana, and shipping much of its output of copper matte on commission for refining in Britain.[4] Later in the decade, the House profitably supplied substantial quantities of copper to the French Syndicate engaged in cornering supplies.[5]

The difficulties of the wheat trade intensified from 1882, when Balfour, Guthrie in San Francisco began to record losses on their shipments. Stephen Williamson was obliged to recognise that competition was fierce, and many of these competitors quite reckless. By 1884, American houses were thought to have captured seven-eighths of the entire trade, compared

1 Balfour, Williamson Mss, Box 5, S.Williamson Letter Book 1887-96, S.Williamson to W.R.Henderson, 27 December 1889

2 Ibid., S.Williamson to W.R.Henderson, 27 November 1890

3 Ibid., S.Williamson Letter Book 1874-87, S.Williamson to W.R.Henderson, 26 August 1885; Box 2/12, Balfour, Williamson to Williamson, Balfour, 7 November 1885

4 Hunt, Heirs of Great Adventure, pp.128-9
Rothstein, A British Firm on the American West Coast, p.406

5 Balfour, Williamson Mss, Box 5, S.Williamson Letter Book 1887-96, S.Williamson to W.R.Henderson, 2 December 1887

with less than half which they held in 1879.[1] The changed conditions of the wheat trade at San Francisco were emphasised by Alexander Balfour in February 1886. The Bank of Nevada had provided vast storage facilities for grain, and also loans for farmers who no longer had to accept 'reasonable' offers from merchants and shippers. Shipping could load direct from the warehouses, which were also connected with the railroad system. Buying, selling and moving the wheat no longer required the financial services of a merchant, and could be effected by a broker and a shipper. Such was the competition between shippers, that they could only cover themselves in wheat shipments if prices in Liverpool rose above those in San Francisco. Balfour, Guthrie incurred losses on wheat purchases between 1882 and 1884 of $537,863 through buying at prices above those which prevailed in Liverpool, where the shipments had to be stored to await an improvement in the market. Alexander Balfour felt that the House lacked worldwide knowledge of wheat production, and that business in wheat should be restricted to buying and selling cargoes while the vessels were loading in the harbours of San Francisco and Portland.[2] Although Williamson, Balfour pursued further trade in wheat on the West Coast of North and South America,[3] dealings in Liverpool remained problematic in the light of continued large stocks, partly as a result of the Nevada Bank ring, partly of Russian supplies.[4]

Balfour, Williamson followed the policy of investing in shares in ships, which saved outlay on transport costs, and earned revenue in freights.

1 Balfour, Williamson Mss, Box 5, S.Williamson Letter Book 1874-87, S.Williamson to (A.Williamson), 1 February 1884

2 Ibid., Box 17/1, A.Balfour to S.Williamson, 3 February 1886

3 Ibid., Box 17/7, W.R.Henderson to S.Williamson, 23 January 1887
Hunt, Heirs of Great Adventure, pp.153, 159-60, 181

4 Balfour, Williamson Mss, Box 5, S.Williamson Letter Book 1874-87, S.Williamson to W.R.Henderson, 7 April 1887
S.Williamson Letter Book 1887-96, S.Williamson to W.R.Henderson, 27 November 1890

The firm had interests in 20 vessels in 1876, sail (for bulk cargoes) as well as steam.[1] In 1880, Stephen Williamson was seeking to replace the older, wooden ships with iron or steel, but this investment was soon overtaken by trading depression. In 1883, it was still possible for ships to earn freights, but, by January 1884, some were laid up at San Francisco to await improved freight charges.[2] Alexander Balfour drew attention to the poor returns from the shipping investments in February 1886, when there was excessive tonnage afloat, and unrealistic and even immoral encouragement from the law on limited liability, together with over-generous facilities, for the construction of new vessels. He advocated the disposal of ships which did not pay, a policy adopted by Stephen Williamson, who also assumed responsibility for all the remaining ships.[3] In January 1887, he and a fellow share-holder in the ships, his uncle, Alexander Lawson, combined their shipping interests in the North-West Shipping Company, Ltd., with management provided by Ismay, Imrie and Company.[4]

Till the middle of 1881, business at Valparaiso contributed valuably to the performance of the House overall - record gains were achieved in 1879-80, and 'very favourable' results in 1880-81.[5] For the next five years, however, losses were sustained on sales of shipments of manufactures,

1 Hunt, Heirs of Great Adventure, pp.81-2

Balfour, Williamson Mss, Box 5, S.Williamson Letter Book 1874-87, S.Williamson to (A.Lawson), 28 October, 1 December 1880

2 Ibid., Box 6, B.W. Letter Book (1872-85), Balfour, Williamson to Williamson, Balfour, 13 February 1884

Box 5, S.Williamson Letter Book 1874-87, S.Williamson to W.R.Henderson, 4 January 1884

3 Ibid., Box 17/1, A.Balfour to S.Williamson, 3 February 1886

Hunt, Heirs of Great Adventure, pp.90-1

4 Balfour, Williamson Mss, Box 5, S.Williamson Letter Book 1874-87, S.Williamson to (A.Lawson), 17 January 1887

5 Ibid., Box 6, B.W.Letter Book (1872-85), Balfour, Williamson to Williamson, Balfour, 16 October 1880, p.229; 1 November 1881, p.245-7

coal and dry goods generally, reaching a peak of £17,875 in 1884.[1] Between 1883 and 1885, losses were also being incurred in Liverpool on sales of exports from Valparaiso of nitrates, copper and, in a smaller way, wheat.[2] The problems in Valparaiso were ascribed to a fall in Chilean exchange rates, the excessive shipments of goods from Britain, and the difficulties in judging whether consignments should be sold forward, or held for an improvement in a demoralised market. Alexander Balfour pointed out that the Valparaiso dry goods business had always been considered the backbone of the concern, and very safe, but he now felt that the time had come to withdraw from the dry goods and general export trade, apart from 'rough stuffs, ships consignments, and the shipment of produce'. He also advocated a reduction in storage facilities and local staff, in order to save on expenses.[3] To cope with the disadvantageous Chilean exchange rates, and the lack of a metallic basis for Chilean currency, business in Valparaiso was re-adjusted to be done on loans from Liverpool. All profits earned were remitted to Liverpool, and commissions from consignments to Valparaiso, insurance discounts, etc., were credited to Williamson, Balfour.[4] By April 1887, Stephen Williamson felt that business at Valparaiso was now running smoothly and satisfactorily in general terms, but that the House had to be content with much smaller returns than in earlier years.[5]

1 Balfour, Williamson Mss, Box 6, B.W.Letter Book (1872-85), Balfour, Williamson to Williamson, Balfour,
Box 7, A.Balfour Letter Book 1885-6, A.Balfour to W.R.Henderson, 24 March 1885

2 Ibid., Box 5, S.Williamson Letter Book 1874-87, S.Williamson to W.R.Henderson, 4 January 1884
Box 2/12, Balfour, Williamson to Williamson, Balfour, 7 November 1885

3 Ibid., Box 7, A.Balfour Letter Book 1885-86, A.Balfour to S.Williamson, (March 1885); and to W.R.Henderson, 24 March 1885

4 Hunt, Heirs of Great Adventure, pp.133-4
Balfour, Williamson Mss, Box 2/12, Balfour, Williamson to Williamson, Balfour, 7 November 1885

5 Ibid., Box 5, S.Williamson Letter Book 1874-87, S.Williamson to C.McCulloch, 21 April 1887

With Williamson, Balfour restored to profitability in the later 1880s, Williamson resisted further proposals to abandon the dry goods trade, arising from the high clerical costs, a lack of good salesmen, and the problems of long-term credit.[1] As he wrote at the height of the unremunerative period of the Valparaiso House,

> '...we must just be the more anxious and careful and persevering in the discharge of our duties as business men. The conditions under which business is now conducted are much more difficult than they were,...'[2]

Shortly before he died in 1886, Alexander Balfour indicated several strategies to limit the damage from depressed trade. These included reducing the stocks of goods held at home and in the foreign houses; restricting business in South America to the Valparaiso House, and avoiding further agencies such as those briefly and unsuccessfully established at Iquique and Lima; abandoning further investments in the firm's account in shipping and fixed property; and extending the loaning and mortgage facilities to settlers on lands in California, Oregon and Washington Territory.[3] In the event, offices were opened at Tacoma, Washington (1888), and Concepcion (1889), for further developments in the grain trade;[4] and also in New York (1889), Seattle (1893) and Los Angeles (1895), as the firm became increasingly involved in the carrying trade between Latin America and both the East and West Coasts of the United States, in addition to that between Liverpool and the established houses at Valparaiso, San

1 Balfour, Williamson Mss, Box 5, S.Williamson Letter Book 1887-96, 'Memo as to Capital', 2 February 1888; Statement of Capital, 31 December 1888
Box 3/5, (Calendar of W.R.Henderson Letter File), S.Williamson to W.R.Henderson, 14 June 1890

2 Ibid., Box 2/12, Balfour, Williamson to Williamson,Balfour,7 November 1885

3 Ibid., Box 17/1, A.Balfour to S.Williamson, 14 October 1885, 3 February 1886

4 Hunt, Heirs of Great Adventure, pp.153, 159-60, 181

Francisco and Portland.[1] Balfour, Guthrie invested in enterprises to exploit coal and iron deposits in Washington; and Williamson, Balfour less successfully in a Chilean company to (extract and) refine silver, lead and copper ores.[2] As Alexander Balfour had suggested, further impetus was given to the West Coast loan and mortgage business when the Pacific Loan and Investment Company of Balfour, Guthrie was floated as a public limited company in 1886.[3]

The trading activities of Balfour, Williamson revived and expanded from 1886, developing a larger focus on North America (and Australia) while not abandoning established interests in Latin America.[4] An expansion in merchant banking was also apparent: W.R.Henderson noted that such business tended to be offered to houses which had made money and consequently dropped into the role of bankers.[5] The movement away from transatlantic merchanting to commercial activities which centred more on the Americas meant that the role of the Liverpool House was considerably revised, as market trading in Liverpool was reduced. In May 1886, Stephen Williamson wrote that 'This Liverpool House however cannot be reckoned on to give much if any profit.'[6] Eight months later, in January 1887, he wrote that '...this Liverpool office is now only an agency for the foreign Houses'; and that '...during several years we did a very poor business and made no profits'.[7] The Liverpool House now primarily discharged administrative

1 Hunt, Heirs of Great Adventure, pp.174, 188
Balfour, Williamson Mss, Box 5, S.Williamson Letter Book 1887-96, S.W.Henderson to W.R.Henderson, 4 November 1887

2 Hunt, Heirs of Great Adventure, pp.149-51, 161

3 Ibid., pp.147-8

4 cf. Platt, Latin America and British Trade, pp.136-8, 147-50

5 Balfour, Williamson Mss, Box 17/7, W.R.Henderson to S.Williamson, 23 January 1887

6 Ibid., Box 5, S.Williamson Letter Book 1874-87, S.Williamson to R.Balfour, A.Guthrie, R.B.Forman, 8 May 1886

7 Ibid., S.Williamson to Reid, 14 January 1887

and co-ordinating functions for the American activities. Nevertheless, exports from Liverpool increased in value from £211,657 in 1877 to £362,293 in 1888,[1] which seemed to justify the opinion in Balfour, Williamson that there were reliable gains to be made in exports (and ships' commissions) even if the opportunities for an importing merchant were almost gone.[2]

* * * * * * *

These three firms were established in Liverpool for the sake of merchanting activities based on transatlantic trade, for which Liverpool provided the most extensive facilities and opportunities. Brown, Shipley had a long and successful experience of trading, and of providing credit financing for other houses, activities which they pursued vigorously apart from the years immediately preceding the American Civil War. At the same time, the parent operation of Brown Brothers in the United States was concentrating increasingly on banking at the expense of direct involvement in trade. The English side of the business was, from the later 1850s, expected ultimately to follow this lead. The establishment of a House in London was an important stage in this development, and an acknowledgement that it was unlikely to occur in a trading port which was not also a financial centre. The decision to withdraw from Liverpool was taken in principle before the Civil War, and derived from trading experience in the first half of the nineteenth century. The retention

1 Balfour, Williamson Mss, Box 3/5, (Calendar of W.R.Henderson Letter File), S. Williamson to W.R.Henderson, n.d.

2 Ibid., Box 6, B.W. Letter Book (1872-85), Balfour, Williamson to Williamson, Balfour, 13 February 1884, pp.287-91

of the Liverpool House in the early 1860s was clearly seen as a precautionary measure at a time when the future direction of Anglo-American trade was unclear, but it was henceforth expected to be a subsidiary operation with a reduced staffing of partners.

For Baring Brothers, the maintenance of a House in Liverpool to participate directly in the American trade was always seen as an additional activity to the international banking interests which were pursued in London. Nevertheless, much was expected by Joshua Bates of the Liverpool involvement, and trading success was considerable, apart from the temporary interruption of the Civil War. So long as Barings were able to continue a traditional and profitable mercantile business - buying and selling, handling consignments, and providing credit financing - their presence in Liverpool was valuable and appropriate.

Unlike the other two houses, Balfour, Williamson had no large and supportive banking business when their Liverpool House began operations in the early 1850s. Their trading focus was in Latin America, which meant that the Civil War in the United States did not create for them the difficulties experienced by firms which handled Southern and other American goods. Their trading constituency was extended to the West Coast of North America when opportunities in Latin America seemed to be more circumscribed, and profits harder to come by.[1] Eventually, they too were drawn by their trading success into providing financial and insurance services, such as credit financing (in order to secure consignments), investments in local enterprises, and loans and mortgages on land.

All three houses were affected by the commercial changes which occurred in the period following the American Civil War. As merchants, they suffered a growing exclusion from direct trade, as producers and consumers sought

1 cf. Platt, Latin America and British Trade, pp.136-8
Rothstein, A British Firm on the American West Coast, p.394

to deal with one another through a single intermediary such as a broker, instead of through importing and exporting merchants. As merchant bankers, Brown, Shipley and Barings used their resources to provide foreign exchange facilities for traders as well as credit financing; Balfour, Williamson supplemented their earnings from trade with commissions from shipping, and with investments in American enterprises.

The effects of the more extreme economic conditions experienced between 1865 and 1890 were also felt by the three houses. The trading boom and inflated prices which lasted till the early 1870s contributed to good and sometimes outstanding results for well-managed and prudent firms which avoided involvement with reckless dealing. When a more depressed climate overtook world trade, characterised by surpluses, over-production and falling prices, the problems attached to traditional mercantile activities and their profitability were accentuated. Both Brown, Shipley and Barings lost valuable American support in pursuing transatlantic trade: the former saw changing commercial methods undermine the effectiveness of the Southern agencies in securing consignments and exchange; the latter found that their largest and most regular suppliers, such as Duncan, Sherman and Company, Morris Ranger, or the Forstall firms, collapsed from over-trading or from the difficulty of trying to persevere with an older trading system. The Grace firms were able to supply Barings in the 1880s with alternative commodities, such as nitrates and india-rubber, as well as cereals, but in a situation of declining demand and declining prices. These problems also faced Balfour, Williamson, who were among the competition in the nitrates and cereals trades; but while they lacked the resources of the merchant bankers, they owned established houses at the main ports of export for these commodities. At the end of the 1880s, Balfour, Williamson were once more producing substantial earnings from handling and shipping goods; whereas Brown, Shipley and Barings had lost the capacity, or more probably the will, to do so.

The effects in Liverpool of the withdrawal of two of the leading merchant bankers were less than catastrophic. Their involvement in trade and in the markets had been declining for several years, while their credit facilities were probably almost as accessible in London, given improved telegraphic communication, and the normal inclination of the commercial community to look to the capital for facilities. Brown, Shipley closed their Liverpool House chiefly because it had not diversified as a financial centre in ways that the Browns hoped that it might, and because it was not able to continue as an old-style mercantile establishment. The inability of their Liverpool House to carry on a trading function (its raison d'être) similarly induced Barings to reduce their presence to an agency. Balfour, Williamson remained in Liverpool, and did not open a House in London till 1899. The Liverpool House was no longer a trading establishment but an administrative centre, co-ordinating the operations of overseas houses, and organising the shipment of goods across the Atlantic.

CHAPTER SEVEN

Developments in the Liverpool Cotton Market

(1) Brokers and Spinners

A study of the Liverpool cotton market between 1865 and 1890 reveals the growing confusion of roles among participants in one of the most important commodity markets, but also their attempts to maintain the primacy of the Liverpool market through regulating different aspects of the trade. In the mid-nineteenth century, the operations of the market were usually controlled by the cotton brokers, who brought a particular knowledge of the staple and of market trends to transactions, which invariably guaranteed their role between buyer and seller. In the circumstances of more varied and open trading during 1865-90, they found it increasingly difficult to maintain their position on the basis of providing a specific function, and therefore increasingly diversified their activities. In the early years of the nineteenth century, most Liverpool brokers were engaged in a general business, but once their role in cotton transactions became clearly established around 1815,[1] an increasing number became identified with the trade. Some 90 houses were thought to be operating as cotton brokers by 1825,[2] and Ellison lists 89 firms as members of the Cotton Brokers Association at the time of its foundation in 1841.[3] By 1860, around 170 cotton brokers and dealers were listed in Gore's Liverpool Directory, and thereafter, the number fluctuated between 200 and 300.[4] In 1882, Ellison listed 202 firms from the Cotton Brokers Association as founder-members also of the Cotton Association Limited.[5]

1 Buck, Anglo-American Trade, p.50
2 Ibid., p.52
3 Ellison, Cotton Trade, pp.179-82
4 Gore's Liverpool Directory, 1860-90
5 Ellison, Cotton Trade, pp.352-5

Whether or not brokers specialised in a single commodity, such as cotton, the practice whereby they might act for both the buyer and the seller occasioned considerable annoyance among principals.[1] Equally deplored was their reluctance to restrict themselves to acting for others on commission. Ellison quotes a critic in 1816:

> 'A great evil exists both in London and Liverpool, by brokers being both merchants and dealers; the duty, and only duty of a broker is to be a middleman between the buyer and seller, and not to buy and sell on his own account'.[2]

This behaviour was seen as financially disadvantageous to other buyers and sellers, and ultimately led to a crisis in the relationship between brokers and merchants.

The formation of the Cotton Brokers Association in 1841 was in response to the need for an authoritative and regular report of market sales of cotton and stocks held by importers. The Weekly Circular augmented and eventually succeeded the publications of individual brokers, and was sent by each broker to his principals. It was compiled by a designated committee of the Association from information supplied by the members. In undertaking this task, it was claimed that the Association was protecting the interests of buyers and sellers, and not necessarily of brokers as a group.[3] Over the years, the Association produced a comprehensive committee structure, dealing with matters of daily management, the production of quotations for cotton from different sources, the Clearing House, Cotton Brokers Bank, etc.

The committee structure facilitated the intentions of the Association as expressed in its Rules and Regulations, in particular that 'all sales

1 Buck, Anglo-American Trade, p.52

2 Ellison, Cotton Trade, p.244

3 380 COT 1/2: President, etc., CBA to President, etc., CSA, 27 January 1865

(of cotton) made shall be subject to the rules and regulations of this Association, unless otherwise provided for by special contract.'[1] The role of the (management) Committee was particularly strategic in maintaining a control over cotton sales in Liverpool: ensuring that members acted in accordance with the expectations of the Association; insisting that the prescribed brokerage was exacted (usually not less than ½% in this period 1865-90), and that the prescribed allowances for tare (i.e., that part of the weight of a bale of cotton which was made up by the canvas cover, bands or ropes and bars), etc., or discounts for early payments were observed; arranging for the settlement of disputes between buyer and seller by means of the system of arbitration established and operated by the Association; and investigating any procedural or trading misdemeanours by broker members. In return for trading control, the Association undertook to provide statistics of sales and stocks of cotton for all buyers and sellers who operated through members of the Association.[2]

The increasingly dominant position of the cotton brokers by the early 1860s was not acceptable to other participants in the trade, particularly the consumers, the spinners of Manchester and South Lancashire. An Association of Cotton Spinners emerged during the cotton famine to counter the perceived aggressions of the cotton sellers and brokers in Liverpool;[3] and provided successful resistance to the rule of the Cotton Brokers Association which abolished the allowance for false packing once the cotton had 'passed the scales'. This was simply one instance of the apparent opposition of the Liverpool brokers to the spinning interest, either because they acted in ways which were harmful to the business of the spinners,

1 380 COT 4/54A: Constitution and Laws of the Cotton Brokers' Association, no.20

2 380 COT 1/2-14, CBA Committee, General Meetings, passim

3 Manchester Guardian, 13 February 1867, p.4
Daily Post, 13 February 1867, Supplement, p.2

or because they persistently failed to react helpfully to complaints about their rules and procedures.

In January 1865, the spinners published their case against the brokers in the Manchester Daily Examiner and Times, alleging that brokers' commissions had enabled them to earn large profits (£285,748) from the trade, during 1864, when the profits of the consumers had been nil. Many of these commissions had been earned as a result of brokers working for both buyer and seller - a practice which was regularly condemned. Brokers were also accused of speculating on their own account, thereby helping to keep cotton prices at a higher level than would have been justified by normal market forces of supply and demand. Apart from complaints about speculation and acting for both sides, the spinners also argued that brokers' commissions should be linked to the quantity of cotton traded rather than its price, since the latter system hurt spinners in difficult times; that the price allowed for returned cotton should be the price at which it was bought, and not the market quotation on the day of return; that returns should be permitted within 6 rather than 3 months; that allowances for tare should not be withheld; that the arbitrators in disputes should not necessarily be two brokers appointed by and from the Association, but a representative of the seller meeting with a representative of the buyer, with the possibility of reference to an umpire; and that consolidated market reports were less satisfactory than those which individual brokers once compiled, since the new reports tended not to reflect the opinion and experience of the brokers employed by the spinners.

Some of these issues had been brought to the attention of the Cotton Brokers Association, following a meeting of the Cotton Spinners Association on 28 October 1864. The cotton brokers had re-affirmed their position on arbitrations, returns and settlements (11 November 1864), insisting that brokers were the best qualified to resolve disputes, and, because of their claimed impartiality and disinterest, to safeguard the interests of spinners and merchants. It was pointed out to the spinners that the arrangements under scrutiny had been introduced after discussion with the Manchester Chamber of Commerce, among others, and it was this body which was considered to represent the consumers. Further attempts by the spinners to persuade the brokers to negotiate were in vain; and, as a result, the Cotton Spinners Association resorted to the publicity of newspaper columns in order to present its case.[1] The response of the Cotton Brokers Association was immediate, but served only to justify the prevailing mode of conducting the trade, which was out-distancing in growth all other branches of commerce. If the consumers wished to propose changes in the system, then these should be brought forward by the Manchester Chamber of Commerce, since all that was known about the Cotton Spinners Association was contained in the Manchester press.[2] The last position was abandoned within a few weeks when representatives of the Cotton Brokers Association formally met with representatives of the Cotton Spinners Association to discuss arbitrations, returns, brokers' remuneration and consolidated market reports.[3] This recognition of their Association was a step forward for the spinners, although the problems of which they complained still remained. In the opinion of the Cotton Brokers Association, the American War was largely responsible for the shortcomings in the cotton stocks offered for sale, and to the disputes and claims to which these had given rise; but, once supplies of cotton, both better packed and of sounder condition, began to arrive again from the United States, easier, pre-War conditions would be re-established.[4]

1 380 COT 1/2: Cotton Brokers Association Minutes, cutting from Manchester Daily Examiner and Times, 21 January 1865

2 380 COT 1/2: CBA to CSA, 27 January 1865

3 380 COT 1/2: CBA to CSA, 17 March 1865

4 380 COT 1/2: CBA to CSA, 8 June 1866

In the years that followed, the opportunities for suspicion and hostility between the brokers and the spinners were not lacking. At a public meeting convened by the Cotton Spinners Association in Manchester Town Hall in Februry 1867, the Chairman, Hugh Mason, advised his audience that they had only to show that they were united, in order to force the Liverpool men to give way in everything that was reasonable and proper. Resolutions were passed on the method of payment for cotton: payment in 10 days should attract a 1½% discount, and 5% interest should be allowed for early payment, and charged for late payment; invoices should be dated on the day of purchase, or of delivery, if this was different, so that the buyer was only liable when the cotton was delivered; while brokers and merchants should be discouraged from introducing special terms into the system of payment in certain circumstances, e.g., demanding cash rather than a banker's bill. The need for reliable reports of cotton stocks, preferably ignoring speculation, was emphasised, since it was thought that there was currently a large quantity of cotton being taken from the ship's side by forwarding agents, who were not brokers. The issues of arbitration between buyer and seller, and the over-estimate of tare by sellers in Liverpool, were also debated.[1]

In March 1867, the Cotton Spinners Association reminded the brokers of the sums which they were earning from their principals through brokerage, and suggested that they would be wise not to antagonise their principals in settlement disputes.[2] The spinners felt that brokers preferred to keep their activities as both a 'monopoly and a mystery', since the Cotton Brokers Association reacted vehemently to any critical comment in the press on its proceedings.[3] The spinners protested at a resolution of the Cotton

1 Manchester Guardian, 13 February 1867, p.4
Daily Post, 13 February 1867, Supplement, p.2

2 380 COT 1/3: CSA to CBA, 14 March 1867

3 Ibid., CBA Committee, 13 December 1867

Brokers Association in January 1872, which opposed any unofficial reporting of the 'private' meetings of the brokers. The spinners argued that large associations, such as the Cotton Brokers, represented great interests of trade and commerce, and could not lay claim to an 'essentially private character'. They believed that they, as the principals of the brokers, should have early information of any regulations for the conduct of the trade. Furthermore, it was desirable for wholesome publicity to be given to the not infrequent malpractices in Liverpool, such as leaving cotton in the rain to gain in weight; misleading reports of cotton crops; attempts to evade the provisions of contracts; removing sand from cotton samples shown to buyers, etc. The Liverpool Daily Courier condemned the impertinence of the demands of the spinners, who themselves excluded the press from their meetings.[1] After the Cotton Spinners Association denounced the secretive proceedings of the brokers in the columns of the Manchester and Liverpool press, the Cotton Brokers Association reciprocated by releasing a letter to the spinners, which claimed that it had never attempted

> 'to constitute itself "a secret, irresponsible corporation", nor to suppress any information of its proceedings which would be useful to the trade; nor to shield from public knowledge any malpractices which could averred against any of its members'.

The business transacted at the meetings of the Association, relating to the statistics of the cotton trade, was published regularly and fully in the Weekly Circular, so there was no need for newspaper reporters to attend. Meetings also dealt with membership, the administration of the charitable funds of the Association, and minor constitutional matters. Anything of importance, affecting the trade at large, was circulated to the interested commercial organisations before resolution.[2]

1 380 COT 1/5: CSA to CBA, 1 April 1872
Manchester Guardian, 8 March 1872, p.6
Courier, 9 March 1872, p.4

2 380 COT 1/6: CBA to CSA, 15 March 1872

Nothwithstanding these reassurances, the brokers continued to be somewhat paranoid about any publicity given to their meetings. In April 1874, a reporter from the Albion was summoned to appear before the Committee to apologise for a 'highly objectionable article', for which a member of the Committee, and (? Thomas)Ellison, who was involved in compiling the daily market report, had provided statistical information.[1] Three years later, in July 1877, the Courier characterised the Cotton Brokers Association as

> 'a trades union of the strictest and most arrogant kind. Presuming on its power to control the whole cotton trade of the country, it arrives at decisions which neither discretion nor equity can justify'.[2]

The occasion for the rebuke was the way in which the brokers responded to two applications for membership of their Association - one was narrowly elected, and the other rejected, although both were partners in the oldest firm of brokers in Liverpool, T. & H. Littledale, which was then doing the largest cotton business in the world. The explanation was, as the Bank of England Agent, T.W.Stolterfoht, wrote to London, that there were objections to the 'gambling style of business' of the Littledales, and particularly to one partner, who narrowly escaped from being cited as a co-respondent in a divorce case, several years before.[3]

1 380 COT 1/8: CBA Committee, 2 April 1874

2 Courier, 7 July 1877, p.5

3 Ibid. 7 July 1877, p.5
Bank of England Liverpool Letter Books, 24, T.W.Stolterfoht to E.M.Courtney, 7 July 1877, p.151

(ii) Issues of Concern within the Cotton Trade

Apart from the transient difficulties and disputes which occurred in the day to day operation of the cotton trade in Liverpool, certain issues were regularly debated, underlining the differing interests within the commercial community. Although some of these issues were capable of resolution to the satisfaction of all parties, other helped to keep their interests divided. At least till 1882, the system of buying and selling cotton in Liverpool was laid down by the Cotton Brokers Association, and described in their current Rules and Regulations.[1] Although the details were claimed to have been agreed with other commercial organisations in Liverpool and Manchester,[2] the system left brokers clearly in control. Changes were made from time to time, but it was always necessary for merchants and spinners to persuade the Association of the desirability of their proposals, or alternatively to dissuade the brokers from what they saw as an unhelpful course of action.

(a) Conditions of sale

The usual mode of settling cotton transactions in Liverpool was cash in ten days from the date of the invoice, or an approved banker's bill of not more than three months' duration, which was taken at the current Bank of England discount rate. However, financial pressures in the summer of 1866, resulting in higher interest rates, led sellers to refuse bills except at rates higher than Bank rate. Consequently, buyers were faced with a fluctuating price for cotton on the same day and in the same market. Those with cash could buy more cheaply than those with bills.[3]

In order to promote greater stability in the price of cotton, by

1 e.g., 380 COT 4/54A: CBA Constitution, Laws, etc.

2 380 COT 1/6: CBA to CSA, 15 March 1872

3 Daily Post, 25 October 1866, p.7

separating it from the effects of a fluctuating discount rate, the American Chamber of Commerce and the East India and China Association proposed in September 1866 that payment in cash within ten days should attract a discount of three months interest at 5%.[1] Discussions proceeded till February of the following year, involving the Manchester Chamber of Commerce, the Cotton Spinners Association and the Cotton Brokers Association. Eventually, it was agreed that cash payments within ten days should attract a 1½% discount; and a proposal by the Cotton Spinners Association that interest at 5% should be allowed for earlier, and charged for later, payments, was accepted, despite the objections of the brokers.[2] The Cotton Brokers Association also opposed the retention of the option of payment by banker's bills, to be received at Bank rate on the day of tender. The opinion of the Association - that the proposed terms would lead to an objectionable increase in the use of bills, prevailed, although the option would have been acceptable to the other organisations and indeed to most brokers.[3]

These decisions, operative from 1 March 1867, remained the basis for the buying and selling of cotton in Liverpool, although they were again debated at the second session of the International Cotton Convention, held in Liverpool in July 1877, and later, when the representatives of the spinners had to defend the continuation of the 1½% discount for cash at a time of unsatisfactory trade.[4]

Also debated at the Convention was the difficulty of ensuring that the amounts of cotton contracted for agreed with those actually delivered.

1 380 AME 2: Minutes of American Chamber of Commerce Committee, pp.502-3, 6 September 1866

2 380 COT 1/3: CBA to CSA, 15 February 1867
380 AME 3: ACC Annual General Meeting, 14 February 1867, pp.5-7

3 380 AME 2: ACC (Committee), 29 December 1866, pp.522-4

4 380 AME 3: ACC Committee, 31 October 1877, pp.251-2
Chamber of Commerce, Council Report, 15 January 1878, pp.18-23

For some time, the Cotton Brokers Association had campaigned for fewer variations in the weight of bales tendered by the seller to the buyer in contracts not based on actual weight. The Association recognised standard bale weights, according to place of origin, e.g., American - 432 lbs, apart from Mobile and Texas, 468 lbs (or 450 lbs for Texas), and New Orleans, 450 lbs; Surat - 384 lbs; Bengal - 300 lbs.[1] The Convention accepted in principle that contracts for cotton to arrive and for future delivery should be for 100 bales of 43,200 lbs total weight.[2] The Association moved from a position of advocating penal measures for variations in weight per bale to one which was concerned with total weight, the assumption being that 43,200 lbs of cotton would be delivered in between 90 and 110 bales. The American Chamber of Commerce was anxious to retain flexibility in bale weight, considering it as an average rather than an absolute figure. However, it accepted that variations from the specified (total) weight should be settled for at a lower price in the case of excess weight, and for a higher price in the case of a deficiency.[3]

(b) The Condition of Cotton

Complaints about the state in which cotton was received in Liverpool, and the lack of care with which it was transported were a regular feature of the trade, and involved all participants. Apart from the deficiencies in packing in cargoes from the United States of the first crop (and stored cotton) following the Civil War,[4] many bales arrived damaged through careless treatment, or falsely ticketed as being of a superior grade than their origins justified; as coming from a different exit port than was

1 380 COT 1/9: CBA Committee, 30 June 1876
380 COT 4/54A: CBA Constitution, Laws, etc.

2 380 AME 3: CBA to ACC, 7 December 1877, p.259

3 _Ibid._, ACC Committee, 31 October 1877, pp.252-3
Ibid., ACC Committee, 3 April 1878, pp.283-5

4 380 COT 1/2: CBA to CSA, 8 June 1866
380 AME 3: ACC Committee, 27 February 1867, pp.16-17

in fact the case; or as having been stored in better conditions than their appearance suggested. The American Chamber raised the question of damaged cotton with the Cotton Shippers Association of New Orleans in April 1870. It seemed to be the case that bales were likely to reach New Orleans by rail or river steamer having suffered from being rolled down muddy banks, etc., and were then exposed to a drying sun on open quays.[1]

Till the American Chamber took up the matter, receivers of cotton in Liverpool seem to have done little to counter the delivery of cotton which was ragged, short in weight, or covered in mud from the levees. The American Chamber held the shippers as well as the captains of the transporting vessels responsible for the despatch of unsatisfactory bales which were, nevertheless, certified in good condition. The Cotton Shippers Association of New Orleans agreed to arrange for an inspection of all ships in the port loading cotton for Liverpool, thereby enabling the shippers and the Chamber henceforth to put all the resonsibility for the condition of cotton on the transporting vessels and their owners. The agreed response to the situation was circulated to other shippers' associations in Mobile, Galveston and Charleston, and to the Board of Trade at Savannah.[2]

The Cotton Shippers Association of New Orleans reported an improvement in the cotton shipped, as a result of its inspector returning large quantities to the quays daily, as unfit for shipment. In the long run, however, as was pointed out by the Charleston Chamber of Commerce, the legal responsibility for the condition of cotton in transit had to be placed on the

1 380 AME 3: ACC to Cotton Shippers Association of New Orleans, 9 April 1870, p.108

Chamber of Commerce, Council Report, 13 September 1870, pp.19-20

2 380 AME 3: ACC Committee and Sub-Committee, 17 August 1870, pp.115-17

Ibid., ACC Annual General Meeting, 25 January 1871, pp.130-1 carriers. Holders of bills of lading in Liverpool should not hesitate to prosecute a shipowner and his vessels.[1]

From the autumn of 1873, the New Orleans Cotton Exchange, only founded in January 1871,[2] began to take a serious interest in the amount of false and fraudulently packed cotton which had been sent to American markets since the Civil War. Subsequently, it established organised supervision of the presses and levees in New Orleans, to check that no bale fell below 300 lbs in weight, with up to 12 lbs allowed for tare; that bales were free of foreign substances, damp or inferior quality cotton internally; and that bales received adequate protection on the levees from bad weather.[3] The inspection system practised in New Orleans seems to have been an unqualified success, not only in the judgment of the New Orleans Cotton Exchange, but also in the opinion of the International Cotton Convention of July 1877. The President of the Convention, W.B.Forwood, urged the adoption of the New Orleans system on other American ports, particularly '"Mobile and Galveston from which places we continue to receive much country damaged cotton"'.[4] The complaints about American bales concerned exactly those problems which the New Orleans Exchange was anxious to overcome - fraudulent packing with stones, sand or dust to increase bale weight, inferior cotton concealed in the middle, dampness, insufficient pressing, and poor wrapping. These hazards helped to preserve the market for spot cotton, and to inhibit purchases 'to arrive', bought on sample.[5] The view of the <u>New York Financial Chronicle</u> was that deliberate fraud was not involved, and that

1 380 AME 3: ACC Meeting, 22 May 1871, pp.136-8

2 Minutes of New Orleans Cotton Exchange, vol.A, 17 January, 7 February 1871, pp.1-11

3 <u>Ibid</u>., vol.B, Board of Directors, 1 October 1873, pp.43-4
Board of Directors, 1 June 1874, pp.71-9
Board of Directors, 3 March 1875, p.136

4 <u>Ibid</u>., vol.C, Board of Directors, 26 November 1877, pp.66-7

5 <u>Courier</u>, 13 July 1877, p.4
<u>Manchester Guardian</u>, 15 February 1882, p.7

it was the fault of the buyers if spinners paid the full price for sub-standard cotton.[1]

Apart from the muddy state of bales stacked on the wharves, the raw cotton may also have suffered deterioration or shrinkage from damp, if it had been stored in unsatisfactory conditions, such as a cellar, or on deck during the voyage. In the 1877/78 season, which was unusually wet, Memphis acquired a reputation for the dampness of the cotton which it despatched.[2] Cotton was often carried on deck at the risk of being washed overboard, and then transferred to the coal bunkers below deck as these were emptied of coal, although it was described in the documentation as 'under-deck cargo'.[3] Since claims could be made by receivers for unmerchantable, damaged or falsely packed cotton, most participants in the trade - whether merchants, brokers, or spinners - preferred to be able to sample a consignment by cutting open a number of bales.[4] Merchants were not in favour of giving buyers the option of cancelling a contract if they discovered that a consignment had actually been stored on deck or in a cellar, unless this had been clearly ticketed.[5] At the end of the 1880s, on the initiative of the cotton spinners, a test for moisture content was devised; and the Cotton Association had to accept that cotton found to be harmed by damp could be invoiced back to the seller at the market price of the day.[6]

1 Economist, vol.40, 22 April 1882, pp.472-3

2 380 AME 3: ACC Committee, 24 July 1878, p.288

3 Mercury, 4 February 1885, p.5

4 380 AME 3: ACC Committee, 4 May 1881, pp.383-4

5 380 COT 1/4: CBA Committee, 9 October 1868
380 AME 3: ACC A.G.M., 4 February 1869, pp.87-8

6 380 COT 5/1: Conference of CA & Spinners, 30 November 1887 (insert between pp.762 & 763)
380 COT 5/2: Board of Directors, 16 January 1889, pp.17-18
24 January 1889, pp.21-2

At the opposite extreme, albeit equally a storage hazard, was the problem of fire. Badly packed bales were liable to be ignited by sparks, and to smoulder internally, thereby endangering a vessel: this was particularly common in shipments from Savannah.[1] Once on board steamships, it was not uncommon to stow bales near the furnace, and sometimes even in the coal bunkers. On the wharves, the bales were exposed to sparks from smoke stacks; to the careless use of cigars and pipes; to ignition through sparks caused by friction, as the bales, secured with iron bands, were slid down planks; and even to arson. Outbreaks of fires in the ports of the South were discussed in meetings of the American Chamber of Commerce during the 1880s, and the Chambers of Commerce of the Gulf and Atlantic ports urged to deal with the risks. The remedies proposed by the American Chamber were much the same as those for other hazards in cotton transportation: greater care in handling the cargoes, improved covers for the bales, and storage of the bales under cover in appropriate holds.[2]

Although steamship lines to the United States made use of bills of lading which contained exceptions and restrictions to the usual liability of shipowners,[3] it was recognised at the International Cotton Convention of July 1877 that cotton exchanges were working for legislation in their respective countries to hold the masters of vessels responsible if their cargoes differed in condition from what was stated in the bills of lading.[4] Pending legislation, or an agreement on just rules for the delivery of cotton to European ports, American shippers saw a need to protect themselves by means of stringent regulations at American ports, which would delay

1 Courier, 22 October 1887, pp.4-5
18 November 1887, p.4

2 380 AME 3: ACC Committee, 15 December 1880, pp.360-2
380 AME 4: ACC A.G.M., 25 January 1888, p.83

3 380 AME 3: ACC A.G.M., 31 January 1872, p.152

4 Ibid., ACC Committee, 26 September 1877, pp.249-50

loading and hurt shipowners.[1] Nevertheless, a meeting of representatives of the National Cotton Exchange of the United States, the American Chamber of Commerce, the Cotton Brokers Association, and the Liverpool Shipowners Association, in September 1874, agreed that unnecessarily lengthy delays at the wharves in New Orleans should be monitored, and that captains should be instructed to take all possible care of their cargoes.[2]

The need for supervision was not restricted to the American side: complaints were frequently made about cotton lying exposed to the weather on the Liverpool quays, because vessels discharged their cargoes more quickly than the cotton could be removed.[3] Furthermore, warehousemen and receivers colluded over deliveries in excess of contracts; fires were used as a cover for robbery; bales were broken up, and their identification marks destroyed; and good cotton was also made available to dealers who bought sweepings or pickings.[4] It was not till 1886 that the Lancashire cotton associations were satisfied that the Dock Board had made adequate improvements to the supervision on the quays, and to master porterage in connection with marking and weighing bales.[5]

The frequency of fires in the 1886-7 cotton shipping season led to an investigation by a committee of underwriters from Liverpool and London. The committee concluded that fires were caused by sparks, smoking and matches, incendiarism, contact with oil, and careless handling and lack of precautions in transit and in port - all made worse by defective packing of the bales. Now that cotton was purchased in the interior rather than at the port of shipment, the fire insurance companies, railway companies,

1 380 AME 3: National Cotton Exchange of U.S. to CBA, 22 July, 8 August 1874, pp.198-9

2 Ibid., ACC Committee, 15 September 1874, pp.200-1

3 Chamber of Commerce, Council Reports, 24 January 1872, pp.26-7; 5 February 1877, pp.12-14; 15 January 1878, pp.18-23; 31 January 1882, pp.38-9

4 Courier, 28 May 1877, p.4

5 Chamber of Commerce, Council Report, 9 March 1887, p.54

and municipal authorities were failing to exercise adequate supervision of the presses and warehouses, and of handling in general. The committee wanted improvements in the covering of bales, particularly after they had been cut open for sampling, and more effective care in transit, such as closed railroad cars, spark arresters in funnels, a ban on smoking, etc.[1]

The following year, these and other considerations were further debated at a conference in Liverpool called by the 'Liverpool Cotton Importers Protective Association Ltd.', to which representatives of American cotton exchanges were invited. The aims of the conference were to press for improved standards in pressing, wrapping and banding bales; to establish appropriate charges, etc., in relation to cotton damaged by fire, or proving to be below average grade; to produce equitable forms of contract for the sea carriage of cotton; and to discuss the regulations proposed by the committee of underwriters for the protection of cotton against fire.[2]

(c) Bills of Lading

Throughout the 1870s, the large increase in the use of through bills of lading for produce which was effectively being shipped from an interior market in the United States, often far distant from the port of export, created new problems for importers and those who claimed ownership of the goods. Although the original point of shipment might be on the West Coast, an inland market, or a Southern port (in which case, the goods would first be shipped 'coastwise'), given the expanding railroad system, the port of export would frequently be in the North-East: New York or Boston. This arrangement was also facilitated by agreements between the railroad and steamship companies.

1 Economist, vol.46, 25 February 1888, pp.248-9

2 Minutes of New Orleans Cotton Exchange, vol.F, Board of Directors, 3 April 1889, p.415

To the merchants and importers of the American Chamber of Commerce, the situation was unacceptable, because the bill of lading favoured by the North Atlantic Steam Traffic Conference for North American ports evaded the responsibilities normally expected of carriers;[1] and, subsequently, in the light of complaints made by the Chamber, even this uniform bill of lading was abandoned by the steamship companies.[2] The problem continued to exercise the cotton trade into the 1880s, when the Chairman of the Cotton Association Trade Committee drew attention to the inevitable effects on the condition of cotton so shipped:

> 'Much cotton is now bought at interior markets, and shipped to Liverpool on through bill of lading, and no doubt such cotton suffered en route to the port through having no one interested in it to see that it was properly put on board the vessel at the port of shipment'.[3]

By the end of the 1870s, the growth in steamship traffic had still further increased the complexity of the problem. An investigating committee was set up by the American Chamber of Commerce which drew attention to the dangers in the use of steamship companies other then 'regular lines'; to the fact that the party issuing the bill of lading retained control over the goods regardless of the carrier named; and to the need to restrict the power of trans-shipment without reference to the interest of the owner of the goods. The Chamber wrote to the chief seaboard and inland chambers of commerce in the United States urging that the increase of trade between Liverpool and the States of the West and the South-West justified improved protection for the owners of goods from losses arising from irregular and delayed shipments, and also from seizures of property passing from

1 380 AME 3: ACC Committee, 22 May 1871, p.135

2 Ibid., ACC A.G.M., 31 January 1872, p.152

3 380 COT 5/1: Oldham Chronicle, 17 November 1885, Report of conference between CA Trade Committee, and representatives of Oldham and Liverpool Chambers of Commerce, and Spinning Associations of Oldham, Chorley, Bury and Manchester (insert between pp.748 and 749)

State to State as a result of claims against carriers.[1]

The investigating committee reported in November 1879, recommending the adoption of a more satisfactory and uniform bill of lading, which should be signed by an agent authorised by connecting carriers, and should indicate the forwarding steamship line. The Boston Board of Trade generally agreed with the opinions of the Chamber, feeling that there should be one form of bill of lading for regular lines, and an open bill of lading to enable the agent of a railroad company to employ other steamship lines. However, the New York Chamber of Commerce thought that the difficulty of enforcing stricter rules, and the prevailing low freight rates, argued against taking any action. Both bodies agreed that there was a need for Congressional protection for owners from the seizure of their property by State authorities, possibly by reviving a recently failed bill in Congress.[2]

Despite the adoption, early in 1883, of a new model for the through bill of lading by interested bodies in Liverpool - the American Chamber of Commerce, the Chamber of Commerce, various shipping lines, and the insurance underwriters - and by the Association for the Reform and Codification of the Laws of Nations,[3] American bills of lading continued to suffer from shortcomings. One matter of concern was the failure of shippers to ensure that the quantity of cotton delivered was equal to what was indicated on the bill of lading. Too often, the consignee received less than the stated amount, and neither the master of the vessel nor the agent of the shipper was prepared to accept responsibility for the shortfall. Since the loss fell on the holder of the bill of lading, this document was becoming discredited in connection with the shipment

1 380 AME 3: ACC Committee, 21 March 1879, pp.311-2

2 Ibid., Boston Board of Trade to ACC, 2 June 1879, p.319
ACC Committee, 28 November 1879, pp.327-9

3 Ibid., ACC A.G.M., 31 January 1883, p.452

of cotton from Southern ports. The Cotton Association was unable to gain support for a change in the law, since the problem seemed to be restricted to the cotton trade. Ultimately, the acceptance of responsibility for goods in transit, and for their safe delivery, relied on the co-operation of railroad companies, shipping lines, and shippers.[1]

(d) Market Reports

Information on sales in the Liverpool cotton market was compiled by the Cotton Brokers Association for the trade in general. An estimate of daily sales was calculated by the secretary after conferring with the principal selling brokers. Since their proportional operations on average were known, it was possible to convert their sales to an estimated total market figure for the day. However, the chief publication was the Weekly Market Report, which was compiled by a designated Committee from the returns of actual sales and re-sales, from information provided by buyers on quantities taken for export or speculation, and from Customs records. The market was fully covered, since data was provided by all the firms in the Association, which meant virtually all cotton brokers.[2]

The Cotton Spinners Association was dissatisfied with the reports of cotton stocks published in the weekly circular, arguing that these estimates did not always agree with the results of stock-taking. The spinners wanted a daily rather than a weekly report, preferably derived from the amounts and qualities of cotton delivered to carriers, so that information on speculation would be omitted.[3] (The American Chamber

1 380 AME 4: ACC Committee, 21 October 1884, pp.5-6
26 May 1887, pp.69-70
30 June 1887, p.72
7 July 1887, pp.73-4

Daily Post, 4 January 1889, p.5

2 380 COT 1/3: CBA to CSA, 27 March 1867

3 Ibid., (newspaper cutting) CSA to CBA, 14 March 1867
cf. Daily Post, 19 March 1867, p.7

of Commerce did not agree with this point, preferring comprehensive information about stocks actually held.[1])

The Cotton Brokers Association felt that a daily report was impracticable. Although most merchants delivered their consignments of cotton to brokers to await sale, some did not; while other stocks of cotton were in the hands of bankers, etc., if there was disputed ownership, or problems over acceptances. Information on cotton forwarded from Liverpool was difficult to obtain, since carriers often had instructions from manufacturers not to divulge it.[2] Nevertheless, the Association supported the attempt by the Board of Trade to collect statistics to establish actual stocks of cotton - how much was sold to spinners for consumption, and how much to speculators and therefore remained at the ports - in order to facilitate a monthly account of imports and exports. The Cotton Statistics Act obliged carriers (railway and canal companies) to submit returns of cotton forwarded to the interior from places of import, each month from 1 August 1868; and holders to make a return on 1 July each year.[3]

The experiment was not a success. Over the next four years, the discrepancy between the stocks published by the Board of Trade at the end of June and the end of December, and the estimates of the Cotton Brokers Association, rose from c17,000 bales in 1868 to c212,000 bales in 1872. By way of explanation, the Cotton Brokers Association pointed to the unreliability of carriers' returns; to the confusion in returns when cotton was sent from one port (e.g., London or Liverpool) to another (e.g., Hull,

1 380 AME 3: ACC Committee, 27 February 1867, pp.16-17

2 380 COT 1/3: CBA Committee, 22 March 1867
CBA to CSA, 27 March 1867

3 380 COT 1/4: CBA Committee, 8 May 1868
CBA Committee, 31 July 1868

Mercury, 11 September 1868, p.6

Economist, vol.26, 16 May 1868, pp.556-7

Bristol or Glasgow) for sale or consumption; and to the inherent difficulty of comparing stocks when sold with stocks when being forwarded.[1] On the whole, the Board of Trade accepted the position put forward by the Association. An investigation suggested that the monthly cotton stocks compiled by the Board of Trade were not reliable; whereas the figures produced by the Association were not inconsistent with the actual stocks. The returns of the Customs, railway and canal companies could not be faulted, so the discrepancy should be ascribed to the variation between cotton forwarded and cotton taken for home consumption. The Board of Trade decided that henceforth it would restrict its published figures to imports, exports and the inland carriage, of cotton.[2]

This decision was regretted by the Cotton Spinners Association, which had no confidence in the figures produced in Liverpool. It was argued that holders of cotton, whether merchants, brokers, bankers, speculators, and even spinners, attempted to sustain market values by failing to disclose their complete holdings. Part sales of imported consignments by consumers to other spinners were recorded by brokers as additional sales to the trade; and this might happen several times to the same consignment in a volatile market, with a diminution of the total stock being recorded on each occasion. Thus, the quantities imported, the quantities sold, and the total stocks left unsold, came to bear little relation to one another.[3]

The weaknesses in the cotton statistics produced in Liverpool were generally acknowledged. The Cotton Brokers Association accepted the

1 380 COT 1/5: (newspaper cutting) CBA to Board of Trade, January 1871
380 COT 1/7: Committee of Privy Council for Trade to CBA, 15 August 1872

2 380 COT 1/5: (newspaper cutting) Committee of Privy Council for Trade to President, Manchester Chamber of Commerce, 11 February 1872
380 COT 1/7: Committee of Privy Council for Trade to CBA, 15 August 1872

3 Ibid., CSA to Lords of Committee of Privy Council for Trade, 31 December 1872 (cutting from Manchester Guardian, 4 January 1873)

desirability of separating cotton sold on the spot, and cotton forwarded from the ship's side (ex quay) to spinners, in the daily returns of sales.[1] Nevertheless, the daily returns were actually estimates of a day's business, made between 11.0 a.m. and noon, or soon after, when no more than three-quarters of the daily transactions would have been completed. An evening return would have been more accurate, but too late to have been of use in the market.[2] Furthermore, the discrepancies which appeared from time to time between the annual stock-taking figures returned by the port, and the running total produced by the Cotton Brokers Association, owed something to the absence from its returns of cotton forwarded by non-members of the Association.[3] This difficulty in obtaining accurate information about daily sales in the Liverpool market was inherited by the Cotton Association, and continued to plague its management, and to offend the Cotton Spinners Association.[4]

(e) Arbitrations

Dealings in futures and delivery cotton led to a level of disputes and repudiations of cotton received not previously encountered. The services of Liverpool brokers were needed to arbitrate in disputes (according to the regulations of the Cotton Brokers Association), although their decisions were often criticised for inconsistency. Problems arose when cotton of a certain grade was bought at one price, but delivered later when that grade was priced differently. American shippers wanted arbitrations to be decided according to grade rather than market value; importing merchants or spinners, three-quarters of whose orders were on commission, or intended for re-sale for profit, preferred arbitrations to be decided

1 Daily Post, 6 March 1875, p.4

2 Ibid., 30 September 1876, p.8

3 Ibid., 7 July 1880, p.8
cf. 380 COT 1/7: cutting from Manchester Guardian, 7 January 1873

4 380 COT 5/1: Board of Directors, 8 November 1886, pp.716-7

according to market value - the usual custom in Liverpool. A complicating factor was that drawn samples of American cotton in Liverpool were of worse appearance than those drawn in the United States before pressing. The question was debated at the first session of the International Cotton Convention, held in London in August 1876 - from which representation from Manchester, whether from the manufacturers, Chamber of Commerce, or Exchange, was notably absent, to the annoyance of the Manchester Guardian.[1] Although arbitrations by grade appear to have prevailed then and thereafter, the standard Liverpool types (Uplands, Mobile, Orleans and Texas) and grades of each were subsequently adopted in the American National Cotton Exchange.[2] Further attempts to modify the grades of cotton in the United States were strongly resisted by the New Orleans Cotton Exchange.[3]

In Liverpool, the Cotton Brokers Association continued to believe that it should be solely responsible for resolving disputes arising from the buying and selling of cotton, but it moved some way towards accommodating the wishes of the merchants and spinners. A later revision of the Constitution and Laws of the Association towards the end of the 1870s accepted that disputes 'between buyer and seller shall be referred to the arbitration of two disinterested persons, one to be chosen by each disputant', (instead of two brokers nominated by the Association); but that 'in arrival and delivery contracts (it is) necessary that the arbitra-

1 Minutes of New Orleans Cotton Exchange, vol.B, Board of Directors, 5 April 1876, pp.252-9

Chamber of Commerce, Council Report, 5 February 1877, pp.12-14

Manchester Guardian, 18 August 1876, p.4

2 Minutes of New Orleans Cotton Exchange, vol.C, Board of Directors, 5 September 1877, p.41

3 Ibid., vol.E, Board of Directors, 8 October 1883, p.164; 1 November 1883, pp.177-8; 25 September 1886, pp.103-4; 18 October 1886, p.113; 29 October 1886, p.119

tors be Members of the Association'.[1] Thus, the control of the Association remained, since arrival and delivery contracts formed the most significant and complex part of the cotton trade.

1 380 COT 4/54A: Constitution and Laws, etc.
The Times, 23 January 1865, p.7

(iii) Functional Developments and the Challenge to the Brokers

The control of the Cotton Brokers Association over newer aspects of the trade was most obviously established with the foundation of a Cotton Clearing House in 1876, and of a Cotton Brokers Bank at the end of the following year. The Clearing House, run by a Committee of the Association, facilitated and regulated arrivals and futures business. Declarations of contracts were registered, regular settlements of contracts organised, and disputes over arrivals contracts resolved. Since membership of the Clearing House was reserved to members of the Association, merchants were more or less obliged to conduct their futures transactions through broker members, thereby incurring the brokerage fees laid down.[1] Once the final settlement payments had been established in the Clearing House, there was a need for a bank to make payments to those to whom money was due. Consequently, the Association set up a Cotton Brokers Bank, with an account at the Liverpool Branch of the Bank of England, for the exclusive use of its members. It was intended that all payments for cotton would be settled by cheque through the Liverpool Branch, which would also be able to telegraph advice of money received to other branches.[2] The Cotton Brokers Bank remained separate from the Clearing House, till, in 1880, the direction of both institutions was vested in one body under the Cotton Brokers Association.[3]

1 380 COT 1/9: CBA Committee, 1 September 1876
Hammond, Cotton Industry, pp.285-6

2 380 COT 4/3: Report on Proposal for CBA Bank Ltd., 25 July 1877
380 COT 4/16: Memo. and Arts of Assoc. (reg. 22 December 1877)
Bank of England, Liverpool Letter Books, vol.24, T.R.Stolterfoht to E.M.Courtney, 24 April 1877, p.98; memo. of 23 November 1877, pp.236-7; vol.25, B.Rathbone to T.R.Stolterfoht, memos. of 21, 23, 26, 29 January, 2, 8 February 1878, pp.9-11, 13-20, 26-30, 42-5

3 380 COT 1/12: CBA Committee, 25 April 1879
CBA Committee, 31 December 1879

To achieve greater control, the brokers did not rely solely on consolidating their strategic position in the trade, but regularly diversified their function to include importing and selling on their own account. As early as 1867, one leading broker, Colin Campbell and Sons, was described as 'large importers and holders'. According to the President of the Cotton Brokers Association, brokers had acted as merchants long before the foundation of the Association. However, the question which exercised the merchant community was whether this diversification of function had become more prevalent in the 1870s. The President of the Association thought that it had not, but if it had, then it was the fault of the merchants:-

> 'In the prolonged continuance of commercial depression, the severity of general competition has even led Merchants to seek direct connection with the consumer, and thus to interfere, to a notable extent, with the legitimate business of the Broker. It may be hoped that a return of prosperity will tend to the diminution of these mutually injurious struggles'. 2

In the opinion of the broker, Thomas Ellison,

> 'The competition (between merchant and broker)...was not seriously felt until the establishment of the Clearing House in 1876. Prior to that date, any merchant might have sold to any other merchant "futures" without the intervention of a broker...' 3

To a certain extent, the brokers were responding to developments elsewhere in the trade, in order to protect their own position, should their specialised service come to be no longer required. In December 1872, the Cotton Spinners Association pointed out to the Board of Trade one great change in the cotton trade:

1 Baring Bros Mss,18,321/25, B.B.Liverpool to B.B.London, 3 October 1867

2 380 AME 3: Pres. CBA to Pres. ACC, 10 January 1880, p.333

3 Ellison, Cotton Trade, p.275

> 'Cotton spinners are now extensive importers of the raw material for their own consumption, and the imports to a large and increasing extent are forwarded, without the intervention or even the knowledge of brokers, direct from the ship side to their factories; and the consumers by this method economise materially in commissions and other charges'.[1]

Since they also re-sold part of their import in the Liverpool market, if conditions warranted, it was clear that a large number of spinners had now become speculators and merchants.[2]

In all these developments in the trade, instituted by spinners and brokers, there is little doubt that it was the role of the merchant which was most under threat. In the first place, their importing function was being usurped; and, secondly, their costs had to reflect the fees of the Cotton Brokers Association, unless they could sell through a broker who was not a member. Since the brokers were now in almost complete control of the Liverpool market, many merchants felt obliged to go direct to the spinners in Manchester in order to compete.[3] Ultimately, the greatest strengths of merchants, particularly merchant bankers, were their financial resources, foreign connections, and, in many cases, ability to finance trade generally and provide exchange facilities, as well as operating in the market on their own account.

If the merchants felt threatened then so also did the brokers. In October 1878, the Oldham Chronicle reported that the local mill companies were considering the establishment of a buying company in order to improve the system of cotton buying. Sensitive to the commercial interests of the town, the Liverpool Daily Post commented that the question of direct trade between producer and consumer invariably came to the front in times of unremunerative business; whenever spinners tried to operate without

1 380 COT 1/7: CSA to Lords of the Committee of the Privy Council for Trade, 31 December 1872 - cutting of Manchester Guardian, 4 January 1872

2 380 COT 1/9: CBA Committee, 5 April 1876

3 380 AME 3: ACC Special Committee, 24 October 1881, p.416

brokers, they usually found that they were indispensable to a greater degree than they would be to the planter or merchant.[1] Nevertheless, the spinners were looking to cut their costs by importing their own cotton without the involvement of a merchant, and to engage in speculative operations without the intervention of a broker.[2] By 1882, the Cotton Buying Company, Limited, of Oldham, was well established as a forum for both merchants and spinners, and acting for the co-operative mills in the area. An office was opened in Liverpool, but the company was denied admission to the Cotton Brokers Bank. Transactions were financed first by drafts on the Liverpool Branch of the Bank of England, but this re-introduced cash into the cotton market, contrary to the policy of the Branch; and later through an account with the Manchester and County Bank. Orders were sent direct to the United States through the agents of Neill Brothers of New Orleans.[3] In 1884, spinners were responsible for the import of 26% of the cotton consumed by the trade - i.e., 850,000 bales which bypassed the Liverpool market.[4] The Manchester Guardian thought that much of the cotton buying business was moving from Liverpool to Manchester, as brokers such as J.Wrigley and Company and Leech, Harrison and Forwood opened offices there.[5]

While these developments were occurring outside Liverpool, the merchants in the port directly challenged the monopoly position and increasingly diversified activities of the cotton brokers in the Liverpool market. In 1879, the American Chamber of Commerce set up a special committee to investigate suspicions of direct trade between the Liverpool brokers and American shippers. The committee found that there was a substantially

1 Baring Bros Mss, H.C.3.35/29, B.B.Liverpool to B.B.London, 7 October 1878, encl. cutting from Oldham Chronicle, 5 October 1878, and summarising comment of Daily Post

2 Ibid., B.B.Liverpool to B.B.London, 14 October 1878

3 Bank of England Liverpool Letter Books, vol.28, 25 April 1884, p.123: 29 June 1885, p.174

4 380 COT 5/1: Petition of Cotton Association, 1 June 1885

5 Bank of England Liverpool Letter Books, vol.27, 3 March 1882, pp.73-4, encl. cutting of Manchester Guardian, 3 March 1882

based impression among brokers as well as merchants (although information on specific cases was withheld by the Cotton Brokers Association 'from motives of delicacy') that certain brokers were conducting a purely mercantile business, to the disadvantage of other brokers and merchants. This was due to the

> '...alteration which has taken place in the course of trade of late years, whereby many Brokers have lost old and valued connections, and have been driven to seek for other channels of business...'

The broker who could import cotton and accept bills against it, or employ bankers' credits, could control business because he avoided brokerage. The Committee drew attention to the

> '...very different conditions under which the American Cotton Trade is conducted at the present date, from those prevailing even a very few years since...Old connections have been broken up - business, instead of passing through a few centres, is conducted from an increasing number of places. Direct shipments to the Continent - direct dealings with manufacturers - with many other causes, have all combined to break up what, during a course of years had come to be looked upon both by Brokers and Merchants as a settled mode of carrying on business in which each had a "vested interest". Coincident with this breaking up of a long established custom, has sprung up the system of selling "Futures", a distinct business in itself, and one which is too convenient for the purposes of trade to give way to any change. Finally, the cry from all quarters is for reduced charges under reduced risk...'

The view of the Committee, which was accepted by the American Chamber of Commerce, was that members of the Cotton Brokers Association should confine themselves to a brokerage business only, or admit merchants to their Association; and that the minimum brokerage fee of ½% should be negotiable.[1]

The response of the Cotton Brokers Association to the conclusions of the American Chamber was considered to be unsatisfactory, the accusations being neither admitted nor denied. The President of the Association dwelt on the changes which had forced the brokers to act as they were

1 380 AME 3: Report on Competition of CBA and Merchants in American Trade, 24 October 1879, p.323

doing, as passive agents, and maintained that it would be too difficult to restrict the business limits of members of the Association.[1] When the Chairman of the American Chamber pressed the brokers for relief for merchants from the ½% brokerage payable on futures transactions made against cotton being imported ('as is almost universally the practice'), and from the ½% payable on the sale of the cotton on arrival, the Association refused any concession.[2]

After this rebuff, the matter was not taken up again till a meeting of the Committee of the American Chamber in September 1881. Although negotiations with the Cotton Brokers Association were re-opened, the merchants were now adopting a more aggressive approach in their deliberations, and considering the establishment of their own cotton selling company; employing brokers who would be flexible over fees; co-operating with the Cotton Spinners Association, which had its own grievances against the brokers; and improving the system of arbitrations.[3] Deputations from the American Chamber and the Association met in October 1881. The merchants sought admission to the Association to act as brokers; negotiable brokerage fees; the submission of contracts made by merchants to the Clearing House; and reform of the arbitration system. The representatives of the Association proved inflexible in the face of these requests, emphasising the exclusive nature of its membership.[4] Subsequently, this attitude was reflected in the formal communication from the Association to the American Chamber, setting out a considered response to the proposals of the merchants. Anyone able to conform to the rules of the Association

1 380 COT 4/133: President CBA to Chairman ACC, 21 November 1879
380 AME 3: Pres. ACC to Pres. CBA, 18 December 1879, p.332
Pres. CBA to Pres. ACC, 10 January 1880, p.333

2 380 COT 4/133: Chairman ACC to Pres. CBA, 28 January 1880
CBA to ACC, 20 February 1880

3 380 AME 3: ACC Committee, 12 September 1881, pp.405-6

4 380 AME 3: ACC Special Committee Report, 24 October 1881, pp.414-16

might apply for membership; Clearing House facilities (e.g., for contracts between merchants) could not be granted to firms which were not members of the Association, and were not therefore subject to Association control, since these firms would be unduly advantaged compared with members; brokerage fees were not negotiable; but there was a willingness to consider an improvement of the arbitrations system, by setting up different committees for American and long-stapled cotton on the one hand, and East Indian on the other. Just as the Cotton Spinners Association had been told that it was not practicable to provide more detailed and frequent reports of futures transactions, so the American Chamber was informed that daily reports, which were the practice in the New York market, could not be reliably issued in Liverpool.[1]

Early in 1882, the American Chamber of Commerce decided that the Cotton Brokers Association was not likely to accept non-broker members, or to modify its rules and procedures as requested. The outcome was the formation of the Liverpool Cotton Exchange, Ltd., by Liverpool merchants, in collaboration with the spinners.[2] The intention was for the Exchange to establish its own Clearing House and Bank, and to deal only with those brokers who would accept new terms for the business.[3] An account was opened with the Liverpool Branch of the Bank of England. The Agent, T.W.Stolterfoht, felt that it would keep business in Liverpool even if it aroused the hostility of the brokers, who were very jealous about their relations with the Bank. The sympathies of the Agent tended to lie with

1 380 AME 3: CBA to ACC, 6 January 1882, pp.425-6
(cf. 380 COT 4/191: Response of CBA Special Committee to Proposals of ACC, 1881)
380 AME 3: CBA to CSA Manchester, 2 December 1880, pp.426-8
(cf. 380 COT 4/191: Response of CBA to Manchester CSA)

2 380 AME 3: ACC A.G.M., 25 January 1882, p.434
ACC A.G.M., 31 January 1883, p.451

3 380 COT 1/13: CBA Committee, 5 May 1882

the merchants, although he acknowledged that they supplied spinners with cotton from America and elsewhere direct, and either drew on them, or provided finance for them. On the other hand, the brokers had long been supplying continental spinners with cotton, on remittances, using credit from London; and were now cutting deeply into the business of the merchants by dealing with American shippers, and opening credits with bankers.[1]

This new situation immediately alarmed the Cotton Brokers Association. It was recognised that henceforth there would be competition for trade in Liverpool, but, in addition, the Manchester market would also become the scene of an extended struggle. Liverpool brokers were already opening offices in Manchester, while the effect of the establishment of the Exchange would be to promote direct business between merchants and spinners. Members of the Cotton Brokers Association were unsure whether holding a share in the Exchange (which would be in competition with, and even hostile towards, their own Association) was permissible; but they were clear that doing business on terms below those laid down by the Association was an infringement of the rules.[2]

Mercantile opinion in Liverpool maintained that merchants had suffered from unfair competition from certain members of the Cotton Brokers Association, which acknowledged their grievances, but refused to remedy them. Nevertheless, in seeking to promote a new group of brokers, and also aspiring to act as brokers themselves by establishing direct contact with spinners, merchants were criticised for their greed. The situation was seen on 'Change to be thoroughly unsatisfactory: by buying direct, and avoiding the services of a broker, spinners paid higher prices for their cotton,

1 Bank of England Liverpool Letter Books, vol.27, 7 February 1882, pp.40-1; 8 February 1882, p.42; T.R.Stolterfoht to E.M.Courtney, 10 February 1882, pp.47-8

2 380 COT 1/13: CBA Committee, 17 February 1882
CBA Council, 17 March 1882
CBA Committee, 24 April 1882

especially as it was easier to quote higher prices in Manchester, where there was little competition, and few chances to compare samples'. It was felt that the Cotton Brokers Association was in greater danger from internal fragmentation than from the merchants, since brokers were prepared to operate for personal advantage against other brokers.[1] Initially, the brokers attempted to defy the merchants and spinners, staying outside the new Cotton Exchange, while continuing to deny merchants membership within the Association.[2] By the end of March, however, it was recognised that this stance could not be sustained.

Since the Exchange and the Association could not both attempt to manage the cotton trade in Liverpool, discussion in the Association was concerned with the accommodation which would have to be offered to the merchants. Proposals were made for a limited admission of merchants into the Association; for three members of the Exchange and three members of the Cotton Spinners Association to join the (Council of the) Cotton Brokers Association in order to regulate the trade; for negotiations on lower brokerage fees for handling 'futures' etc.[3] However, it was recognised that further discussions with the merchants were necessary if the situation was to be resolved. At a meeting of the Committee of the Association on 24 April 1882, it was agreed that:

> '...this Association quite admits the necessity of considering the question of Brokerage on "Futures", and the admission of Merchants and Spinners to a share in the control of the trade, and the complete revision (if considered desirable) of the present system of Arbitration'.[4]

1 Daily Post, 25 February 1882, p.5

2 Courier, 10 March 1882, p.4

3 380 COT 1/13: CBA Committee, 27 March 1882
380 COT 4/153: Proposal for Committee, 10 March 1882
380 COT 4/163: Proposal for Committee, 21 April 1882

4 380 COT 1/13: CBA Committee, 24 April 1882
380 COT 4/164: Proposal for Committee, 24 April 1882

Representatives of the Cotton Brokers Association and the Cotton Exchange met on 3 May 1882. The merchants resumed their position from previous negotiations: that they should have the same rights and terms for trading as the brokers; and that the brokers should restrict their activities to buying and selling for principals resident in the United Kingdom (if it was not too late to enforce this), in which case, the merchants would probably close their offices in Manchester. They also wanted members of the Association to be allowed to join the Exchange, and the establishment of a joint committee for the trade. Ideally, the merchants wished to preserve the separate and specific activities of broker and merchant.[1]

By now, however, the brokers were prepared for a more radical solution, in view of:

> '...the impossibility of the co-existence of the "Cotton Brokers Association" and the "Liverpool Cotton Exchange" with benefit to either, and realising what will be the consequences to all connected with the trade in Liverpool of the disastrous competition that must follow between the members of the two bodies unless a fusion be effected...'[2]

This proved to be the considered view of the Association, which also rejected attempts to protect and advantage its members and their function in any merger.[3]

The amalgamation of the Association and the Exchange was negotiated over the summer of 1882. Membership of the new company, the Liverpool Cotton Association Ltd., was open to all members of the other two organisations, with others eligible for election as associate members. All the

1 380 COT 1/13: CBA Committee, 5 May 1882

2 380 COT 4/173: Proposal for Fusion, 23 May 1882

3 380 COT 4/167: Amendments, 15 May 1882
380 COT 1/169: Proposal to keep CBA for Brokers, 17 May 1882
380 COT 1/13: CBA Committee, 17, 18 May 1882
380 COT 1/14: CBA Committee, 1 June 1882

large cotton receivers - Barings, Ralli Brothers, B.F.Babcock, B.Newgass, E.Springman, J.H.Schroder, Tod, Kennard, etc., - joined, but not Brown, Shipley; and the Bank of England Agent thought that the banks should also be members to achieve a more perfect clearing system in the Cotton Bank.[1] All shareholders received equal rights and opportunities, irrespective of their usual function. Brokerage fees were set at ½% for buying or selling spot or arrival cotton which was delivered or received; and ¼% for buying or selling all other (futures) contracts.[2] Attempts to form a 'brokers section', or at least to keep a register of accredited brokers (i.e., members of the Cotton Brokers Association) were resisted. However, since the Cotton Association initially adopted the bye-laws on arbitrations of the Cotton Brokers Association, only brokers could be adopted as arbitrators, till new bye-laws were framed.[3]

Although the Clearing House was retained by the new Association, 62 member firms, led by P.E.J.Hemelryk, of Hornby, Hemelryk and Company, set up a Settlement Association in December 1882, as a means of controlling speculation through regular (monthly or fortnightly) cash settlements. The firms involved agreed to have their contracts taxed through the Clearing House, if they were officially recognised there, so that the revenues of the Clearing House should not decline with less use.[4] Up to this date, the establishment of periodical settlements for the cotton arrivals market had always been resisted in the Cotton Brokers Association and the Cotton Association. It was claimed by 'old-fashioned brokers and merchants' that regular settlements would actually provide opportunities

1 Bank of England Liverpool Letter Books, vol.27, 17 October 1882, pp.239-40

2 Ellison, Cotton Trade, pp.278-9

3 380 COT 5/1: Board of Directors, 25 January 1883, pp.122-4
Board of Directors, 7 February 1883, pp.134-5

380 COT 6/1: Extraordinary General Meeting, 7 February 1883, pp.80-1

4 Ellison, Cotton Trade, pp.294-5
380 COT 5/1: Board of Directors, 28 December 1883, pp.296-7

for the market to be 'squeezed', 'rigged' or 'cornered' frequently; and that small, importing merchants would be disadvantaged, since they would have to pay interest and commission for the use of capital, which would be locked up till the cotton arrived, instead of being able to sell futures in Liverpool as a hedge against their shipments losing value through price fluctuations in the market. Normally, such merchants would be able to do increased business, even if carried by financial guarantees from their brokers, whereas regular settlements would absorb their limited capital, or necessitate borrowing. Spinners were also expected to experience financial restrictions with regular settlements, since their futures were bought against contracts for yarn. In general, a settlement system was likely to benefit the larger operators, who could afford the regular balances, and to restrain those whose activities were out of proportion to their means.[1]

By 1885, the Cotton Association bye-laws on settlements had made settlement days weekly rather than fortnightly or monthly.[2] Two years later, in October 1887, the Liverpool House of Baring Brothers commented that the general system of delivery sales with weekly settlements was now so perfect that, should any party fail to maintain margins when called upon, the security could be placed immediately: 'The character of the business is secure and vastly better than authorising drafts against consignments.'[3]

With the establishment of the Cotton Association, the Cotton Brokers Association was finally wound up in January 1886, and a trust fund was set up with a capital of £15,000, to be used for the relief of poor and

1 Daily Post, 2 January 1884, p.8
Economist, vol.42, 5 January 1884, pp.3-4

2 380 COT 6/2: Bye-laws on settlements, 23 July 1885, p.49

3 Baring Bros Mss, H.C.3.35/33, B.B.Liverpool to B.B.London, 6 October 1887

necessitous, past and present, members of the Association, their wives and families.[1]

In the interests of preserving the primacy of the Liverpool cotton market, particularly against threatened competition from Manchester, the trade retreated from functional specialisation, and adopted a more flexible organisation. The strategic position of those who operated in the Liverpool market was thus maintained, and the development of a market in Manchester, with its potential advantages of cheapness and direct trading, made the more difficult.[2]

1 380 COT 1/14: CBA Committee, 11 May, 16 June 1885
CBA Committee, & General Meeting, 18 January 1886

2 cf. Chapman, Conditions and Consequences, pp.50-1

Manchester Guardian, 6 October 1911, p.11: 'Listen, Lancashire', no.1 (and following weekly advertisements)

CHAPTER EIGHT

Liverpool as a Commercial Port 1865-90

The year 1865 opened with a statement in the Liverpool Mercury of total confidence in the future of the trade of Liverpool. This immense trade was well established through the natural advantages of its position in relation to the most industrious and wealthy districts of Britain and other countries; and also through the enterprising spirit, liberal expenditure, and mechanical and engineering skill which the inhabitants and public bodies of Liverpool had put into improving these advantages. Given a superiority in speed and cheapness with which merchandise could be transported inland and overseas, continued progress seemed assured, for such a large operation could achieve economies of size.[1]

Nevertheless, in the period following the American War, it was soon apparent that, even with the resumption of normal American business, it was not possible to sit back and wait for the good times to roll. New technological developments in shipping and communications, and additional trades, demanded new investments in port facilities. Traditional commercial rivals, notably Bristol and London, needed to be continually resisted, while fresh challengers - Barrow, Fleetwood, Southampton and Manchester - required close monitoring. The commercial community had to realise that the initial post-War prosperity was as abnormal as subsequent depressions, and to adjust to business that could be large in volume, but was declining in profitability per unit. It also had to accept that the exploitation of modern commercial methods and opportunities was as essential in a time of expanding world trade as it had ever been.

1 Mercury, 9 January 1865, p.6

(i) The Mersey Docks and Harbour Board

Before 1857, responsibility for the docks on both sides of the Mersey lay with the Corporation of Liverpool, which did not feel bound to apply the town and anchorage dues to the benefit of the port, rather than to general municipal purposes; and, in this view, the Corporation appeared to be supported by the Municipal Reform Act, and the Parliamentary Select Committee on port charges in 1856. The American Chamber of Commerce campaigned to reduce the power of the Corporation and increase the representation of the dock ratepayers on the Management Committee; and this was the basis of the bill to set up a trust to take over the port, promoted by the Manchester Chamber of Commerce, the Manchester Commercial Association, and the Great Western Railway.[1]

The Mersey Docks and Harbour Board Act of 1857 consolidated the docks into one estate under an independent body, the Dock Board. Initially, the membership of the Board was 18 elected by the dock ratepayers and 3 nominated by the Mersey Conservancy Commissioners; but, in 1858, the Act was modified to increase the membership to 24: 20 elected and 4 nominated. The influence of the Manchester interest was seen in the acceptance of proxy voting for members of the Board, who had to reside within a 10 mile radius of the borough/port boundary. Although proxy voting was soon abandoned, Manchester representatives continued to press for an extension of the residential area to 50 miles round Liverpool.

The Dock Board took over responsibility for past and future expenditure on the docks both at Liverpool and Birkenhead; and also undertook to

1 S.Mountfield, Western Gateway: a History of the Mersey Docks and Harbour Board, Liverpool, 1965, pp.6-9

J.Bird, The Major Seaports of the United Kingdom, London, 1963, pp.285-6

cf. B.T.Leech, History of the Manchester Ship Canal from its Inception to its Completion, Manchester and London, 1907, vol.I, p.41: in 1852-3, only £4,770 from profits of £115,000 was spent on port and river improvements pay the corporation of Liverpool £1.5 millions for the transfer of town and anchorage dues. These dues, which gave the right to sell cargoes in the town, and the rates and rents for using the port and its facilities, provided the revenues of the Dock Estate. They were to be applied to the day to day expenditure of the port, but also to paying the interest on, and reducing the debts created by, capital investment in the port. Further expansion was envisaged through specific Acts of Parliament which would authorise funds to be borrowed to finance new works.[1]

The Act of 1858 had allowed expenditure of £1.6 millions on works at Liverpool, but, in fact, more than £2 millions had been spent. This gave an opportunity for the Birkenhead interests to press for the completion of further works on the Cheshire side before the Dock Board went ahead with plans for expanded steam accommodation at Liverpool from 1867. These extensions were pressed by the Steam Ship Owners Association and the American Chamber of Commerce, which also sought larger quays for handling cargoes, and more shed accommodation for bulk, perishable goods. Shipping lines and trades were reluctant to use the docks at Birkenhead, on which £5 millions or more had been spent by the 1870s, when the facilities were so far removed from the Liverpool markets and rail connections. The price of Cheshire co-operation in 1867 was the establishment of differential rates for part of the Birkenhead docks complex.[2]

In an effort to promote a greater return from the investment, docks,

1 Mercury, 9 January 1865, p.6
Daily Post, 22 May 1889, p.4
Daily Albion, 18 February 1875, p.4
25 February 1875, p.4

2 380 AME 3: Wm.Rathbone Jnr to Pres. ACC, 26 February 1867, pp.18-20
ACC Committee, 4 March 1867, pp.22-3
ACC Committee, 27 March 1867, pp.28-9
Mercury, 26 March 1867, p.6
5 July 1867, p.6
Daily Albion, 25 February 1875, p.4

and railway communications at Birkenhead, the Dock Board negotiated with members of the Steamship Owners Association (Cunard, Inman, Guion, Allan and National) for the transfer of the North Atlantic steam trade to Birkenhead. The terms included a fifty per cent reduction on the rates for steamers and goods for at least 10 years; the provision of new sheds and warehouses; lighterage of goods across the river at the expense of the Dock Board; and the right to return to Liverpool if Birkenhead proved unsuitable. Only the North American timber trade would have remained on the Lancashire side of the river.[1] These proposals proved unacceptable to the steamship companies trading to the United States, largely because of the reluctance of the Liverpool provisions merchants to risk damage and delay in trans-shipping meat and dairy products for the Liverpool market. To avoid threats by the steamship owners to move their business to Southampton, London or Hull, the Dock Board decided to proceed with expansion on the Liverpool side.[2] A committee of enquiry was set up in the spring of 1872 to consider the under-usage of Birkenhead, and the future accommodation of the growing trade of the port. All the evidence presented argued for increased dock and quay space at Liverpool, and the reconstruction of older docks, to safeguard business for the port. Solutions proposed for the Birkenhead problem included the continuation of lower dues to attract trade; improvements to the river approaches; the construction of a railway tunnel beneath the river estuary, or a free steam ferry across the Mersey, at the expense of the Liverpool rate-payers; and free storage depots for goods transferred from Birkenhead. The

1 Courier, 10 December 1869, p.6
Mercury, 24 December 1869, p.6

2 Courier, 20 November 1869, p.6
10 January 1871, p.6
Mercury, 24 December 1869, p.6
21 January 1870, p.6

Courier was unhappy about going so far to accommodate Cheshire interests, when about half of the Dock Estate was unusable for loaded steamers of 2,000 tons or more; and, for much of the year, there was insufficient depth of water at the entrances for average-sized vessels in the New York trade.[1] The nitrate trade settled reluctantly at Birkenhead, in view of the wooden structures used for storage, and a new line was based there - the Pacific Steam Navigation Company.[2] Birkenhead remained a problem, and its supporters (e.g., Harold Littledale) invariably opposed works on the Liverpool side.[3] As late as the Dock Board year 1887-8, Birkenhead accounted for barely 11% of the tonnage using the port, and only 8% of the revenues.[4]

In the 1870s, the Dock Board pressed ahead with extensions to the line of docks north and south at Liverpool for use by larger steamships. Opposition was overcome from the shipping interests (who would have preferred the works to be concentrated in the town centre); and from the Birkenhead Conservancy Commissioners and the Great Western Railway - at the cost of a new wet dock at Birkenhead, although 'Every investment in Cheshire has proved unprofitable, almost ruinous; every investment in Lancashire has turned out lucrative and popular'.[5] The new dock accommodation at the North End was formally opened in September 1881, and finally completed in 1883, and that at the South End in the following year.

1 Courier, 27 June 1872, p.4
Mercury, 28 June 1872, p.6
2 Ibid., 9 December 1871, p.6
Courier, 1 September 1876, p.4
3 Mountfield, Western Gateway, pp.45-6
4 Courier, 29 October 1888, p.4
5 Ibid., 2 January 1872, p.6
1 April 1873, p.4
Mercury, 25 April 1873, p.6
20 April 1874, p.6
Daily Albion, 25 February 1875, p.4

The Daily Post emphasised how the Board had responded to the increased requirements for space and depth for shipping in the American trade in particular.[1]

Within 10 years, the shipping companies and trade associations were once more calling for the modernisation of the docks, yet again judged inadequate for the largest Atlantic steamships. There was a need for longer and narrower docks (to accommodate one rather than two or three vessels alongside at the same time); existing docks needed to be deepened and enlarged, and provided with larger entrances; new quays and sheds were required, etc. Even those docks completed at the North End in the early 1880s could not, in 1890, accept the largest passenger liners and steamships. The Dock Board agreed to these demands - with some reluctance in the light of the financial implications, and the anticipated cometition from the Manchester Ship Canal.[2] It also accepted the need to proceed with an overhead railway (pressed by T.H.Ismay, the shipowner, since 1878) to link all parts of the extended docks;[3] and to dredge the Bar (also championed by Ismay): this was a sandbank in the river estuary, two-thirds of a mile long, several miles wide, and constantly moving. The tide rose and fell 30 feet over the Bar, and, at certain times of the year, there was only 8 feet of clearance at low water. Large, inbound vessels were obliged to wait for deep water, often in fog and rough seas, and in the path of other shipping using the estuary. The delays involved

1 Mountfield, Western Gateway, p.38
Daily Post, 8 September 1881, p.5

2 Ibid., 2 March 1888, p.3
Mercury, 17 May 1890, p.5
Courier, 15 March 1890, p.4
4 July 1890, p.4
Journal of Commerce, 12 May 1890, p.4
Chamber of Commerce Council Report, 27 February 1891, p.28

3 Mountfield, Western Gateway, pp.50-1

were unacceptable for the American passenger trade, as was the transshipment of passengers and goods from the temporarily immobilised liners. In the 1890s, the Dock Board undertook dredging operations which increased the minimum depth over the whole approach to the port to 27 feet. [1]

Of equal importance to the expansion of space for shipping was the provision of adequate warehousing accommodation and facilities for handling cargoes. In 1875, the Daily Albion argued that:

> '...Liverpool, even with its unrivalled natural advantages, cannot maintain its position as the first British seaport unless it offers facilities that are not surpassed elsewhere'.

The Albion supported the aim of the Chief Engineer of the Works Committee, Hubback, '"to make England the cheapest, most secure, and most attractive place for the storage of the surplus produce of the world"', in the face of continental competition. Liverpool was already the centre of the American trade of the United Kingdom, and a depot for the storage of corn, provisions, tobacco, etc., not just for the supply of the north of England and Ireland, but also for many foreign countries, since it was cheaper to store tobacco here than at New York, and more convenient than at Bremen or Hamburg. On the other hand, timber cargoes were already sent to other ports for lack of accommodation, and grain to the River Severn for cheapness.[2] Similarly, petroleum imports were going to London, Bristol and other ports, so long as barrels were likely to be left on the Liverpool quays covered only with tarpaulins. The Dock Board attempted to deal with these inadequacies by involving Birkenhead: new, large, fireproof warehouses, removed from shipping, housing and other warehouses, were erected for the storage of petroleum, and linked to the railway by tramways.[3]

1 Daily Post, 9 April 1884, p.5
The Times, 4 October 1888, p.12
New York Times, 11 December 1889, p.2
Bird, Major Seaports, pp.299-301
2 Daily Albion, 24 March 1875, p.4
3 Daily Post, 14 August 1873, p.4

However, the timber trade refused to go to Birkenhead because of the longer, inland rail journey involved, and because the shippers' outward cargoes to Canada of bagged salt were most easily obtained in Liverpool.[1]

The tobacco trade had also outgrown the available warehouse accommodation, and had been dissuaded in 1863 from building a new warehouse at their own expense by the Dock Board, which would not abandon its monopoly right to store tobacco. Although the Board undertook to provide '"better accommodation"' for the trade, it failed to do so, doubting that the outlay would be justified by increased revenues, despite the 25% rise in deliveries of tobacco between 1866 and 1874.[2] One of the first actions of the newly formed Tobacco Trade Section of the Chamber of Commerce was to complain to the Dock Board about the inadequate and distant storage accommodation, but again the Board declined to make improvements at that time.[3]

The Chamber of Commerce pressed the Dock Board to make the docks and warehouses more attractive to shipowners and importers, and to encourage a greater use of Birkenhead docks.[4] The shortcomings of accommodation for imported goods were accentuated from the late 1870s, when selling ex quay and from store were increasing in most trades. Quays were blocked by abandoned and exposed goods, like cotton, and traders deprived of adequate time for their business, as shipowners sought to discharge cargoes and re-load vessels in three days rather than four, by operating at night as well as by day.[5]

1 Daily Albion, 19 May, 1874, p.6

2 Ibid., 25 September 1874, p.4
11 March 1875, p.4

Courier, 25 September 1874, p.4
11 March 1875, p.4

3 Chamber of Commerce Council Report, 27 February 1891, pp.92-5

4 Ibid., 3 February 1880, pp.31-3; 4 February 1881, pp.20-2

5 380 AME 3: ACC Committee, 10 May 1883, pp.460-2

Mercury, 9 February 1883, p.5
21 March 1883, p.5

Mountfield, Western Gateway, p.35

A common criticism of the management and financial policy of the Dock Board concerned the scale and allocation of the charges of the port, which were often blamed for the loss of some trades from the Mersey to the Thames, Tyne, Humber or Clyde, where (inferior) facilities could be had more cheaply.[1] Although the revenues rose regularly from year to year, and the compensation to the town for the loss of town and anchorage dues was paid by 1867, the Dock Board continued to use the surplus to reduce the outstanding debt on the Estate, or to fund new works, instead of responding to demands to lower the charges. The Chamber of Commerce wanted all charges to be categorised as dock dues and split equally between shipping and goods. As a result of the levying of town dues on goods, 62% of the revenues of the port came from goods rather than shipping.[2] The shipowner, T.H.Ismay, argued that Liverpool should become a free port, with charges only on shipping: the loss in revenue would be balanced by the time and cost saved in the collection of dues on goods.[3] Taken together with Hubback's vision of the United Kingdom as a depot and entrepôt, these ideas show an appreciation of Liverpool as a leading trading centre as well as a base for carrying operations.[4]

After further pressure from the commercial community in general,[5] the Dock Board began to reduce the port charges from the beginning of the 1880s: reductions of 14.2% on goods and 6.8% on shipping were introduced from January 1881, and some duties were also lowered in March 1884. The increasing trade of the port offset any immediate loss in revenues

1 Mercury, 10 September 1879, p.6
Courier, 19 November 1880, p.4

2 Chamber of Commerce Council Report, 28 August 1867, pp.16-18
Mercury, 7 January 1868, p.6

3 Daily Post, 15 February 1884, p.4

4 cf. Mountfield, Western Gateway, pp.66, 69

5 e.g., Chamber of Commerce Council Report, 4 February 1881, pp.20-2

which may have been apparent.[1] Despite the depressed trading conditions of the early 1880s, even lower charges were sought by the Courier in October 1887, since 'Many competitors are trying to deprive Liverpool of some portion of its commerce..'[2] Further reductions were agreed in 1895, after consultations between the Dock Board and the Chamber of Commerce.[3] Clearly, the Dock Board was bracing itself to face the challenge from Manchester, but, as the Courier reminded the Board in July 1890:

> '...it is tolerably certain that if the board keep their accommodation well up with trade necessities the business of the port will continue to increase, the opening of the Ship Canal only serving to attract more shipping to the Mersey. But even if it were feared that Manchester would deprive Liverpool of trade, is not that a reason for improving the existing docks rather than waiting to see what will happen...?'[4]

Despite the reductions in charges, the revenues of the Dock Board doubled between 1865 and 1890.*

1 Mercury, 1 January 1881, p.5
Courier, 2 July 1881, p.5
Chamber of Commerce Council Report, 16 February 1885, pp.35-6

2 Courier, 24 October 1887, p.4

3 Mountfield, Western Gateway, p.72

4 Daily Albion, 25 February 1875, p.4
Waller, Democracy and Sectarianism, p.2

* See Appendix 1

(ii) Competition from Other Ports

Cheap inland transport was essential if Liverpool was to discharge its commercial and entrepôt functions efficiently and profitably. For this transport Liverpool looked to the railway companies which operated between itself and Manchester, and which controlled the lines which extended over the midland and northern counties of England. For most of the period 1865-90 these were the Lancashire and Yorkshire Railway, the Manchester, Sheffield and Lincolnshire Railway, and the London and North Western Railway. The existence of several lines operating between Liverpool and Manchester did nothing to keep down the freight rates charges - a matter of considerable annoyance to the town and port authorities of Liverpool, and the merchants, manufacturers and spinners of Manchester - which discussions between the mercantile interests in Liverpool and the railway companies did little to improve.[1]

Although the arrival of the railways had been facilitated by the authorities and business interests of Liverpool, the companies themselves preferred to develop new ports elsewhere round the coast. Thus, the Lancashire and Yorkshire was interested in Fleetwood and Hull; the Manchester, Sheffield and Lincolnshire in Grimsby; and the London and North-Western in Garston and Holyhead. Costly docks were built in several cases at the expense of the railway companies, 'constructing seaports out of sandhills', and 'fostering competing harbours to the notorious detriment of Liverpool'. As inducements to commerce to make use of these alternative ports, lower freight rates and favourable port dues were offered by the railway companies. The Liverpool press inveighed against this 'Hostile conspiracy of railway companies'; 'They have taxed our traffic in order that other ports - notably Hull and Fleetwood - might have preference

1 Mercury, 16 March 1865, p.6
Courier, 19 January 1872, p.2
25 July 1879, p.4

with shipowners and traders'. Goods were even carried at the same rates between Manchester and London as between Manchester and Liverpool.[1]

Differential freight rates were blamed for the loss of certain trades from the port of Liverpool, e.g., nearly all the inward trade from China, Australia and India; tea and wool to London; salt to the Tyne, jute to Dundee; dye-woods to Goole; and some coal, timber and grain to the railway ports, Fleetwood, Barrow, Garston, and Hull. The rates between Liverpool and the major centres in the North and the Midlands for the carriage of cotton, wool, grain, sugar, timber, etc., were always disadvantageous compared with those operating to the same towns from London, Hull or Southampton. Thus, trade in Liverpool suffered from an unreasonable financial burden, and was hindered in its development.[2]

Many of these charges had been made by the Chamber of Commerce to the Railway Commissioners (set up by the Railway and Canal Traffic Act of 1873) and to the Board of Trade; and they were rehearsed in 1881 in evidence submitted by a joint committee of representatives of the Corporation, the Dock Board, and the trade associations to the Parliamentary Select Committee investigating the working of the Railway Commission, and the freight charges of the railway and canal companies. The criticisms were generally refuted by the railway companies concerned, which argued that the problems of Liverpool were mainly due to its excessive charges, its lack of facilities, cranes and machinery for handling heavy goods, and the failure of the Dock Board to provide better passenger facilities,

1 Mercury, 4 January 1872, p.6
Courier, 25 July 1879, p.4
Daily Post, 2 July 1884, p.5

2 Courier, 10 June 1871, p.6
Mercury, 4 January 1872, p.6
Daily Post, 8 December 1876, p.4
23 December 1876, p.5
Marriner, Economic and Social Development of Merseyside, p.96

such as rail communications with the docks. They denied that their rates were discriminatory, and claimed that it was beneficial for the trade of the country to bring ports like Barrow and Fleetwood into the system, and to secure their traffic through preferential rates.[1] It was subsequently claimed by the London and North-Western Company that rates for the carriage of metals to Liverpool

> '...at all times receive the careful consideration of this Company, and they are fixed with the view of developing as far as possible the business of the port'.[2]

The pressure on the railway companies brought about by the Liverpool Joint Committee resulted, in the early 1880s, in two reductions in certain charges of the companies operating in the North-West of England,[3] in addition to those effected following the passage of the Manchester Ship Canal Act of 1885.[4] The Liverpool press speculated that, in the face of potential competition from the Ship Canal, the London and North Western Railway would run down its business between Manchester and Liverpool, abandon Garston, and concentrate its port activities at Holyhead, or at a new coastal terminal at Mostyn at the mouth of the Dee. Yet, they found it almost impossible to believe that the company would be able to give up its facilities in Liverpool (which included a hotel for American visitors) in exchange for a remote terminal.[5]

Owing to the efforts of the railway companies, several new ports aspired to take over some part at least of the role of Liverpool in the

1 Parliamentary Papers, 1881, vol.XIII, Select Committee to Inquire into Charges of Railway Companies, Canal Companies,...and into the Working of the Railway Commission of 1873, pp.81-120 (evidence of Liverpool representatives), 680-728, 752-93 (evidence of representatives of railway companies)

2 Chamber of Commerce Council Report, 2 February 1888, pp.53-8

3 Daily Post, 8 October 1886, p.4

4 Ibid., 28 October 1885, p.4

5 Ibid., 27 December 1887, p.4
Courier, 25 August 1888, p.4

American trade. One such was Barrow; but on the occasion of the opening of her new docks on 19 September 1867, the Courier made it clear that she presented no threat to Liverpool:

> 'The trade of Barrow, or at least the great bulk of it, will not be abstracted from the Mersey or the Ribble, or other accustomed port, but will be a new trade created for itself, spreading its advantages over the whole country, and in this general benefit, Liverpool and London, and every other place will participate in common......the whole country rejoices in the progress of Liverpool - and "the good old town" is still maintaining the race with unabated energy and keeping ahead of all competitors..' [1]

A correspondent of the New York Times was most impressed in 1883 by the well-built docks, the quays with warehouses, cattle sheds, grain sheds, cranes, abattoir and chill rooms. The mechanical capability for dealing with both cargoes and ships was noted, and the 'depositing dock' for lifting vessels of up to 8,400 tons admired as an advanced feature; while the ship-building works were the most extensive of any rival, including the Clyde. Barrow was growing rapidly as a port for passengers and freight, dealing chiefly with other British and continental ports. Although the facilities for American meat imports and the American passenger trade had been generously provided by the Furness Railway Company, and a line of American mail steamers called there from New York, 'At present the American trade cannot be said to be of great importance...' In fact, the American meat trade had ended there a year earlier since the supply could not be guaranteed; and the local steel works had been obliged to seek new markets because of the fall in American demand.[2] Between 1881 and 1885, the value of its American trade declined by 61%.[3]

Two years later, the Courier drew attention to correspondence in the London Times which reported that Barrow docks were now scarcely used,

1 Courier, 21 September 1867, p.6

2 New York Times, 23 February 1883, p.3

3 Liverpool Consular Reports, 141/50/162, C.T.Russell to G.LeRives, 9 February 1888

since no market for foreign produce could be created so near to Liverpool. Even cargoes of wheat, destined to be made into flour at Barrow Corn Mills, were landed at Liverpool and thence conveyed to Barrow.[1] The town was considered to be a victim of the depression of trade at the end of the 1880s, when the stagnation of its trade, its docks and its shipyards was complete, and its iron industry run down.[2] Yet, even then, there was a scheme to revive activity by establishing a new line of steamers to run between Barrow and the United States, linking the Furness Railway with the Baltimore and Ohio Railroad (as had been done with the Pennsylvania Railroad).[3] Despite lower charges for grain, flour and timber, the greater part of the trade of Barrow was confined to exports of iron and steel in the 1890s: it was too far from other centres of population and manufacturing.[4]

Fleetwood was promoted by the Lancashire and Yorkshire Railway Company to be an alternative port to Liverpool for the import of cotton. The Manchester spinners, Benjamin Whitworth and Brother, provided statistics to show that importing costs there would be half of what was paid by those who used Liverpool. This proved to be a considerable mis-calculation in view of the amount of capital invested in the development of the port; and when shippers found that it was necessary to send their cotton to the Liverpool market for sale, thereby incurring charges for inland transport.[5]

A greater challenge to Liverpool seemed likely to come from Milford Haven in the 1880s, when a large development of docks was added to what

1 Courier, 18 September 1885, p.4

2 Daily Post, 8 April 1887, p.4

3 Ibid., 9 December 1887, p.4

4 Waller, Town, City and Nation, p.98

5 Daily Post, 22 February 1871, Supplement, p.1
Courier, 15 March 1871, p.6

was thought to be the finest natural and sheltered harbour in the country - and potentially 'the finest harbour of the British Empire'. Direct railway communications were planned with the coal fields and manufacturing areas of South Wales; but the greatest appeal of Milford was as a terminal for the largest transatlantic steamers, 170 miles nearer to New York than Liverpool. It was claimed that passengers and mail could arrive in London 24 hours sooner by disembarking at Milford rather than Liverpool. Milford remained an ideal throughout the decade of the 1880s, as shipowners contemplated larger steam vessels, and the Liverpool bar seemed to present an increasing problem.[1]

Of the established ports in the country, Bristol had lost ground to Liverpool in the eighteenth century. Apart from higher costs, Bristol suffered from three handicaps: municipal control, which meant that the port was on occasions starved of investment; the lack of an industrial hinterland; and docks and river approaches which were unsuitable for the larger vessels of the nineteenth century. By the 1880s, new wharves and sheds had been constructed, as well as further docks down-river at Avonmouth and Portishead, and the Avon had been dredged. With the help of dues now lower than those at Liverpool, an import trade in provisions, timber, tobacco and petroleum, etc., was built up; but the dock provision was insufficient to capitalise on the American grain trade, and exports remained insignificant.[2]

1 Courier, 6 October 1881, p.5
20 December 1881, p.4
1 August 1889, p.4

Mercury, 20 January 1882, p.5

Daily Post, 18 November 1886, p.5

2 Bird, Major Seaports, pp.187-8, 191

Owen, Ports of the United Kingdom, pp.129-38

D.Large, The Port of Bristol, 1848-84, Bristol Record Society's Publications, XXXVI, 1984, pp.vii-ix, xiii, xv-xii, xxi-xxviii

Southampton was already a substantial port by the 1850s, ranking fifth in the United Kingdom, although well behind London and Liverpool in tonnage, and providing the headquarters for the Peninsular and Orient Steam Navigation Company, which operated mail and other services to the southern hemisphere. Southampton was also a port of call for lines sailing between European ports - Hamburg, Bremen and Le Havre - and the United States. New docks had been built in the 1840s and 1850s by the London and South-Western Railway Company, which also provided a rail link with London. Southampton lacked a market and an industrial hinterland, and in 1881 the trade of Liverpool was more than ten times greater. Financial difficulties were experienced by the Dock Company in the 1880s, and P. and O. considered moving their base to London or Liverpool. In the early 1890s, the London and South-Western Railway Company took over the port and constructed new quays of great length, and docks with wider entrances. The real threat to Liverpool was in relation to the passenger trade, since facilities for landing passengers, luggage examination, and also access to railways, were superior at Southampton. The opinion of the New York Times at the end of the 1880s was that Liverpool would only retain the ocean passenger trade if these facilities were improved. Although improvements, including a riverside railway station, were provided in the 1890s, both the White Star and Cunard lines ultimately transferred their transatlantic passenger operations to Southampton in the twentieth century.[1]

Throughout the period 1865-90, the chief commercial competition concerned Liverpool and London. With easy access to manufacturing areas,

1 Courier, 15 March 1871, p.6

Daily Post, 20 October 1881, p.5
21 December 1889, pp.4-5

New York Times, 11 December 1889, p.2

Waller, Town, City and Nation, p.92

Bird, Major Seaports, pp.160-2

Owen, Ports of the United Kingdom, pp.83-7

Liverpool maintained a lead over London as a port of export in foreign trade; whereas London was surrounded by populous markets of consumers, and recorded higher levels of imports, particularly in view of the volume of her coasting trade and coal imports. Between 1872 and 1880, the value of imports to London averaged £135 millions per annum, and exports £55 millions per annum; the comparable figures for Liverpool were £103 millions for imports and £87 millions for exports. In 1880, the combined value of imports and exports at London was £194 millions, and at Liverpool £191.5 millions, compared with Hull £39 millions, Southampton £18 millions, and Bristol £10 millions. More than twice as many vessels patronised London as Liverpool, but the average size of the shipping at Liverpool was, at 440 tons, nearly twice the average size at London. Between 1869 and 1880, registered steam tonnage as a share of the total registered tonnage increased from 15% to 36% at Liverpool, and from 26% to 52% at London. Overall, total registered tonnage at Liverpool continued to outstrip the amount at London, and by a widening margin in the 1880s.[1]

The importance of the port of London in all foreign trade, although less so, perhaps, in the American trade, cannot be gain-said. It claimed a substantial proportion of virtually all imports and exports, including imports of animals, grain, metals, petroleum, provisions, sugar, tobacco, timber, hides and leather, saltpetre and nitrates; and exports of metal and textile manufactures, among transatlantic trades. Nevertheless, in the period of trading depression in the 1880s, the port began to exhibit similar signs of malaise to those which were apparent in Liverpool, namely excessive charges, and inadequate facilities for handling merchandise rapidly. In the face of competition from other British and continental

1 Mercury, 22 February 1869, p.6
The Times, 19 October 1881, p.11
Courier, 2 July 1869, p.6
10 July 1888, p.4

ports, London's share of the foreign trade of England and Wales fell between 1885 and 1889 from 40.2% to 37.8% in the case of imports, and from 26.1% to 21.5% in the case of exports. This situation led to the establishment of joint administrative arrangements for the docks of the separate companies - the London, St Katherine's, and East and West India Companies; and ultimately to a new Port Authority modelled on the Mersey Docks and Harbour Board.[1]

Fears about the declining position of Liverpool in the trade of the United Kingdom were expressed by correspondents to the Daily Post in July 1896; and the performance of the port was subsequently analysed in a series of articles. The expansion of business in continental ports, such as Hamburg, Antwerp, Rotterdam and Bremen, amounting to a 70% increase in tonnage between 1885 and 1895 was contrasted with a more modest increase at Liverpool of 40%. The investment in capital expenditure at the continental ports by their respective governments, their light dues and controlled local railway rates, and the discount of 3d per ton of cargo offered at American ports to vessels from these European ports, worked to the disadvantage of Liverpool (and also London). The proportion of the value of United Kingdom trade handled by Liverpool fell from £111 millions of imports - around 26% of the total - in 1889, to £96 millions - around 23% of the total - in 1895; and from £102 millions of exports - around 40% of the total - in 1889, to £78 millions - around 35% of the total - in 1895. The loss of business mainly occurred in the years 1893-5, and the ports advantaged were Southampton and Manchester. Of the commodities largely handled at Liverpool, there was some loss of grain and provi-

1 Economist, vol.46, 4 February 1888, pp.141-2
17 November 1888, p.1439
vol.47, 4 May 1889, pp.566-7
vol.48, 7 June 1890

Courier, 10 June 1890, p.4

The Times, 2 May 1911, p.20

sions to London and Southampton, hides and tallow to London, and cotton, cotton goods and fruit to Manchester. Comparing 1875 and 1895, the Bristol Channel ports registered an increase in the value of their imports from £13 millions to £17 millions, and in their exports from £5 millions to £13 millions; London and the South Coast ports increased their imports from £172 millions to £203 millions, but saw their exports decline from £74 millions to £62 millions; the East Coast ports similarly increased their imports from £34 millions to £48 millions, but suffered a decline in exports from £46 millions to £40 millions; while the Mersey ports (Liverpool, Barrow, Fleetwood and Manchester) recorded a decline in imports from £105 millions to £101 millions, from a peak of £113 millions in 1889, but an increase in exports from £80 millions to £87 millions. Overall, however, despite further reductions in charges, the revenues of the Mersey Docks and Harbour Board continued to be buoyant.[1] *

1 Daily Post, 14 July, p.3; 15 July, p.7; 17 July, p.7; 1 September, p.4; 2 September, p.4; 8 September, p.4; 10 September, p.5; 11 September, p.4; all 1896

* See Appendix 1

(iii) Liverpool and the Manchester Ship Canal

The origins of the Ship Canal may be seen in the economic relationship which developed between Liverpool and Manchester in the first half of the nineteenth century. Initially rivals for the dominating position in the cotton trade, they settled with varying reluctance for a degree of inter-dependence by the 1850s. This was, however, a situation in which Liverpool held the controlling interest, underlined by its many commercial activities additional to the cotton trade. Communications were chiefly based on canals in west Lancashire and roads in east Lancashire, and a growing network of railways was bringing a new coherence to the whole cotton manufacturing region. The focus for this communication system was Manchester, but finance from Liverpool ensured that both towns were linked by a railway line. In this way, a potential link between Manchester and Glasgow was undermined, and the market for the import of raw cotton and the export of manufactured goods clearly established at Liverpool from the 1830s.[1]

The aspirations of Manchester to be a port were of long standing: a Parliamentary Act of 1714 sanctioned the attempt to make the '"Mersey and Irwell navigable from Liverpool to Manchester"', which would be '"very beneficial to trade, advantageous to the poor, and convenient for the carriage of coals, cannel, stone, timber, and other goods, wares and merchandises.."'[2] In January 1861, there was a proposal in the Manchester Chamber of Commerce to establish the town as a port for the direct import of foreign produce. This was to be achieved by means of the trans-shipment of goods outside Liverpool into properly constructed lighters, and their conveyance thence up the Mersey to Manchester - as was done on the Thames

1 Waller, Town, City and Nation, p.87
Farnie, English Cotton Industry and World Market, pp.58-9, 66-70
Vigier, Change and Apathy: Liverpool and Manchester during the Industrial Revolution, Cambridge, Mass., 1970, p.160

2 Manchester Guardian, 1 September 1882, p.5

and the Clyde. Manchester was technically recognised as a port, although it was not separately listed in the Annual Statement of Trade, but its commerce was continually subjected to the charges and dues imposed by the port and town of Liverpool.[1]

Liverpool was seen as feeding off the commercial and manufacturing activities of Manchester by imposing heavy charges for limited services. Typical, apart from the town dues, were the charges for master porterage, whereby shipowners gained additional revenues by themselves acting as master porters. More than a quarter of the quay space was reserved for regular shipping lines, all of which supplied members to the Dock Board, at preferential rates. Despite the fact that the Corporation of Liverpool had, by June 1867, been compensated for the loss of town and anchorage dues, it was felt in Manchester that too much of the income from trade went back to the town. The mayor of Liverpool admitted that the docks had been built and extended with the aid of a 'tax upon the traffic of the world', yet inadequacies remained: a continued problem with the bar (which went back to Roman times), lack of modern machinery and appliances, and poor railway communications with the quays. An article in the Manchester Guardian echoed Manchester opinion that the struggling industry of Lancashire should be delivered from the charges of Liverpool and allowed to construct its own port.[2]

By-passing Liverpool would enable Manchester merchants and importers to reduce their costs, which in turn would cheapen the price of food, clothing, and most of the comforts of life to one-fifth of the population of England and Wales. The Manchester Guardian pointed out that Manchester

1 Manchester Guardian, 22 January 1861, p.3
Redford, Manchester Merchants and Foreign Trade, II, pp.178-80

2 Manchester Guardian, 24 October 1882, p.4
Waller, Town, City and Nation, pp.87-8
Leech, Manchester Ship Canal, vol.I, pp.42-51

was so much closer to the centres of population and production in south Lancashire and the West Riding of Yorkshire; while the proximity of coal-fields would facilitate the use of steam vessels, and would attract new industries to Manchester.[1] The idea that the route from the Lancashire coast to Manchester should be a canal took hold in the early 1870s. The Liverpool Daily Post felt that the problem for Manchester would be to compete with the freight rates on the Liverpool to Manchester railway lines, and that Liverpool might be a beneficiary through a general lowering of rates of carriage.[2] The Courier, on the other hand, interpreted the Manchester scheme as the result of envy of the profits to be made from importing cotton and exporting manufactured goods; and as an attempt to dissuade other cotton towns, such as Blackburn, Bury and Bolton, from dealing direct with Liverpool. The Courier did not believe that Manchester could compete successfully with docks which benefited from an outlay of £20 millions and one hundred years of industry, despite the examples of the Suez Canal and the Clyde waterway to Glasgow.[3]

The revival of interest in the Ship Canal project in Manchester coincided with a period of intense depression in the cotton trade in the 1870s. A circular from Smith, Edwards and Company in 1876 described Manchester as having fallen into a deplorable state. Profits for the spinners and manufacturers were difficult so long as the prices of goods and yarns remained relatively lower than those of raw cotton; while there was great difficulty in moving the considerable accumulation of stocks of manufactured cotton goods. Business was also hindered by a heavy fall in Indian exchange, and a reduction in remittances sent to Manchester. Smith, Edwards expected

1 Manchester Guardian, 20 October 1882, p.8
2 January 1883, p.4 (letter to editor)

2 Daily Post, 22 February 1871, Supplement, p.1
21 August 1876, p.5

3 Courier, 3 March 1877, p.4

the business of shipping on English account to die out in Manchester, to be replaced by a system of buying for commission or for signed orders.[1] Soon afterwards, the Liverpool cotton market began to suffer from the speculation and attempted corners which had such a damaging effect on the cotton industry in the 1880s. Consequently, there was every reason for the embattled cotton interests in Manchester to look for a way to end their commercial dependence on Liverpool, and on the cartel of railway carriers. The new scheme for a canal now included plans for a basin and quays for ocean-going vessels handling bulk cargoes; and even for a ship-building capacity at Manchester and Warrington.[2]

By the time that the Ship Canal project was being prepared for presentation to Parliament in 1883, opposition in Liverpool was hardening. The Daily Post now felt that the real aim was not to convey raw cotton to Manchester, and cotton goods out of Manchester, more cheaply, but to enable Manchester to recover from the recent commercial crisis, and regain her prosperity through the establishment of an entrepôt for the whole north of England.[3] The Manchester complaints of excessive port and freight charges were seriously considered, but blamed on the collusion of the railway companies, which operated between Liverpool and Manchester, with the intention of driving trade to their own railway ports. An alternative proposal to the Ship Canal, the Plateway scheme, was put forward by commercial and shipping interests led by Alfred Holt, a shipowner and member of the Dock Board. In order to increase the capacity for the carriage of goods between Liverpool and Manchester, it was proposed to construct new roads with metal plates to connect the mills and factories in the

1 Daily Post, 3 July 1876, p.8: Circular of Smith, Edwards & Co.

2 Courier, 24 September 1881, p.5
26 September 1881, p.4

Economist, vol.40, 23 December 1882, p.1588

3 Daily Post, 10 October 1882, pp.4-5

manufacturing districts with the Liverpool docks. Rolling stock would be pulled by slow-moving locomotives on the metal roads, and then by horses on ordinary roads to and from the docks and manufacturing centres.[1]

The extent of the alarm which prevailed in certain quarters in Liverpool was expressed by the Courier in January 1883:

> 'Lancashire has suffered seriously from this uncontrolled power of taxing commerce (exercised by the railways through their monopoly of the carrying trade), and no part of Lancashire more seriously than Liverpool. The whole of the present agitation is directed against this one evil: it is the raison d'etre alike of the Ship Canal and the Plateway, and now of a barge canal to be constructed under a public trust'.[2]

In the next three years, the Canal Bill was brought forward in Parliament on three occasions before it was successful. In 1883, the Bill was accepted by the House of Commons despite the opposition mounted by the Dock Board on technical grounds. It was argued that the proposed works in the estuary would impair the flow of tidal water, increase the rate at which the estuary was silting up, and jeopardise the future of Liverpool as a port. The Commons Select Committee was concerned that the estuary should not be endangered;[3] but it was left to a Select Committee of the House of Lords to reject the Bill because of uncertainty over the estimated costs of the scheme.[4] The Manchester Guardian, by no means an uncritical supporter of the Canal, considered that a new realism had been brought to the proposal, which would be modified to be concerned

1 Daily Post, 23 October 1882, p.5
1 May 1883, p.4
1 March 1884, p.5
20 February 1896, p.3

Courier, 8 December 1882, p.4
13 January 1883, p.4

2 Ibid., 25 January 1883, p.4

3 Ibid., 5 July 1883, p.4

Manchester Guardian, pp.5 & 8, 5 July 1883

Mercury, 12 June 1883, p.5
13 June 1883, p.5

4 Ibid., 10 August 1883, p.5

only with certain sections of trade and vessels of moderate size.[1] The Courier was more than satisfied with the outcome so far: '...the ships which carry the commerce of Lancashire would still prefer the open docks of Liverpool to the tortuous and perilous gutter that leads to Manchester.'[2]

When the proposal for the Ship Canal came forward again in 1884, the chief concern in Liverpool was again not the amount of traffic which might be diverted from its docks - especially as the shipping was likely to be limited in size - but the preservation of the Mersey as a leading navigable channel. The Liverpool Chamber of Commerce feared that the existing conditions in the bed of the river would be so impaired as to inhibit the access of heavy craft, through the destruction of the scouring power which, for much of the time, maintained an adequate depth of water at the bar.[3] In the opinion of the Daily Post, 'No greater blow could be inflicted on the prosperity of England, short of the annihilation of London, than would be the result of the silting up of the Mersey'.[4] It does not seem that the general public in Liverpool shared this sense of alarm: the Daily Post referred to their 'inexplicable lethargy',[5] and the New York Times to their amusement rather than consternation,[6] perhaps induced by a shared belief on both sides of the Pennines that the Bill was bound to fail.[7] The Manchester Guardian, however, professed surprise when the House of Lords reversed its decision of the previous year, and supported the proposal in May 1884. The newspaper had always argued that there was never any intention in the Manchester scheme to

1 Manchester Guardian, 10 August 1883, p.5

2 Courier, 10 August 1883, p.4

3 Mercury, 17 June 1884, p.5
Chamber of Commerce Council Report, 1 February 1884, pp.8-9, 16 February 1885, pp.9-10

4 Daily Post, 29 May 1884, p.5

5 Ibid., 15 July 1884, pp.4-5

6 New York Times, 5 March 1883, p.2

7 Daily Post, 2 August 1884, p.5

supplant the trade of Liverpool;[1] and it now insisted that a far larger section of Manchester trade than the Ship Canal could provide for must stand or fall with Liverpool. The navigational interests of Liverpool were paramount since they were also the interests of the whole region. The purpose of the Canal was to afford relief to certain sections of the existing trade, and then to bring new trade.[2]

Such diplomatic sentiments were not echoed in the debate in the House of Commons, where the Manchester M.P., Jacob Bright, declared that '...the Mersey is not secure so long as it is in the hands of Liverpool alone': a counter to the argument of the Liverpool Chamber of Commerce that control of the river should not be placed in the hands of a private company. Bright went on to reiterate the claim of the Chairman of the London and North-Western Railway that Liverpool was the dearest port in the country; he complained about the lack of railway communication between Manchester and the Liverpool docks, adding that only one dock was connected with the town of Liverpool itself; and he deplored the antiquated character of the docks, and the decreasing depth of water over the bar: from 17 to 9 feet in his lifetime.[3] These opinions were as ill received in Liverpool as had been an earlier speech by the M.P., which looked forward to the time when, through the Ship Canal, 'the cotton trade may be divided equally'[4]

While the Canal Bill of 1884 was being considered by a House of Commons Committee, the anxiety of the Liverpool commercial community was reflected in petitions and press attacks. The Chief Engineer of the Dock Board, G.F.Lyster, produced an alternative route for the Canal along one side

1 Manchester Guardian, 5 July 1883, p.5

2 Ibid., 24 May 1884, p.5

3 Ibid., 27 June 1884, p.5
Mercury, 12 June 1884, p.5
Chamber of Commerce Council Report, 3 March 1886, pp.35-7

4 Courier, 7 April 1884, p.4
Daily Post, 2 July 1884, p.5

of the estuary, obviating the proposed central channel with its training walls. At a meeting of the Dock Board early in July the Chairman, T.D.Hornby, suggested that opposition to the Canal might be abandoned if the promoters 'were to drop the estuary works, and bring up a scheme which would not touch the estuary...'[1] In the event, the Commons Committee rejected the proposed scheme in August, to the satisfaction of the authorities in Liverpool and Birkenhead, and apparently justifying the local public indifference.[2]

The promoters returned to Parliament in 1885 with a revised proposal, adopting Lyster's suggestion of a route alongside the Cheshire side of the estuary, and avoiding interference with the tidal waterway. The scheme was more costly, but dealt with the main objections raised in Liverpool.[3] In the Liverpool Council, Sir James Picton queried the justification of further expense in opposing a third Bill in Parliament, but lost the argument to Sir William Forwood, the shipowner, and director of Cunard and the Bank of Liverpool. The Daily Post urged the town to stand firm against the conspiracy of 'selfish, busy and noisy men', who were not the best part of Manchester. In reality, Manchester was now in decline, since the centre of cotton manufacture had moved to Oldham; and it might lose its position as the centre for the collection and distribution of cotton goods.[4]

1 Leech, Manchester Ship Canal, vol.I, pp.200, 250-1

2 Mercury, 4 August 1884, p.5
7 August 1884, p.5

Manchester Guardian, 2 August 1884, pp.5 & 7

3 Ibid., 16 August 1884, p.7
13 March 1885, p.5

Mercury, 24 September 1884, p.5

4 Daily Post, 18 March 1885, p.4
8 May 1885, p.4
13 May 1885, pp.4-5
2 June 1885, p.4
6 June 1885, p.4

Leech, Manchester Ship Canal, vol.I, p.255

In the event, Manchester determination paid off: the third Bill passed the scrutiny of both Houses of Parliament in the summer of 1885. The promoters were instructed to raise subscriptions of £6.7 millions of stock, with £2.7 millions paid in cash, within two years, before the works could start. Authority was given to the Mersey Conservancy Commissioners to require any injury done to the estuary and its approaches to be remedied by the Canal Company and its contractors.[1] The Daily Post felt that the opposition of the various Liverpool interests - the Corporation, the Dock Board, the Cotton Association and the Chamber of Commerce - had achieved what was necessary to safeguard the Mersey navigation and the trade of Liverpool.[2] The Manchester Examiner and Times took a less charitable view of the opposition in Liverpool in 1885, in the light of the undertaking in the Dock Board not to oppose a course which left the estuary untouched: 'The gentlemen of Liverpool put forth a number of specious excuses to cover their breach of faith...'[3]

In a letter to the Mercury, Sir William Forwood expressed satisfaction at the conditions placed on the promoters. He had previously characterised the Canal scheme as a bubble to change 'into a seaport the inland city whose manufactures are departing...';[4] and he now felt that the cost of the project and its subsequent operation would be too enormous for the shareholders ever to receive a dividend. This would require Manchester to receive as much traffic as Hull (the third port in the United Kingdom), whereas it was more likely to emulate Bristol (the tenth port). He suggested that Manchester spinners could save handling costs on cotton by import-

1 Daily Post, 7 August 1885, p.4
Manchester Guardian, 6 August 1885, p.5

2 Mercury, 2 June 1885, p.5
Daily Post, 7 August 1885, p.4

3 Manchester Examiner and Times, 8 May 1885, p.5

4 Courier, 3 June 1885, p.5

ing through Garston or Fleetwood, or on a through bill of lading (such as was offered by T. and J.Harrison) from New Orleans to any inland Lancashire town, at a rate envisaged by the Canal promoters. But, in fact, spinners wanted a large market like Liverpool, and would continue to go there, as did the spinners from Glasgow, despite the availability of a direct line of steamers from New York.[1] The four chief imports of Liverpool - cotton, grain, timber and provisions - arrived in sailing ships or ocean liners which could not use the Ship Canal; smaller steam vessels would, on the other hand, find it difficult to secure outward cargoes away from Liverpool.

Once the Canal Bill have received Parliamentary and royal acceptance, ways of meeting the potential competition from Manchester were canvassed. Reducing the costs for users of the port of Liverpool was seen as a priority, through, for example, labour-saving methods in handling goods, or the proposal by T.H.Ismay that Liverpool should become a free port, which would abolish the charge of town dues.[2] At the end of October 1885, all three railway companies running between Liverpool and Manchester reduced their rates on baled goods, timber, grain, etc. In the opinion of the Daily Post, these reductions were a result of the Canal project, which had drawn attention to the enormous cost of transit between the two towns. Only a return to canal transport would effectively compete with the railway monopoly.[3]

In the light of these developments, the United States Consul in Manchester reported favourably to his government in August 1888 on the potential for prosperity in Manchester. He saw the day when Manchester would replace Liverpool as the chief importing port of cotton, and the favoured

1 Mercury, 15 August 1885, p.6

2 Daily Post, 17 August 1885, pp.4-5

3 Ibid., 28 October 1885, p.4
10 January 1887, p.5

port for the Cheshire salt trade, the coal trade of Lancashire and South Yorkshire, the chemical trade, and the pottery and iron trades of Staffordshire. Ocean steamers would also discharge their cargoes outside Liverpool because of the problem of the bar. He wished to see more direct, trading relations established between Manchester and American produce markets: in particular, grain and cotton firms should be represented in Manchester. Already, one-third of cotton imports reached the spinners without the intervention of the Liverpool market. Major Hale pointed out to the American government that the population in a 12-mile radius round the centre of Manchester was twice that in a similar area round Liverpool.[1]

The imminent completion of the Ship Canal led to further anxiety in Liverpool as to the likely effects on its trade; and a decline in the value of imports (13.5%) and exports (23.5%) between 1889 and 1895 was partly blamed on the intervention of Manchester. In fact, trade was slow to build up along the Canal, and the first year target of 3 million tons of traffic was not reached till 1900, six years after it opened. According to Leech, by 1904, deliveries to Manchester undercut the price at Liverpool by 50% for cotton, 60% for wheat, 20% for timber, and 30% for sugar. Nevertheless, Manchester received barely one-quarter of the weight of cotton which arrived at Liverpool, recording its largest import before 1914 in 1910-11: 709,000 bales, of which 483,000 were American. On the eve of the First World War, Manchester ranked as fourth port in the United Kingdom behind London, Liverpool and Hull.[2]

1 Daily Post, 21 August 1888, p.4
Manchester Guardian, 4 August 1888, p.7

2 Leech, Manchester Ship Canal, vol.II, pp.145-6, 166-70, 226, 246-7
Daily Post, 15 July 1896, p.7 (letter to editor)
2 September 1896, p.4
8 September 1896, p.4
10 September 1896, p.5

Heylin, Buyers and Sellers in the Cotton Trade, London, 1913, p.114

Redford, Manchester Merchants, pp.183-4

(iv) Finance and Banking

In 1865, banking in Liverpool was in the hands of some nine joint stock banks which operated solely in the town - the Adelphi, Bank of Liverpool, Commercial, Eastern Exchange, Mercantile and Exchange, National, North-Western, Royal, and Union; - five others based outside the town, and with a much wider constituency - the Alliance of London and Liverpool, Lancashire and Yorkshire, Manchester and Liverpool District, Parr's, and North and South Wales; and the remaining private banks - I.Barned and Company (incorporated in 1865 as Barned's Banking Company), Arthur Heywood, Sons and Company, and Leyland and Bullins. As sources of credit, these institutions were augmented by the larger mercantile houses which undertook an accepting role, e.g., Brown, Shipley, Baring Brothers, Cropper, Benson and Company, etc. They were supported by the Liverpool Branch of the Bank of England with a drawing account and place of deposit for cash, and facilities for remitting funds, between its branches, and to and from other banks and discount houses.[1]

A particular feature of the financing of trade in Liverpool was the continued use of bills of exchange, which was arguably appropriate to the time-scale of international commerce and the delivery of goods, but which probably inhibited the accumulation of deposits, and note-issuing,

1 Bank of England Liverpool Letter Books, vols. 18-31, passim

J.H.Clapham, The Bank of England: a History, vol.II: 1797-1814, Cambridge, 1944, pp.133, 138-41, 321-2

M.Collins, The Bank of England at Liverpool, 1827-44, Business History, XIV, 1972, pp.145-55

S.D.Chapman, The Rise of Merchant Banking, pp. 9-12, 137-9

Economist, vol.36, 28 September 1878, pp.1141-2

B.L.Anderson and P.L.Cottrell, Another Victorian Capital Market: a Study of Banking and Bank Investors on Merseyside, Economic History Review, 28, 1975, pp.598-615

B.L.Anderson, Financial Institutions and the Capital Market on Merseyside in the Eighteenth and Nineteenth Centuries, in B.L.Anderson and P.J.M.Stoney, eds., Commerce, Industry and Transport: Studies in Economic Changes on Merseyside, Liverpool, 1983, pp.30-40, 54-5 among the joint stock banks. On the other hand, the demand for re-discounting facilities remained high, and these were most easily and cheaply found in London.[1]

The restricted development of financial accommodation in Liverpool was keenly felt by the commercial community, and, in 1886, merchants, bankers and brokers drew up a memorial against the high value of money and fluctuating interest rates then prevailing. They ascribed their grievances to 'twenty years' bitter experience of the Bank Charter Act of 1844', which gave the Bank of England a virtual monopoly of the issue of legal tender paper currency. The Act limited the fiduciary note issue of the Bank to £14 millions, and laid down that any notes above this sum should be backed by coin or bullion. No new banks were allowed to issue notes, which in practice restricted the field to established private banks, since the newer and larger joint stock banks were usually concerned with interest-paying deposits, which, in Liverpool, were used in connection with discounting bills. The memorial wanted any bank to be able to issue notes, so long as these were covered by bullion, consols, or exchequer bills of equal value, deposited with the Mint. The Economist observed that this was the system which operated in New York before the Civil War, and that it did nothing to keep down interest rates; once bullion was run down to a minimum, any subsequent demand would lead to a rise in interest rates.[2]

The increase in trading activity following the end of the American War coincided with a major financial crisis in London and Liverpool in

1 Chapman, The Rise of Merchant Banking, vol.LIII, p.137
Anderson & Cottrell, Another Victorian Capital Market, pp.604-5
S.D.Chapman, British Marketing Enterprise: the Changing Roles of Merchants, Manufacturers and Financiers, 1700-1860, Business History Review, 53, 1979, pp.215,231

2 W.T.C.King, History of the London Discount Market, p.103
Economist, vol.24, 27 January 1866, pp.89-90, 95

1866. The panic in London was started by the collapse of the Joint Stock Discount Company in February, and intensified by the stoppage of Overend, Gurney and Company in May. These were significant blows for commerce in London and Lancashire, where bills were used freely as currency, particularly as the local banks in Lancashire did not bother to issue their own notes for local transactions. At the time of their fall, Overend, Gurney were described by the Liverpool Daily Post as the most famous and respected commercial house in the world; with hindsight, they were characterised by the Economist as the constant and unfailing resort of people concerned with the wildest schemes, and with nothing else to offer but securities. After 1860, when the average annual net income was £190,000, the direction of Overend, Gurney was assumed by 'incompetent and culpable' men, who floated the concern as a limited company in July 1865. On the basis of the success and reputation of the old firm, the public were induced to suscribe £1.5 millions; although, in reality, business was being carried on at a loss, and there were liabilities of £24.5 millions and assets of only £21 millions. Shortly before the suspension, the books of the company were altered and mutilated, and associates of the managing partners withdrew their funds in the concern.[1] This financial disaster led to the suspension of the Bank Charter Act, and a rise in the discount rate of the Bank of England from 6% to 10%, at which it remained for 14 weeks. Other banking failures followed: the European Bank, the Bank of London, the Consolidated Bank, and the Agra and Masterman's Bank.[2]

1 King, London Discount Market, pp. 240-5

Economist, vol.24, 1 September 1866, p.1021
24 November 1866, pp.1361-2
vol.25, 9 March 1867, Commercial History & Review of 1866, pp.1,4

Daily Post, 12 May 1866, p.5

Courier, 29 January 1869, p.6

2 Daily Post, 9 January 1867, Supplement, p.2: Annual Circular of T. & H. Littledale and Company

There were alarms in Liverpool over the possible repercussions on local commerce, particularly from the financial measures taken to combat the crisis, but the town was already facing a crisis of its own through the collapse of Barned's Banking Company. As a private bank, it had previously been in difficulties in October 1864, when it had been supported by another Liverpool bank, A.Heywood, Sons and Company, to the extent of £200,000.[1] Six months later, in March 1865, with funds running low for operating the 'questionable account of some of their customers', after excessive advances on shipping, and involvement in American railroad finance, a son of the senior partner absconded after losing money from the Bank on the turf and in Confederate stocks. Re-discounting accommodation was successfully sought from the Bank of England, Overend, Gurney and Company, and Prescot, Grose and Company. Additional support was provided by loans of £150,000 from the Bank of England, £100,000 from Overend, Gurney, and a further £100,000 from ten banks in Liverpool. The Bank was turned into a joint stock limited company, with 26,000 of the 40,000 shares taken by two joint stock finance houses in London, a London bank, and the two partners, Charles and Lewin Barned Mozley, but not substantially paid up.[2] Thus, the immediate shortage of cash was overcome, but the indebtedness to finance houses in London and Liverpool remained. Barned's situation finally became untenable in April 1866, and the Bank closed its doors with only £2 millions of capital available to meet liabilities of £3.25 millions. Most of the responsibility fell on the holders

1 Brown, Shipley Mss, 20,112/2, B.S.Liverpool to Collet, 23 March 1865

2 Ibid., S.H.Brown to Collet, 20 March 1865
B.S.Liverpool to Collet, 21 March 1865
20,113/3, Collet to B.S.Liverpool, 18,20 March 1865
B.S.London to B.B.New York, 18 March 1865

Bank of England Liverpool Letter Books, vol.18, 10,11,18,20 March, 23 June 1865, pp.53-4, 58-9, 119

Courier, 16 October 1866, p.7 (from Morning Star)

Anderson & Cottrell, Another Victorian Capital Market, p.613

of the 14,000 shares not taken by the London finance houses, the bank and the Mozleys, all of whom had few assets. Throughout May, the effects went back on merchants and shipowners, such as Fernie Brothers (who had also lost heavily in investments, cotton, iron, and the depreciation of their ships), M.J.Wilson and Company, James Baines and Company, Robert Girvin and Company, etc.[1]

Thus, the financial crisis in London and Liverpool were closely involved in, if not responsible for, the most disastrous period on record (April to December 1866) for the commercial world, according to the Annual Circular of T. and H. Littledale.[2] The consequences of financial mismanagement, together with revelations of fraud and deception among railway contracting firms, and the failures in the cotton trade after the unexpectedly rapid price decline, ensured that 1867 was a year of considerable commercial depression.[3] A further banking crisis occurred in Liverpool in October when the Royal Bank of Liverpool was obliged to stop. Although the Daily Post felt that it was the only bank in Liverpool to be brought down by the post-war financial crisis, there was clear evidence of incompetent management.[4]

Thirty years before, the Royal Bank had been in difficulties when it lent nearly half of its capital to a house which subsequently failed. At the time, the Bank was closely allied to the West India interest, which had been a lucrative investment but was then in decline. In the 1860s, the Bank seemed to repeat its mistakes of the 1830s by lending its capital

1 Courier, 16 October 1866, p.7
Baring Bros Mss, 18,321/24, B.B.Liverpool to B.B.London, 24 April, 1, 17,28 May, 14 November 1866, etc.
Bank of England Liverpool Letter Books, vol.19, 14,19 April 1866, pp.58,63

2 Daily Post, 9 January 1867, Supplement, p.2: Annual Circular of T. & H. Littledale

3 Mercury, 31 December 1867, p.6

4 Daily Post, 23 September 1868, Supplement, p.1

to a very narrow range of unreliable customers. In fact, the capital of the Bank was locked up in large advances to two more or less insolvent firms: H.T.Wilson, Cunningham and Company, shipowners, and Seddon and Company, mill-owners and shipowners. With the aid of these facilities, both concerns were enabled to continue to buy cotton in India and the Mediterranean. In return, ships and the mill were mortgaged to the Royal Bank, which was itself virtually turned into a trading concern. The Bank was able to gain financial accommodation in 1866 in London, from the Bank of England and the London and Westminster Bank. In October 1867, however, both the Bank of England and Alexander and Company (with whom the Royal Bank had a large discount business) refused to re-discount bills on the ships in advance of their sale. It seems likely that it was the decision of one of the two paid directors, Robert Hutchinson, to continue to support Wilson, Cunningham and Company, in order to protect the Bank and himself.[1]

The Royal Bank stopped on 22 October, and soon afterwards, it was followed by the failure of Robert Hutchinson's own firm.[2] Between them, these two stoppages seriously affected the stability of cotton brokers such as T. and H. Littledale and Company, and Molyneux and Taylor.[3] Brown, Shipley in London had passed on to Brown Brothers in New York advice from their Liverpool House to avoid involvement with the Royal Bank, as

1 Economist, 16 November 1867, pp.1294-5
24 October 1868, pp.1213-5

Courier, 21 October 1868, p.5

Mercury, 14 November 1867, p.6

* According to the Economist (24 October 1868), there was a distinction made in some banks in the North between 'inside directors', who were well paid and expected to know everything, and 'outside directors', who were paid little and knew little.

2 Brown, Shipley Mss, 20,112/4, B.S.London to B.S.Liverpool, 28 October 1867

3 Ibid., B.S.London to B.S.Liverpool, 11 November 1867
Collet to S.H.Brown, 11 November 1867

early as June 1867.[1] Their verdict in October was that the community was not injured by the fall of another Liverpool bank, and that it may even have benefited from the removal of a vicious management, and an incubus to business.[2]

The Economist considered that the experience of the Royal Bank illustrated the danger of relying on re-discounts, which were very suited to a city with little accumulated, uninvested savings. In Liverpool, there was a large demand for money and a small supply, in contrast to agricultural districts, where bankers sent their unemployed money to London. Bankers and finance houses in Liverpool sent their bills to London; but there was always the possibility that bankers and bill brokers there might not be willing to re-discount them - in which case, a stoppage was likely.[3]

At the time of the collapse of Barned's Bank, the Daily Courier had re-printed an article from the Morning Star, which drew attention to the failure of Liverpool to become a 'financial centre', through lack of money. Yet, (said the Morning Star):

> 'In daring, in resource, in artifice, and in the faculty of making a very few bank notes go a very long way, like an army of a dozen men on the stage, Liverpool may compare with any financial centre in the world'.[4]

In one of its periodic statements of faith in the American connection, the Daily Post acknowledged the relative financial positions of London and Liverpool:

> 'As did the United States increased in wealth, population and energy, so did Liverpool increase, for Liverpool unquestionably owes its present position - that of the greatest commercial port in the world - to American trade...

1 Brown, Shipley Mss, 20,112/3, B.S.London to B.B.New York, 8 June, 10 July 1867
B.S.London to B.S.Liverpool, 22 June 1867

2 Ibid., 20,112/4, B.S.London to B.B.New York, 23 October 1867
B.S.London to B.S.Liverpool, 26 October 1867

3 Economist, vol.25, 26 October 1867, pp.1209-10

4 Courier, 16 October 1866, p.7

'London, however, overshadows us. It is the money market of the kingdom - we might say of the world. The Bank of England is there; and the national bank is surrounded by several of the most opulent money establishments in Europe. Owing to this the trade of the East, of Asia, of the Continent appertains to the Metropolis. Our trade appertains to the New World...'[1]

From the 1870s, the use of inland commercial bills went into something of a decline, owing to depressed trade, and the decreasing demand for financing large stocks of goods.[2] Any increase in deposits built up more slowly than elsewhere in the country: in the late 1880s, the remaining seven banks in Liverpool had only about half the level of deposits in the nine banks in Manchester.[3] The performance of the Liverpool banks in the 1870s was sluggish compared with those in Manchester, or Lancashire at large. The total number of branches increased in Liverpool from two to five, in Manchester from 35 to 74, and in Lancashire from 91 to 213. Profits rose from £166,000 per annum to £222,000 per annum in Liverpool, from £87,000 per annum to £422,000 per annum in Manchester and from £193,000 per annum to £294,000 per annum in Lancashire, from 1871 to 1877. The figures for Manchester and Lancashire include profits earned by institutions which had been taken over.[4] The Economist noted that the larger profits of Manchester and Lancashire banks were said to be attributable to manufacturing accounts. These represented considerable and almost permanent overdrafts, secured by mill or warehouse property, at high rates of interest and commission.[5]

Clearly, the progress of Liverpool as a banking centre was disappointing. The shareholders of the National Bank of Liverpool were told of

1 Daily Post, 26 June 1866, Supplement, p.1

2 Clapham, Bank of England, pp.300-1

S.Nishimura, The Decline of Inland Bills of Exchange in the London Money Market, 1855-1913, Cambridge, 1971, pp.5, 53-4, 64, 78-9, 99-103

3 Anderson, Financial Institutions and the Capital Market, p.40

4 Economist, vol.36, 5 October 1878, p.1168

5 Ibid., 16 November 1878, pp.1344-5

reduced profits during 1879, as a result of low rates of interest, and an unusually small demand for money. Depositors could receive better rates of interest from local corporate bodies such as the Dock Board than small banks could offer. There were fewer banks and banking facilities in Liverpool (through failures and amalgamations) than there had been 30 years earlier, although the town had grown in size; while most financial houses continued to conduct their banking through and in London.[1] The influence of the Bank of England was apparent in the increase in the provincial circulation of banknotes (60% between 1844 and 1875); and in the rising proportion of the total circulation in the provinces (from 32.3% in 1844 to 38% in 1875),[2] although the policy of the Bank of England Branch at Liverpool was to discourage the use of banknotes in favour of cheques.[3] The use of telegraphic transfers as virtually international cheques supplemented foreign finance bills, and, according to the Mercury, helped to make England a less important banking centre than it had once been.[4]

One factor which almost certainly restricted the development of banking business in Liverpool was the virtual absence of a system of payments by cheque. This facility, encouraged by the establishment of a national clearing system in 1858,[5] existed in Glasgow from 1856, in Newcastle and Manchester from 1872, and was long established in London. The practice in Liverpool was to limit the use of cheques to the withdrawal of cash from deposit accounts at the Liverpool Branch of the Bank of England, in order to provide for the requirements of a single day, since the commis-

1 Daily Post, 24 January 1880, p.7

2 Economist, vol.35, 21 July 1877, p.849

3 Bank of England Liverpool Letter Books, vol.25, 12 November 1879, p.341

4 Mercury, 19 November 1887, p.5
Nishimura, Decline of Inland Bills, pp.78-9

5 Anderson & Cottrell, Another Victorian Capital Market, p.602

sion for frequent payments and receipts would have been prohibitive. Merchants and brokers acted as their own bankers for purposes of daily receipts and payments. Despite the inconvenience and danger of carrying large sums of money around the streets, considerable amounts of banknotes and coin needed to be transported, e.g., the indebtedness of the Manchester spinners (c£40 millions per annum) to the Liverpool cotton brokers. According to the Albion, the supply of money was insufficient for the immense trade of the town, and a local cheque system with daily clearances would have assisted the circulation of the available cash.

A deputation from the Chamber of Commerce in 1867 failed to persuade all the banks of the town to introduce payments by cheque, since two at least felt that the details and difficulties of the proposed change had not been properly addressed. 1873 saw a renewed attempt by the commercial community to persuade the banks to adopt a cheque system. It was contended that such a system would be cheaper and safer to operate; that less specie would be needed for the business of the port; and that daily settlements would only require a turnover of some £4-500,000 in bank notes and coin instead of the usual £2 millions or more. The banks were unenthusiastic about providing drawing accounts at lower rates than the commission on deposit accounts; and they were alarmed at the possibility that the banker of one operator in a chain of buyers and sellers of future deliveries might refuse to honour a cheque. Nevertheless, the Chamber of Commerce claimed there was now only one bank unwilling to open a cheque account.[1]

In March 1879, the Bank of England Agent, T.W.Stolterfoht, persuaded the Liverpool banks to accept daily clearances, and settlements by means of cheques drawn on the Liverpool Branch.[2] Cheques were increasingly

1 Daily Post, 30 June 1873, pp.4-5
10 July 1873, p.6

Daily Albion, 14 December 1874, p.5

Chamber of Commerce Council Report, 28 August 1867, pp.19-20
21 April 1875, pp.22-3

2 Bank of England Liverpool Letter Books, vol.25, 19 March 1879, p.102

used for cotton payments through the Cotton Brokers Bank, instead of bankers' drafts payable in notes.[1] From 1879, the annual banknote issue at the Liverpool Branch of the Bank of England began to decline.[2] Three years later, the Economist was expressing amazement that cheque payments were still not a feature of banking in Liverpool. At the time, spring 1882, the General Brokers Association was pressing for their adoption, and a conference of the local commercial associations produced a scheme with loan accounts separated from cash accounts, on which there would be neither bank commission nor interest paid by the depositor. The banks would be compensated through an annual or half-yearly charge, or from the maintenance of a minimum sum in credit; and would have a lien on the permanent rest balance, but would not be able to transfer this from a cash to a loan account without authorisation. There would be three daily cheque clearances, with cheques certified if the assets were available; and a weekly prompt day, as in London and Manchester. Once again, there was opposition from some of the banks - notably Heywoods and Leyland and Bullins - particularly to the certification of cheques, and the proposed restriction on the transfer of funds between accounts.[3] Eventually, the general adoption of cheques by the Liverpool banks resulted from the developing clearing system, fostered and housed by the Liverpool Branch of the Bank of England.[4]

In the 1880s, through closures and amalgamations, the number of banks in Liverpool shrank to one private (Leyland and Bullins), four local,

1 Bank of England Liverpool Letter Books, vol.27, T.R.Stolterfoht to E.M.Courtney, 24 January 1882, pp.19-20

2 Ibid., T.R.Stolterfoht to E.M.Courtney, 26 January 1882, pp.21-3

3 Economist, vol.40, 27 May 1882, pp.644-5

Bank of England Liverpool Letter Books, vol.27, 3 March 1882, pp.73-4; 29 April 1882, pp.110-1

4 Ibid., vol.29, 10 March 1886, p.71; 6 October 1886, p.265 and encl.

and four regional, joint stock banks. Those that survived increased their branches in the town, and they were joined by a branch of the National Provincial Bank.[1] The use of banknotes and gold continued to decline and cheques to increase; while bills of exchange showed a considerable resurgence at the end of the decade. Between January and April 1887, the Bank of England Branch discounted 606 bills for £852,000; in the same period in 1890, bills discounted were 1,394 for £2,384,000.[2]

In marked contrast to the unadventurous banking in Liverpool was the success of the town as the most flourishing and steadily profitable centre of underwriting in the United Kingdom, in the opinion of the *Economist*. Seven marine insurance companies were established by the 1880s, two, the Liverpool Fire and Life, and the Royal, based in the town. Their aggregate liabilities rose between 1886 and 1888 in line with the expanding business of the country, although average premiums were declining, as a result of the profits achieved in previous years. The results in 1889 were the best since 1884, but not sufficient to satisfy the *Economist*, which felt that the companies might have expected to share to an even greater extent in the marked prosperity of the country, and of Liverpool and its port in particular.[3]

1 Bank of England Liverpool Letter Books, vols. 26-31, *passim*

2 *Ibid*., vol.31, 3 May 1890, pp.161-6
R.S.Sayers, *The Bank of England, 1891-1944*, Cambridge, 1976, vol.1,p.22

3 *Economist*, vol.47, 2 February 1889, p.144
vol.48, 1 February 1890, p.138
Marriner, *Economic and Social Development of Merseyside*, pp.90-1
Anderson, Financial Institutions and the Capital Market, pp.44-50

(v) The Commercial Community of Liverpool

In October 1869, a number of articles were contributed to the New York Times describing the appearance and activities of Liverpool. The town and its neighbour across the Mersey, Birkenhead, were likened to New York and Brooklyn on the East River, although the five miles of the finest stone docks made the rotting piers around New York seem very shabby. The writer was impressed by the grandeur of the newer public buildings: St George's Hall, Brown's Free Public Library and Museum, the Corporation Baths, the gymnasium, the theatres, with their pre-London engagements, the Merchants' Exchange. Three-quarters of the town had wide streets, and good air, water and drainage, although no parks, open spaces or squares. He remarked on the progress and development of Liverpool over the previous hundred years, adding: 'The negro, in fact, has built Liverpool, and given to it its solidity, its grandeur, its wonderful prosperity'. Hence the panic caused by the abolition of the slave trade, the spirit of which no doubt still lived somewhere in the town. The writer clearly felt at home:

> 'Liverpool is more like New York, more American in its manners and customs, than any European town. There must be at all times some hundreds - perhaps I might say thousands - of Americans along the docks and gathered about the centres of business.
>
> 'There is a kindliness, a sociality, an independence of feeling, an admitted equality here not seen elsewhere in England in the same degree. You have it in Manchester, no doubt, and over Lancashire generally; but it seems to me to culminate in Liverpool. Nowhere are the poor so little cringing and obsequious; nowhere are the rich so little overbearing'.[1]

The 1871 census revealed the usual drift from the inner city to the suburbs. Although the population of the municipal borough had increased by about 9% since 1861, the population of the parish of Liverpool had decreased by a similar percentage. Increasingly, the town centre was

1 New York Times, 14 October 1869, p.1
16 October 1869, p.1

given over to offices and warehouses, in addition to the chief buildings of commerce, of which the most important was, perhaps, the Merchants' Exchange - "'Change". Within 'Change, the merchants carried on their business in 'princely style', using offices for which rents of £300-2,000 per annum were charged. Representatives of most of the trades congregated in the Newsroom, but those interested in cotton were usually to be found on the 'Flags', a quadrangle formed by three sides of 'Change. In 1870, almost 3,000 mercantile firms, and 400 brokers were interested in the cotton trade.[1]

The 'princely style' of the Liverpool mercantile community was reflected, albeit more soberly, in their domestic circumstances. The correspondent of the New York Times admired the '...solid beauty of...Liverpool suburbs', particularly Sefton Park, with houses in stone and brick, and furnished inside with comfort and 'legitimate and fitting ornamentation'.[2] While he remained at the Liverpool House of Brown, Shipley and Company, Mark Collet probably maintained a fairly typical mercantile lifestyle in Edge Hill. In his case, this involved substantial entertaining and regular church-going. The incumbent at the church which he attended most frequently in the early 1860s was the celebrated Revd. Dr McNeile, and many of his sermons are recorded in Collet's diary of the period.[3]

Business hours in Liverpool (10 till 4) were compared unfavourably by the New York Times with those kept in New York (9 till 5 at least).

1 Courier, 4 May 1871, p.6
Daily Post, 11 June 1870, p.6

2 New York Times, 11 December 1881, p.2

3 U 1287/F 13, Diary of M.W.Collet, 1 January 1860 - 22 December 1861

Although merchants bustled about like Americans while at the office,

> 'As a class the great business men of Liverpool do not kill themselves with overwork. That is to say, they, together with men of their kind in all parts of England, keep very agreeable office hours'.
> 1

A comfortable life-style sustained by relative wealth was not, however, guaranteed to the mercantile community. Towards the end of 1867, it was estimated in the Daily Post that merchants in Liverpool had lost in a period of less than two years some £70 millions, partly as a result of over-trading, partly through a fall in commodity prices of more than 50%.[2] Much of the blame was placed by the Courier on the prevailing standards of mercantile morality, which allowed speculation without financial means, quibbles to avoid unprofitable transactions, and the dismissal of insolvency and bankruptcy as the result of 'bad times and perverse distortions of trade'. A handsome settlement on one's wife was merely a prudent precaution to protect a luxurious life-style - even if it was done with creditors' money. Recent events, such as the stoppage of the Royal Bank, had done much to impair the reputation of Liverpool:

> 'Firms have fallen like packs of cards, and a species of commercial gambling has been revealed that brings disgrace on the whole British mercantile class'.
> 3

Three months later, the Courier returned to the theme of the declining commercial reputation of Liverpool. There was a marked deterioration in the morals of the Exchange, in that the possession of capital was no longer indispensable to mercantile ventures, and speculation might be furthered by dubious means. Failure was no longer a disgrace; insolvency and delinquency were treated with tolerance, and white-washed repeatedly by means of arrangements with creditors. The Courier believed that a

1 New York Times, 11 December 1881, p.2

2 Daily Post, 28 November 1867, Supplement, p.1

3 Courier, 24 October 1867, p.6

moral improvement was required rather than the stricter bankruptcy laws demanded by the Council of the Chamber of Commerce in a meeting on 29 January 1868.[1] Following the prompting of William Rathbone, it was agreed that bankruptcy should be made a criminal offence to thwart those who continued to live in luxury at the expense of their creditors. It was argued that the over-trading and extravagance stemmed from the enormous profits made at the beginning of the American War; and that subsequent fluctuations of profits and wages during the War, which so demoralised the workers, could largely be attributed to the imprudence of the merchant body. Accommodation paper (i.e., credits supplied for unspecified commercial purposes) was criticised as a contributor to commercial inflation;[2] and at a later meeting in April, the Chamber condemned the practice whereby mortgages, raised by shipowners on their vessels, were left unregistered so long as the owners stayed clear of financial difficulties, so that their business operations with others would not be hindered.[3] The Chamber continued to press for stricter controls on commercial operations after the passage of a Bankruptcy Act in 1869, which allowed private composition, and the consequent deprivation of creditors of their right to payment in full.[4]

The appearance in October 1868 of the leaked Report of the Committee of Investigation into the failure of the Royal Bank prompted the Courier to remind its readers that the unwholesome atmosphere of the commercial world of Liverpool had its critics in London and Manchester. Mercantile

1 Courier, 28 January 1868, p.6

2 Daily Post, 30 January 1868, Supplement, p.2
Chamber of Commerce Council Report, 28 August 1867, pp.11-13
29 January 1868, p.12

3 Times, 8 April 1868, p.10

4 Ibid., 17 April 1869, p.4
16 July 1869, p.9

Chamber of Commerce Council Report, 11 August 1869, pp.17-18
5 February 1877, p.25
31 January 1882, pp.27-9

houses sprang up like mushrooms, contracted huge debts, and then crashed, without public exposure of the fraud, to save bankruptcy proceedings. In the cases of Barned's Bank and the Royal Bank, a cover-up was thwarted, despite a claim that the estate of the Royal Bank would be injured by publicity.

> 'The hushing-up of commercial frauds in the manner pursued in Barned's Bank, the Royal Bank, and many other private firms, is a reproach on the town.' [1]

The Courier praised the Cotton Brokers Association in October 1870, when bankrupts were excluded from membership, or from loss of privileges in less extreme cases, till they reinstated themselves financially. Nevertheless, commercial morality continued to degenerate, as insolvents 'arranged' and carried on with their business, while concealing their true financial position.[2] This view was confirmed by Barings in Liverpool, who felt that unprecedented commercial immorality was daily coming to the surface in the town.[3] The Daily Post was critical of the extent of dubious practices in trade in Liverpool (as in the United States), such as gaining large advances on imaginery produce, and obtaining goods on credit immediately before failure and then paying a composition in the bankruptcy court. Commercial standards were too lax, and the toleration of what was little better than robbery, too general.[4]

Subsequent experience suggested that there was no reduction in the practices which were so often deplored; in fact, living off trade, rather than trading, became quite common. Speculation and corners regularly interrupted the normal course of the markets in the main trades, while

1 Courier, 17 October 1868, p.6
21 October 1868, p.5
28 April 1869, p.6

2 Ibid., 3 October 1870, p.6

3 Baring Bros Mss, 18,321/25, B.B.Liverpool to B.B.London, 6 August 1870

4 Daily Post, 28 August 1873, p.4

failures on both sides of the Atlantic were frequent and sometimes cataclysmic. W.B.Halhed of Baring Brothers condemned speculation in commodity trades,[1] and the Liverpool Agent of the Bank of England referred to arrivals contracts as a 'rotten system of business, as practised by many'.[2] Yet, Stephen Williamson, who often took a high moral tone in his business correspondence, was happy to defend business in future deliveries as legitimate.[3] After 1883, a new Bankruptcy Act did something to reduce the incidence of failures, but led to more 'private arrangements' for compounding debts.[4]

The period 1865-90 was marked by an expansion in the range of trade-specific associations in Liverpool: thus, new organisations emerged in trades such as cotton, timber, sugar, etc., while within the Chamber of Commerce, the number of specialist sections similarly increased. These developments were at the expense of the more general and regional associations, such as the American Chamber of Commerce, which steadily declined in numbers in the late nineteenth century.[5] The effectiveness and representative nature of the Chamber of Commerce were also queried in 1878; and a subsequent drive to draw more fully on its constituency drew the comment from the Liverpool Agent of the Bank of England that it had 'never taken a position of influence & authority, & has been looked upon rather as a debating society'.[6]

By 1873, the commercial community was coming to terms with the need

1 Halhed, <u>Nineteenth Century</u>, 10, 1881, pp.532-7

2 Bank of England Liverpool Letter Books, vol.23, 21 July 1875, p.165

3 Balfour, Williamson Mss, Box 5, S.Williamson Letter Book, 1874-87, S.Williamson to A.Balfour, 25 February 1878

4 <u>Daily Post</u>, 20 February 1886, p.4

5 cf. W.O.Henderson, The American Chamber of Commerce for the Port of Liverpool, 1801-1908, <u>Transactions of the Historical Society of Lancashire and Cheshire</u>, 85, 1933, pp.1-61

6 Chamber of Commerce Council Report, 10 April 1878, pp.50 ff.
Bank of England Liverpool Letter Books, vol.30, 21 February 1889, p.78

to live with lower prices generally, although this was countered to a degree by a higher volume of trade and increased profits, to satisfy the demand for a more grandiose life-style. Later years of depressed trade, however, meant that poverty became the experience of many in the commercial community. At the end of the 1880s, Sir William Forwood commented:

> 'With the increasing poverty of Liverpool's traders, we must expect to see our credit balance on working accounts smaller... The difficulties of Leyland (Shipping Line) are an indication of a great shrinkage in capital in our shipping trade and I think the cotton and corn trades were never so poor'.[1]

Along with the loss of prosperity in the mercantile community went a decline in prestige and influence, reflected in the fall in mercantile representation on the Council from 35 in 1857, to 18 in the 1890s, out of 64 councillors and aldermen.[2]

* * * * * *

Although Liverpool was able to maintain her pre-eminent position (along with London) among British ports, and generally to frustrate the ambitions of pretenders to the American trade, the town was, if anything, more reliant on that trade following the loss of so much Far Eastern and European re-export trade. By 1890, public pronouncements reflect less complacency and self-confidence than they had in 1865. There is a realisation that challenges (e.g., from Southampton and Manchester) have to be taken seriously and vigorously opposed, and that not all the advantages

1 quoted in G.Chandler, Four Centuries of Banking, vol.1, The Grasshopper and the Liver Bird, Liverpool and London, 1964, p.375

2 Walton, Lancashire, pp.230-1

lie with Liverpool. Renewal and expansion of port facilities are, however reluctantly, seen as processes which need to be regularly repeated if a competitive position is to be preserved. Yet, in many areas of the commerce of the port - banking, the Dock Board, etc., - the mood is often one of conservatism, and a reluctance to adapt to, and invest in, the opportunities of the present, or the requirements of the future. Many commentators and market operators of long standing were critical of the business climate in Liverpool in the later nineteenth century, for what they saw as lowered standards of commercial activity. In reality, however, much of the criticised activity stemmed from attempts to survive in, if not to capitalise on, the world of faster communications, fiercer competition, and uncertain international trade.

CHAPTER NINE

Conclusions

The quarter of a century following the American Civil War was a period of considerable transformation in world trade, and in the contribution of Britain to international commerce. The dominating position in industrial production enjoyed by Britain in the 1860s was, by the 1890s, passing to the United States and Germany: American industrial output matched that of Britain by the early 1880s. This development of industrialisation in other countries had profound implications for the nature and performance of British trade in the later nineteenth century. To a greater or lesser degree, the markets in these countries were lost to British manufactured exports; while, almost for the first time, the British were obliged to face competition in less well-developed markets, such as those of Latin America and the Far East.

The experience of British industry from about 1870 was of a slower rate of growth in production than was being achieved in the United States and Germany; declining prices and a lower level of profits; insufficient capital investment; and a failure to exploit technological advances and scientific education. Some authorities also criticise entrepreneurs for failing to anticipate industrial and commercial changes, and for the marketing strategies adopted in foreign countries.[1] Apart from these perceived shortcomings in British industry and commerce, the period of the 'Great Depression' (1873-96) was also characterised by over-production, whether of manufactured articles like cotton and woollen piece goods, and iron and steel rails, or of primary products such as cotton, breadstuffs,

1 cf. Saul, Myth of the Great Depression, pp.25-6, 36-41, 46-8
McCloskey & Sandberg, From Damnation to Redemption, pp.90-108
Landes, The Unbound Prometheus, pp.326-58
Nicholas, Overseas Marketing Performance, pp.489-504

fertilisers, etc. Unprofitable commerce in the 1870s and 1880s was apparent in low freight rates, and steam tonnage laid up in ports of the world. The consequences of over-production were quickly realised as a result of telegraphic communication, and of the speed with which goods could be moved by steamships about the markets of the world, either in search of favourable selling prices, or for stock-piling.

The artificially high price levels achieved in Anglo-American trade before the 1870s marked the end of a buoyant trading cycle, partly sustained by the American War, which forced up prices of staples in short supply, such as cotton. Subsequent price falls, which saw cotton return to a level which was normal in the United States in the highly productive late 1850s, were consequent on glutted markets, and an excess of supply over demand. In the absence of sufficient legitimate trade to satisfy the capacity of the markets, producers and market operators looked to combinations to control output and sustain prices; and to speculation to supply the missing business, and to provide some sort of protection against declining values. Major trading activities with the Americas - cotton, breadstuffs, copper, nitrate of soda, shipping - were involved in these strategies, which were particularly suited to trades where sources of supply and output were limited and well-known.

Trade between the United Kingdom and the United States experienced a notable expansion, and a reinforcement of the balance in favour of the Americans - which had already been established before the Civil War. In 1866, the declared value of imports to Britain from the United States was £46.8 millions; and of exports from Britain to the United States was £31.8 millions. In 1890, imports from the United States were valued at £97.3 millions, and exports there from Britain at £46.3 millions.[1] Produce sent from the United States now included petroleum and animals

1 Parliamentary Papers, Annual Statements of Trade and Navigation for 1866, 1890

and meat, in addition to the traditional cotton, tobacco, provisions, timber, etc. The most important exports remained yarns and textiles, metals and metal goods, and chemicals. In the case of Latin America, imports of fertilisers and foodstuffs were important, in return for British exports of manufactured goods, at least till the 1880s.

The volume of Anglo-American trade varied according to local circumstances, political, economic and financial. American protectionist policies contributed to reducing the opportunities for exports of textiles and iron and steel manufactures from Britain, except when the domestic demand outstripped the American capacity to supply its own market, as at the end of the 1870s, and the later 1880s, when the West was being opened up, and railroads expanded. The buoyant grain trade to Britain and Europe was interrupted from 1879, when a series of large European harvests reduced the demand for American wheat, and, combined with expanding American production and Russian supply, depressed prices and profits.

The key to the changes in transatlantic trade between 1865 and 1890 lay in the improvements effected to communications and supply, which resulted in speedier commercial processes. The telegraphic links established within countries were now extended between countries and across seas so that international markets could be linked, and new ones established. It was no longer necessary for ports of entry and exit to be the recognised centres of buying and selling for the international market, complete with inspection, financial and shipping facilities, and established rail links with the interior; although such ports remained very well placed to continue to command trade in the changing commercial world. The point was that business arrangements could be made at a distance for more or less immediate action, and then translated into the movement of goods, so long as rail and shipping communications were well established. The expansion of railroads in the South and West of the United States, and the greater employment of steamships on the Atlantic routes, facilitated the speedy movement of goods to and from interior markets on both sides of the Atlantic on a through bill of lading. The sea voyage now lasted days rather than weeks, and the efficiency of the service was continually improved, with the employment of larger iron vessels and faster turn-round times at the docks. Some of these developments in transatlantic trade had been introduced before the Civil War, but the real advances lay in the successful achievement of the cable under the Atlantic in 1868, and the replacement of wooden sailing vessels with iron steamships in many trades.

The effects of the ongoing changes in transatlantic trade could, of course, also be seen in the fortunes of individual commercial centres, both ports and inland markets. Good and bad cycles in trading conditions, trade which was increasing in volume and variety, and greater competition, were all reflected in the experience of Liverpool and her commercial community. Between 1865 and 1890, the expansion in the volume of trade was invariably offset by a decline in prices and profitability, as demand failed to keep up with supply. The result was a frequent and serious loss of established trading firms on both sides of the Atlantic - a situation to which imprudent trading and speculation often contributed. Many of these houses had a capacity for large commercial operations, which had enabled them to dominate the trade in staple commodities, e.g., the leading cotton importers of the 1860s in Liverpool, and the major American exporting houses of the 1870s, such as Duncan, Sherman, Morris Ranger, C.F.Conrad, E.J.Forstall, etc. Their withdrawal from participation in transatlantic trade helped to sever traditional links between American suppliers and Liverpool importers, and to interrupt the flow of goods to Liverpool merchants.

At the same time, competition for business was becoming more intense, margins were being reduced, and the resources of trading houses unduly stretched. The difficulties of trading abroad were paralleled in Liverpool by the competition of other ports promoted by the railway companies, in which preferential rates of carriage played a similar role to that of tariffs; and also of direct trade between inland markets on through bills of lading.

The availability of regular and up-to-date information between Britain and the United States about crops, stocks of produce or manufactures, and the movement of prices and sales in different markets, gave consumers the option of buying only for their immediate needs, or buying 'forward' for later delivery in order to safeguard themselves against unexpected upward price movements. At the same time, speculators could buy or sell contracts for nominal amounts of goods according to whether they believed that their market was likely to rise or fall during the subsequent few months. These developments in buying and selling together with the decline in consignment business, and the increase in shipments on a through bill of lading, sent from an interior market in one country to an interior market or consumer in another, all tended for a while to reduce activity in the spot markets, and to enable the importer to avoid the cost of warehousing goods in the port of entry. When the commercial community in a port such as Liverpool or New Orleans was not concerned in handling or trans-shipping cargoes, an important control mechanism over the shipping process and the quality of the goods was lost. For both ports, the marketing and entrepôt functions were crucial: their continued prosperity depended on their being able to channel the incoming and outgoing trade of their respective regions through the processes of the port.

The development of a large business additional to buying and selling in the spot markets involved modifications to the operation and organisation of commodity trades. By the 1860s, many of the leading mercantile houses were prepared to engage in a range of commercial functions, depending on their resources and contacts. Therefore, to regard functional specificity as the norm is somewhat misleading. However, after 1865, identifiable roles such as importing merchant, exporting merchant, dealer, jobber, buying and selling broker and financier became even more blurred, and, to a large extent, reduced to two: financing and shipping, in which any of the 'specific' market operators might share. If, as was claimed at the time, the number of middlemen was reduced to bring producer and consumer closer together, the separate market functions still continued, often combined within a single firm, which could arrange for shipments of goods, provide financial accommodation for buyer or seller, and also organise sales. Brokers clung to the exclusive operation of their specialist function for as long as possible, but they had already encroached on mercantile functions, and their charges for brokerage were seen as an unnecessary burden on reduced margins.

Small profits and the risks of handling produce directly persuaded houses like Brown, Shipley and Barings, with considerable resources and a strong background in mercantile finance, to withdraw from involvement in buying and selling, particularly when, by the 1880s, it was difficult to secure consignments on commission from the United States. Both firms closed their Liverpool house, although Barings left a nominal presence in an agency administered by the two former members of the Liverpool House. For Brown, Shipley, the decision to re-locate completely in London was an almost inevitable consequence of the initial move there in 1863 to develop the banking side of the business; whereas the trading operation of Barings in Liverpool was always very much subsidiary to the main banking activities in London.

Other London-based merchant bankers who withdrew from Liverpool included Frederick Huth and Company (1877), J.H.Schroder and Company (1884), and Gibbs, Bright and Company (1881), the associated House of Antony Gibbs and Company, the chief operators in the nitrates trade. For the sake of the produce and forwarding business in Liverpool, Gibbs subsequently opened an office there. Disappointing profits between 1901 and 1907 of around £4,000 per annum, which was £1,500 less than was necessary for the Liverpool operation to break even, led to the closure of the House in the summer of 1909, when it was felt that only the forwarding business in coal was likely to be profitable.[1] In 1902, the senior partner noted that the prosperous period of the guano monopoly was followed in the 1870s by one in which '"consignment business had practically ceased and the firm was forced into all sorts of enterprises of which it had no experience"'.[2] Of other merchant bankers in Liverpool, only Kleinworts continued to deal in produce, concentrating on newer commodities such as cocoa and rubber.

While the movement from Liverpool to London, and from trading into finance, in the later part of the period 1865-90, seems to be undeniable for those with the resources to benefit from it, its origins do not necessarily belong to this time of commercial change. S.D.Chapman points out that the trend was established in the 1850s and 1860s with Robert Benson of Cropper, Benson and Company (1853), Dennistoun, Cross and Company (1854), Ogilvy, Gillanders and Company (1860), Brown, Shipley (1863), Rathbones (1864), Fraser, Trenholm and Company (1866), and James Finlay and Company (1871). This was clearly a policy option rather than a response to particular trading difficulties after 1865, even if these difficulties confirmed the new direction. Similarly, the Liverpool-based trading company, Balfour, Williamson and Company, was also engaged in some investment banking as well as direct trade in Latin America by the 1860s, and subsequently in enterprises in the United States.

For many mercantile houses, large and small, the prospects for dealing in commodities in Liverpool seemed increasingly poor. Many over-reached themselves, unable to cope with the volatile conditions in international trade following the American Civil War, which saw the end of a long period

1 Antony Gibbs and Sons Mss: 11069D - Papers relating to the Closure of the Liverpool House: Notes made at the end of 1909 (sic) to assist us in deciding whether to close our Liverpool House

2 quoted in Chapman, <u>Rise of Merchant Banking</u>, p.130

of unusual buoyancy and led to a period of over-supply and deflation; or became involved in excessive speculative ventures, made possible by the enormous expansion in futures and arrival business. Yet, according to the listings in Gore's Liverpool Directory, the numbers in the mercantile community showed no sign of diminishing. In 1860, nearly 900 general merchants were listed, and some 770 specific to 15 import or export trades; by 1875, about 1080 general merchants, 480 commission merchants, and about 1480 specific to 31 import or export trades, were listed; and in 1890, the listings contained about 1,000 general merchants, 300 commission merchants, and around 2,100 specific to 34 import or export trades. The figures are, of course, simply indicative of a general situation: they are not necessarily consistent or comprehensive, and they certainly include the same firms listed more than once in different categories, or under different trades.[1]

For much of the nineteenth century, the organisation of the American trade carried on by the merchant houses of Liverpool was characterised by their relationship with corresponding houses in the United States; and with local firms which they maintained as their representative agents in the chief areas of American production. Earlier, it had been customary for leading merchant houses to send their juniors to the United States to represent them directly, as also American houses sent their representatives to the manufacturing districts and cotton goods markets of Lancashire.[2] With the decline in the transatlantic relationships which had been built up by houses of long standing, in the later 1870s, it was necessary for new associations to be developed, or new overseas branches to be set up. Some commercial houses sent their own representatives across the Atlantic, shipping lines established agencies in American ports, while Southern

1 Gore's Liverpool Directory for 1860, 1875, 1890

2 Chapman, Rise of Merchant Banking, p.8

cotton shippers, like Alexander Sprunt and Sons of Wilmington, N.C., did likewise, and appointed their own agent in Liverpool to deal direct with spinners.[1]

Reflecting the change in the focus of the Liverpool commercial community from merchanting to shipping in the later nineteenth century, the emerging elite in Liverpool were the proprietors and directors of the leading shipping lines: Cunard, and David MacIver; the White Star Line, and T.H.Ismay; the Inman Line; the Guion Line; the Pacific Steam Navigation Company; Lamport and Holt's Line; the Booth Steamship Company; the T. and J. Harrison Line - all involved in the transatlantic trade to the Americas. In different cases, their success was due to the availability of the subsidised mail service, to the continued demand in the 1880s for shipping accommodation for emigrants, to the expansion in international trade, and to the cartel arrangements made between themselves, and with American railroad companies, in order to safeguard freight rates at a time of intense competition.[2]

New developments in the organisation of buying and selling were only slowly matched by advances in the financing of trade, or the handling of ships and cargoes in the port. According to the evidence of the American Chamber of Commerce to the Royal Commission on the Depression of Trade and Industry, the amount of capital in use in the American trade of Liverpool had steadily increased and was, in 1885, as large as at any time. Demand for capital in the early 1880s, a time of depressed trade, was only moderate, and the supply abundant at low rates.[3] Nevertheless, the delay in the

1 J.R.Killick, The Transformation of Cotton Marketing in the late Nineteenth Century, Business History Review, LV, 1981, p.155

2 cf. G.Chandler, Liverpool Shipping: a Short History, London, 1960, pp.111-60

Hyde, Liverpool and the Mersey, pp.63-6, 101-13

3 Parliamentary Papers, 1886, C4715, Royal Commission on the Depression of Trade and Industry, 2nd Report, p.389

introduction of the use of cheques by the local banks, and the reluctance of the Liverpool Branch of the Bank of England to see more than a limited number of banknotes in circulation, more or less ensured the continuation of outmoded facilities. When the banks finally accepted the general use of cheques in the 1880s, and a clearing system which operated in and through the Liverpool Branch, ultimate control lay with, and ultimate benefit accrued to, the London financial system. The relatively poor performance of the joint stock banks in Liverpool compared with those based in Manchester, or those with a wider regional constituency, is a reflection of the failure of Liverpool to become a financial centre. Given the increasing importance of credit and financing as futures and speculative transactions multiplied in commodity trading, this was a major weakness for Liverpool. It is paralleled by the experience of New Orleans, which as the largest spot market in the United States, was unable to establish a cotton futures market to challenge that in New York, which was a recognised financial centre.

The same conservatism which was exhibited in Liverpool in connection with financial matters was also apparent in the case of the provision of port facilities. The Dock Board seems not to have appreciated the speed of technological advance in steam-powered shipping, so that large extensions to the docks in the 1870s were almost overtaken by the expansion in shipping and vessel size, on their completion in the early 1880s. Additional quay space and warehouse facilities were often provided belatedly in some trades only after repeated pressure from the trade associations of the town. The caution of the Dock Board in undertaking further investment in works to expand the facilities on the Liverpool side, is partly explained by the burden of the well-appointed but under-used docks at Birkenhead, and partly by a desire to reduce the indebtedness of the Estate, rather than adding to it. Nevertheless, the claims made in Liverpool for her port and market facilities required them to be maintained at an efficient and modern level. In the case of warehousing for certain trades, accommodation for passengers from liners, links between the scattered dock areas and with the centre of the town, and improvements to the river approaches, the Dock Board failed to respond effectively till the Manchester Ship Canal project dramatised the competition to the port.

With all the problems faced by Liverpool in the period 1865-90 (which were not, of course, very different from those faced by other major ports), her performance was sufficient to retain her position as the second port in the United Kingdom. The increase in the value of Anglo-American trade was of positive benefit to the port, which even escaped suffering from the overall decline in cotton re-exports. Although the amount of cotton coming into the country increased by one-third between 1866 and 1890, re-exports declined from an average 2.9 million cwts in 1865-69 to an average 2.2 million cwts in 1885-89, because cotton was increasingly sent direct to a continental port, such as Bremen or Le Havre. Of this re-export trade, the proportion handled by Liverpool increased from 20% in the later 1860s to a peak of more than 40% in the middle 1880s (0.6 million cwts to 0.9 million cwts).

Of the traditional imports to which the United States subscribed a varying proportion, Liverpool received more than 90% of the cotton which came to the United Kingdom, and around 22% of the timber; and increased its share of tobacco from 34% to 48%, and of breadstuffs from 16% to 22%, comparing the performance in 1866 to 1889. In newer trades, the proportion of petroleum coming to Liverpool rose from 19% to 23%, of fresh and preserved beef from 61% to 69%, and of live cattle from 2 to 30%. Receipts of saltpetre and nitrate of soda from Chile in the United Kingdom more than doubled, but the proportion arriving in Liverpool actually fell, from 46% to 30%.*

* cf. Appendices 4, 6

In the case of exports leaving for the United States and other destinations, Liverpool handled around 28% of metals and metal goods, and about 50% of woollen goods. Her share of exports of cotton manufactures rose from 66 to 78%, and of alkali from 47 to 80%; but linen exports fell from 72 to 55% of the total.* At least in those trades which involved shipping goods to and from the Americas, there is little doubt Liverpool generally maintained and, in most cases, increased her involvement. The port derived financial benefit from all vessels and goods which arrived there, even if the commercial community did not; and the increased use made of the port and its facilities, by both foreign and coastwise shipping, is reflected in the accounts of the Mersey Docks and Harbour Board.

Shippers, ship-owners, and the yards on the Mersey profited from the decay of American merchant shipping, which left the Atlantic more or less to British shippers and vessels, the majority of which were based in Liverpool. The transatlantic mail service was generally retained by lines from the Mersey, even if it was partly shared with Southampton, and clearly provided a valuable support for Liverpool shipping in the years of unremunerative freight rates (1873-87), and declining emigrant trade (later 1870s). On the other hand, the transatlantic passenger trade was undoubtedly threatened by the challenge from Southampton; and the port authorities awoke somewhat late to the inadequacy of its facilities and the particular problems posed by the bar.

For all the promotional investment of the railway companies in alternative ports on the West coast of Britain, and the interest of American entrepreneurs in more suitable terminals for new transatlantic lines, none of the challengers - Fleetwood, Barrow, Milford - was able to threaten the position of Liverpool in the American trade. The trade of Bristol had long since ceased to provide significant competition, although she

* cf. Appendices 5, 6

was beginning to re-build her import trade and to receive a significant quantity of petroleum - 7% of the total import, which was slightly less than one-third of the import at Liverpool.

Despite her status among British ports, the volume and value of the trade of Southampton was well below that of Liverpool and London, and significant only in imports of wool, and exports of woollen manufactures. Although tonnage using the port, and the value of her foreign trade, both doubled in the 1890s, the challenge to Liverpool in transatlantic passenger traffic, and in freights and fuel, was not established before the twentieth century.[1] Similarly, the effects of the transformation of Manchester into a port by means of the Canal did not seriously detract from the transatlantic trade of Liverpool before the end of the nineteenth century, when getting on for half a million bales of cotton were imported direct to Manchester. From 1894, a spot market was re-established by the Manchester Cotton Association, but the Liverpool market remained pre-eminent into the twentieth century in view of its facilities and conveniences for shippers and spinners.[2]

The continued success of Liverpool as a port was underlined by the survival of her chief commodity markets at a time when transactions could be concluded, and shipments put in hand, from an office almost anywhere. A decline in the activity in spot markets in the later 1870s was reversed in the 1880s, when consumers realised that ordering by samples was no guarantee that shipments would arrive in a merchantable condition. Often, these sales were made ex quay, that is from the vessel at the quayside, which avoided warehousing and other port charges. In general, however,

1 Waller, Town, City and Nation, p.92

2 Ibid., pp.88-9
S.J.Chapman, Conditions and Consequences, pp.50-1

the demand for warehousing facilities was constant if not actually increasing in most trades, and the Dock Board regularly criticised for failing to provide sufficient and appropriate accommodation for goods arriving at the port. Storage was required for the surplus stocks of goods produced in the 1870s and 1880s, and also to provide stocks to be tendered in futures contracts. Whatever her apparent shortcomings, Liverpool could still provide a range of port and market facilities, as well as a convenience for American trade, and industry in the North-West region in the late nineteenth century which no other centre could match.

At the end of the American Civil War, press opinion showed exaggerated confidence in the potential for growth and prosperity in Liverpool, with the restoration of full trade with the United States. The level of commercial activity up to the early 1870s suggests that this confidence was shared by most traders. The loss of much Far Eastern trade on the opening of the Suez Canal resulted in an even greater dependence on American trade, despite the problems of Protection, poor financial returns in Latin America, competition in American markets, and recurrent monetary crises in the United States. Press and commercial opinion was well aware of the difficulties for Liverpool-based traders, and of the continued importance to control as much as possible of the transatlantic trade - hence the campaigns against unfavourable railway rates, unnecessary barriers to trade in the port, and competing centres for American trade.

Most of the influences which brought about long-term change in the style and operation of business in the later nineteenth century were already at work before the American Civil War. At no time was the system static. The importance of the period 1865-90 is that the full effects became apparent to both traders and observers - faster communicating, over-production, increased competition, the end of a boom trading cycle, etc. Adjustment to the new commercial circumstances produced periodic thinning of mercantile ranks on both sides of the Atlantic, but resulted eventually in Liverpool in an acceptance of the more difficult trading conditions, increased functional flexibility within trades, and different ways of trading and achieving profitability.

For much of the 1880s, complaints of unremunerative trade were common, but there was a growing acceptance of smaller margins in business. The shortcomings of the port and its facilities were exposed not only in the meetings of the commercial associations but also in the unwelcome publicity of the debates and committee proceedings on the bills for the Manchester Ship Canal. The Liverpool Journal of Commerce summed up the situation in Liverpool in May 1890 as akin to that of a manufacturer or tradesman, who, after years of trading at a considerable profit, had now discovered that the public taste had changed: either new and more economical plant must be installed, or the business would dwindle into extinction.[1] Despite renewed efforts by the Dock Board in the 1890s to improve the river approaches, and to provide improved accommodation for shipping, trades and passengers, the Daily Post concluded in September 1896 that significant parts of the trade of the port were being diverted to other ports in the United Kingdom, although the revenues of the Dock Board were not affected.[2]

In the long run, however, local confidence in Liverpool and her commerce, and on the American trade which supplied such a large share of the business, may not have been misplaced. Assessing the achievements of Liverpool in the period 1885-1910, The Times stated in May 1911:

> 'Liverpool still maintains the proud position of the first port of the United Kingdom in the value of her exports. In the import trade, London alone exceeds her. Millions of pounds of sterling have been expended upon other ports and now trade has sprung up in various parts of the country in towns which might be regarded as competing with Liverpool, but the facts show that in spite of this apparent diversion of trade Liverpool

1 Journal of Commerce, 12 May 1890, p.4

2 Daily Post, 1 September 1896, p.4
2 September 1896, p.4
8 September 1896, p.4

has never once hesitated to keep abreast of the times in the struggle for the premier commercial position of the greatest commercial country in the world. Of the 1,212 millions sterling of exports and imports which Great Britain can point to as "business done" last year Liverpool seems to have secured her proportion, which, according to the statistics of previous years, is in the neighbourhood of one-fifth. It has only been accomplished by meeting the new requirements of modern trade with the determination not to be outdone in furnishing, regardless of the cost, necessary for the larger type of ships, more expeditious transfer of cargoes, and increased railway arrangements.

'Whatever other ports may have accomplished in the way of inaugurating new docks and the most recent machinery for operating them, Liverpool has matched her competitors - new and old alike - in the enlargement of her existing arrangements, the adoption of modern machinery, and in the improvement of her business methods. Her activities have indeed been increasing. There have been times during this period when Liverpool has apparently been hard hit, but the courage and enterprise of her shipowners and merchants have never faltered, and the city of the Mersey has turned the first decade of the new century as strong in ships, as great in commerce, and as magnificent in the magnitude of her vast system of docks and wharves and warehouses as she has ever been in the past'.[1]

1 The Times, 2 May 1911, p.20

APPENDICES

APPENDIX 1: Revenues of the Port of Liverpool from Tonnage and Harbour Rates, Dock Rates on Goods, and Town Dues on Goods

APPENDIX 2: Vessels paying Tonnage and Harbour Rates/ Harbour Rates only

APPENDIX 3: British Cotton Imports and Consumption, 1859-90

APPENDIX 4: The share of Liverpool in United Kingdom imports - annual average figures in 5 year periods for selected items

APPENDIX 5: The share of Liverpool in United Kingdom exports - annual average figures in 5 year periods for selected items

APPENDIX 6: Graphs of selected imports and exports

APPENDIX 7: The Cotton Trade at New Orleans, 1875-88

APPENDIX 1 : Revenues of the Port of Liverpool from Tonnage and Harbour Rates, Dock Rates on Goods, and Town Dues on Goods

Year	Total Revenues	American Trade
1864-65	£ 504,678	£ 72,487
1865-66	631,268	
1866-67	614,179	148,539
1867-68	666,424	166,133
1868-69	652,118	
1869-70	714,173	
1870-71	789,031	236,949
1871-72	831,173	222,615
1872-73	858,537	246,145
1873-74	884,043	
1874-75	874,541	
1875-76	914,904	
1876-77	939,306	304,497
1877-78	920,493	
1878-79	914,110	
1879-80	982,378	
1880-81*	966,281	
1881-82	929,643	314,472
1882-83	981,316	
1883-84**	965,258	404,225
1884-85	924,192	
1885-86	884,533	
1886-87	918,566	
1887-88	935,180	389,344
1888-89	990,551	
1889-90	1,030,189	
1890-91	1,034,269	

* - Reductions in Rates and Dues from 1 January 1881
** - " " " " " " 1 March 1884

Sources: Accounts of Mersey Docks and Harbour Board, 1865-91
Liverpool Daily Courier
Liverpool Mercury
The Times

APPENDIX 2 : Vessels paying Tonnage and Harbour Rates/Harbour Rates only

Year	All Vessels	Tonnage	Vessels in Foreign Trade Sail	Steam
1864-65	21,413	4,712,556	No listing	
1865-66	21,720	5,581,322	"	"
1866-67	20,170	5,318,057	3,339*	1,328*
1867-68	20,218	5,497,924	3,479*	1,350*
1868-69	19,171	5,378,587	3,468	1,562
1869-70	19,429	5,728,504	3,848	1,599
1870-71	20,121	6,131,745	3,953	1,826
1871-72	20,861	6,530,386	3,723	2,155
1872-73	19,442	6,574,742	3,511	2,178
1873-74	19,186	6,710,093	3,753	2,298
1874-75	18,287	6,588,731	3,356	2,296
1875-76	18,325	6,805,970	3,435	2,386
1876-77	18,257	7,000,726	3,418	2,324
1877-78	18,841	7,029,082	3,042	2,499
1878-79	18,420	7,034,356	2,520	2,713
1879-80	20,070	7,524,533	2,646	2,934
1880-81	20,249	7,893,948	2,572	3,116
1881-82	20,966	8,104,136	2,573	2,999
1882-83	21,315	8,527,531	2,428	3,527
1883-84	23,940	8,800,362	2,146	3,704
1884-85	21,529	8,571,454	1,960	3,355
1885-86	20,598	8,370,723	1,712	3,454
1886-87	21,884	8,797,783	1,682	3,464
1887-88	22,241	9,017,935	1,525	3,445
1888-89	22,662	9,291,964	1,343	3,703
1889-90	23,633	9,654,006	1,278	4,284
1890-91	22,775	9,772,506	1,292	4,178

* - Figures exclude vessels paying harbour rates only

Source: Accounts of Mersey Docks and Harbour Board, 1865-91

APPENDIX 3 : British Cotton Imports and Consumption, 1859-90

(a) In Bales

Year	American Crop	Import of American	British Consumption: American	Overall
1859	4,823,770	2,086,300	1,873,300	2,296,684
1860	3,826,086	2,580,700	2,136,888	2,523,196
1861		1,841,600	1,808,664	2,363,608
1862		71,766	250,432	1,185,340
1863		131,900	117,728	1,377,584
1864		197,800	160,420	1,566,396
1865	2,314,476	461,910	264,056	2,034,708
1866	2,204,089	1,162,740	901,420	2,386,384
1867	2,498,895	1,215,690	1,071,460	2,572,492
1868	2,439,039	1,269,060	1,116,388	2,801,916
1869	3,154,946	1,039,720	927,888	2,628,444
1870	4,352,317	1,664,010	1,467,336	2,797,080
1871	2,974,351	2,247,290	1,809,080	3,114,748
1872	3,930,508	1,403,470	1,436,760	3,265,600
1873	4,170,388	1,897,790	1,692,080	3,203,720
1874	3,832,991	1,958,210	1,738,880	3,247,920
1875	4,669,288	1,859,280	1,705,080	3,114,800
1876	4,485,423	2,074,520	1,926,600	3,084,640
1877	4,811,265	2,006,740	1,995,760	3,020,680
1878	5,073,531	2,232,660	2,103,920	2,682,160
1879	5,757,397	2,427,480	2,132,000	2,707,120
1880	6,589,329	2,633,940	2,383,160	3,078,400
1881	5,435,845	2,741,740	2,504,840	3,244,280
1882	6,992,234	2,592,070	2,394,600	3,408,080
1883	5,714,052	2,747,770	2,552,212	3,439,072
1884	5,669,021	2,765,170	2,419,768	3,398,460
1885	6,550,215	2,413,850	2,281,588	2,975,700
1886	6,513,623	2,934,360	2,658,677	3,286,870
1887	7,017,707	2,798,130	2,550,375	3,445,000
1888	6,935,082	3,022,340	2,732,964	3,456,290
1889	7,313,726	3,240,020	2,726,851	3,319,790
1890	8,655,518	3,093,510	2,940,875	3,501,270

(b) Weight of Consumption in lbs.

Year	American	Overall	Average Price Mid. Upland
1860	917,695,000	1,083,600,000	6¼d
1861	770,873,000	1,007,400,000	8 9/16d
1862	95,432,000	451,700,000	17¼d
1863	43,447,000	508,400,000	23¼d
1864	56,696,000	553,600,000	27½d
1865	93,854,000	723,200,000	19d
1866	332,822,000	881,100,000	15½d
1867	402,636,000	966,700,000	10 1/8d
1868	395,169,000	991,800,000	10½d
1869	331,447,000	938,900,000	12 1/8d
1870	563,781,000	1,074,700,000	9 15/16d
1871	700,980,000	1,206,900,000	8 9/16d
1872	517,093,000	1,175,300,000	10 9/16d
1873	658,141,000	1,246,100,000	9d
1874	677,845,000	1,266,100,000	8d
1875	673,536,000	1,230,388,000	7 3/8d
1876	795,960,000	1,274,376,000	6¼d
1877	817,548,000	1,237,373,000	6 5/16d
1878	922,779,000	1,176,451,000	6 1/8d
1879	924,033,000	1,173,326,000	6 5/16d
1880	1,062,600,000	1,372,636,000	6 13/16d
1881	1,111,330,000	1,439,393,000	6 7/16d
1882	1,026,800,000	1,461,441,000	6 5/8d
1883	1,169,595,000	1,497,602,000	5¾d
1884	1,103,993,000	1,486,426,000	6d
1885	1,026,715,000	1,330,201,000	5 3/8d
1886	1,196,405,000	1,472,778,000	5 1/8d
1887	1,147,669,000	1,486,855,000	5½d
1888	1,229,834,000	1,528,768,000	5 9/16d
1889	1,227,083,000	1,530,103,000	5 15/16d
1890	1,323,394,000	1,656,392,000	6d

Sources – Ellison, Cotton Trade of Great Britain, Tables 1 & 3

Economist: Annual Commercial History and Review; and Reprint of the Movement of the Cotton Crop each year in the New York Commercial and Financial Chronicle

APPENDIX 4 : The share of Liverpool in United Kingdom imports - annual average figures in 5 year periods for selected items

	Total U.K.	To Liverpool	From United States
Beef, salted, frozen, chilled (cwts)			
1866-70	206,000	131,000	169,000
1871-75	226,000	124,000	198,000
1876-80	726,000	454,000	704,000
1881-85	958,000	606,000	956,000
1886-90	1.3 millions	928,000	1.2 millions
Cattle (head)			
1866-70	168,000	6,000	
1871-75	177,000	8,000	
1876-80	237,000	45,000	62,000
1881-85	351,000	82,000	116,000
1886-90	423,000	121,000	206,000
Corn, Flour, Meal (cwts)			
1866-70	69 millions	14 millions	12 millions
1871-75	95 "	21 "	32 "
1876-80	128 "	26 "	63 "
1881-85	137 "	31 "	55 "
1886-90	142 "	30 "	51 "
Raw Cotton (cwts)			
1866-70	11.6 millions	10.8 millions	5.0 millions
1871-75	13.9 "	12.5 "	7.5 "
1876-80	13.0 "	12.3 "	9.2 "
1881-85	14.9 "	13.8 "	10.5 "
1886-90	16.0 "	14.5 "	11.8 "
Petroleum (galls.)			
1866-70			23,000 tuns
1871-75	14.5 millions	3.5 millions	57,000 "
1876-80	34.3 "	6.7 "	134,000 "
1881-85	63.3 "	16.1 "	60.8 millions
1886-90	90.2 "	23.0 "	70.0 "

	Total U.K.	To Liverpool	From United States
Saltpetre and Cubic Nitre (cwts)			
1866-70	1.3 millions	0.6 millions	
1871-75	2.5 "	1.1 "	
1876-80	2.0 "	0.7 "	
1881-85	2.2 "	0.7 "	
1886-90	2.3 "	0.6 "	
Sugar (cwts)			
1866-70	12.2 millions	2.2 millions	
1871-75	16.3 "	3.4 "	
1876-80	19.5 "	4.6 "	c0.2 millions
1881-85	23.2 "	5.8 "	c0.7 "
1886-90	25.3 "	5.8 "	c0.5 "
Timber (loads)			
1866-70	3.7 millions	0.5 millions	0.1 millions
1871-75	5.2 "	0.6 "	0.3 "
1876-80	5.9 "	0.6 "	0.3 "
1881-85	6.2 "	0.6 "	0.4 "
1886-90	5.7 "	0.6 "	0.4 "
Tobacco (lbs)			
1866-70	54 millions	22 millions	34 millions
1871-75	69 "	30 "	46 "
1876-80	71 "	31 "	54 "
1881-85	58 "	25 "	41 "
1886-90	72 "	35 "	59 "
Copper (tons)			
1866-70	142,000	48,000	5,000
1871-75	116,000	40,000	2,000
1876-80	174,000	63,000	3,000
1881-85	204,000	79,000	21,000
1886-90	244,000	82,000	35,000

Source: Parliamentary Papers - Annual Statements of Trade and Navigation, 1866-90 inc.

APPENDIX 5 : The share of Liverpool in United Kingdom exports - annual average figures in 5 year periods for selected items

	Total U.K.	From Liverpool	To United States
Alkali (cwts)			
1866-70	3.4 millions	1.5 millions	1.7 millions
1871-75	4.7 "	2.1 "	2.1 "
1876-80	6.0 "	2.8 "	2.7 "
1881-85	6.7 "	3.8 "	3.3 "
1886-90	6.2 "	4.8 "	3.5 "
Cotton Manufactures (yards)			
1866-70	2,904 millions	1,834 millions	97 millions
1871-75	3,521 "	2,050 "	111 "
1876-80	3,869 "	2,485 "	59 "
1881-85	4,491 "	3,119 "	60 "
1886-90	4,984 "	3,827 "	47 "
Raw Cotton Re-exports (cwts)			
1866-70	2.8 millions	0.6 millions	
1871-75	2.4 "	0.8 "	
1876-80	1.6 "	0.6 "	
1881-85	2.1 "	0.9 "	
1886-90	2.2 "	0.8 "	
Iron and Steel, wrought and unwrought (tons)			
1866-70	2.2 millions	0.5 millions	0.5 millions
1871-75	2.8 "	0.6 "	0.6 "
1876-80	2.7 "	0.6 "	0.5 "
1881-85	3.7 "	0.9 "	0.8 "
1886-90	3.9 "	1.1 "	0.8 "
Linen Manufactures (yards)			
1866-70	223 millions	157 millions	100 millions
1871-75	215 "	138 "	104 "
1876-80	165 "	84 "	80 "
1881-85	163 "	83 "	78 "
1886-90	172 "	96 "	86 "

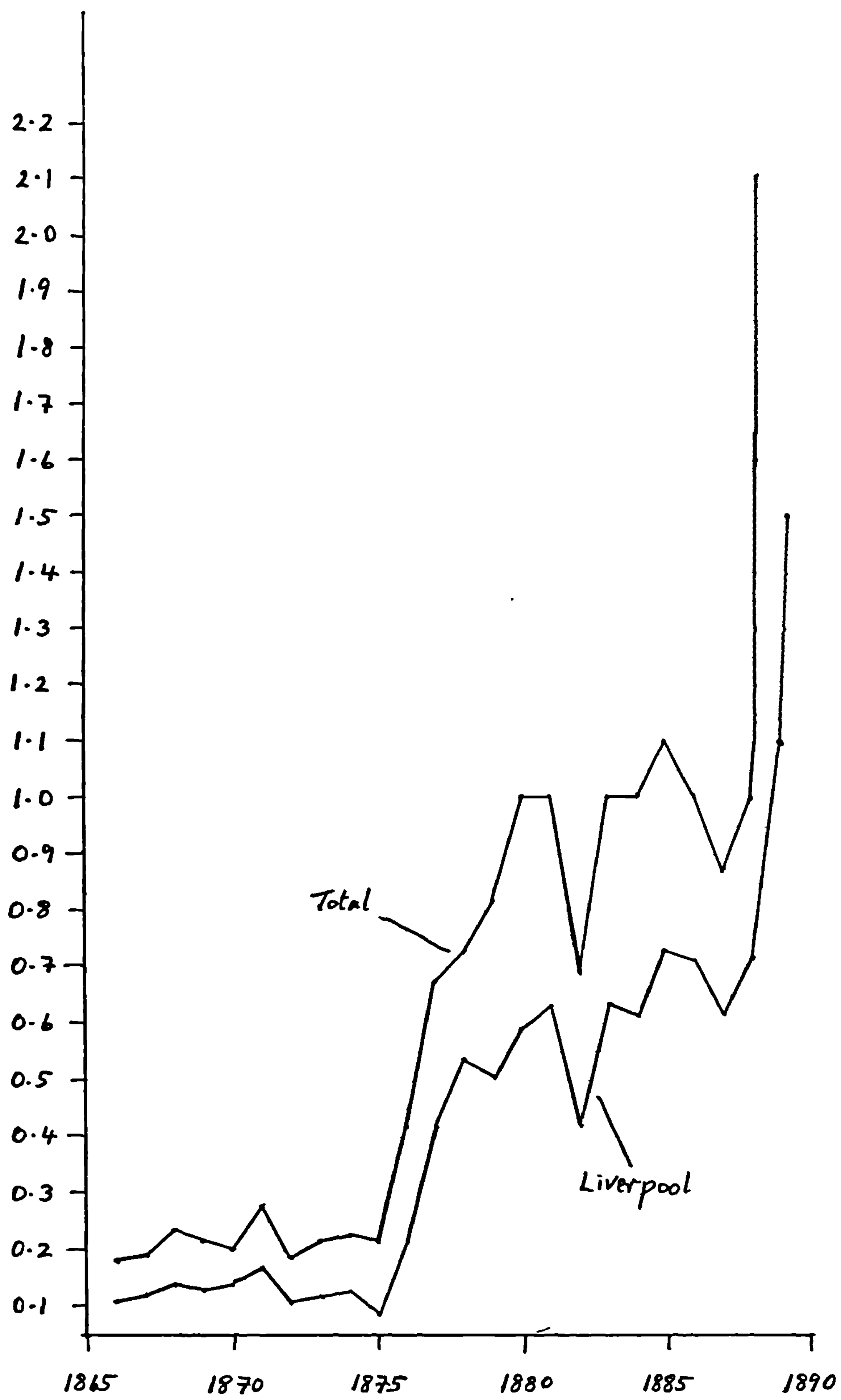
		Total U.K.	From Liverpool	To United States
Tobacco Re-exports (lbs)				
	1866-70	18 millions	8 millions	
	1871-75	17 "	8 "	
	1876-80	12 "	6 "	
	1881-85	9 "	6 "	
	1886-90	7 "	4 "	
Woollen Manufactures (yards)				
	1886-70	280 millions	131 millions	75 millions
	1871-75	354 "	167 "	90 "
	1876-80	263 "	98 "	37 "
	1881-85	269 "	111 "	40 "
	1886-90	267	136 "	57 "

Source: Parliamentary Papers - Annual Statements of Trade and Navigation, 1866-90 inc.

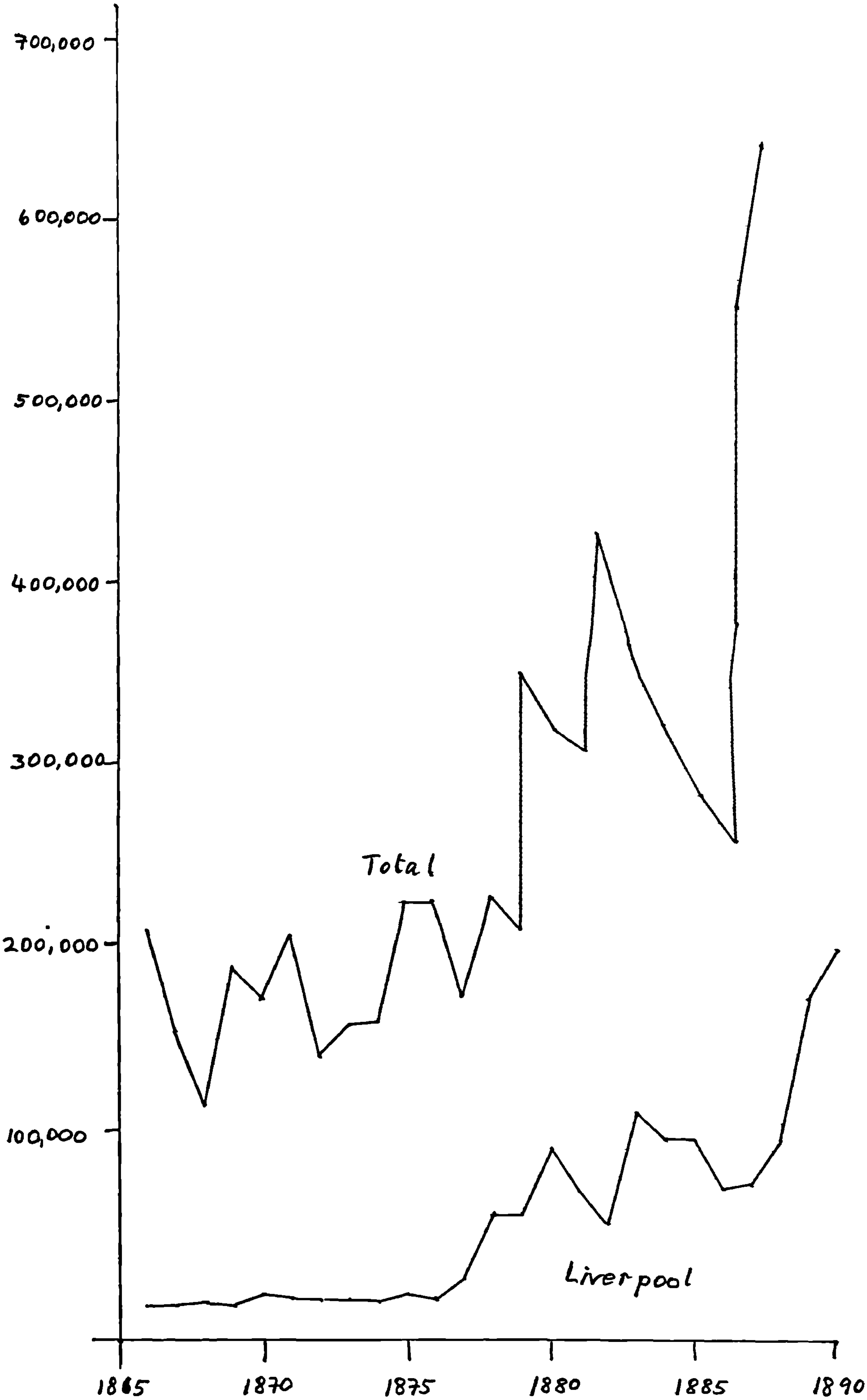
APPENDIX 6

Graphs of selected imports and exports

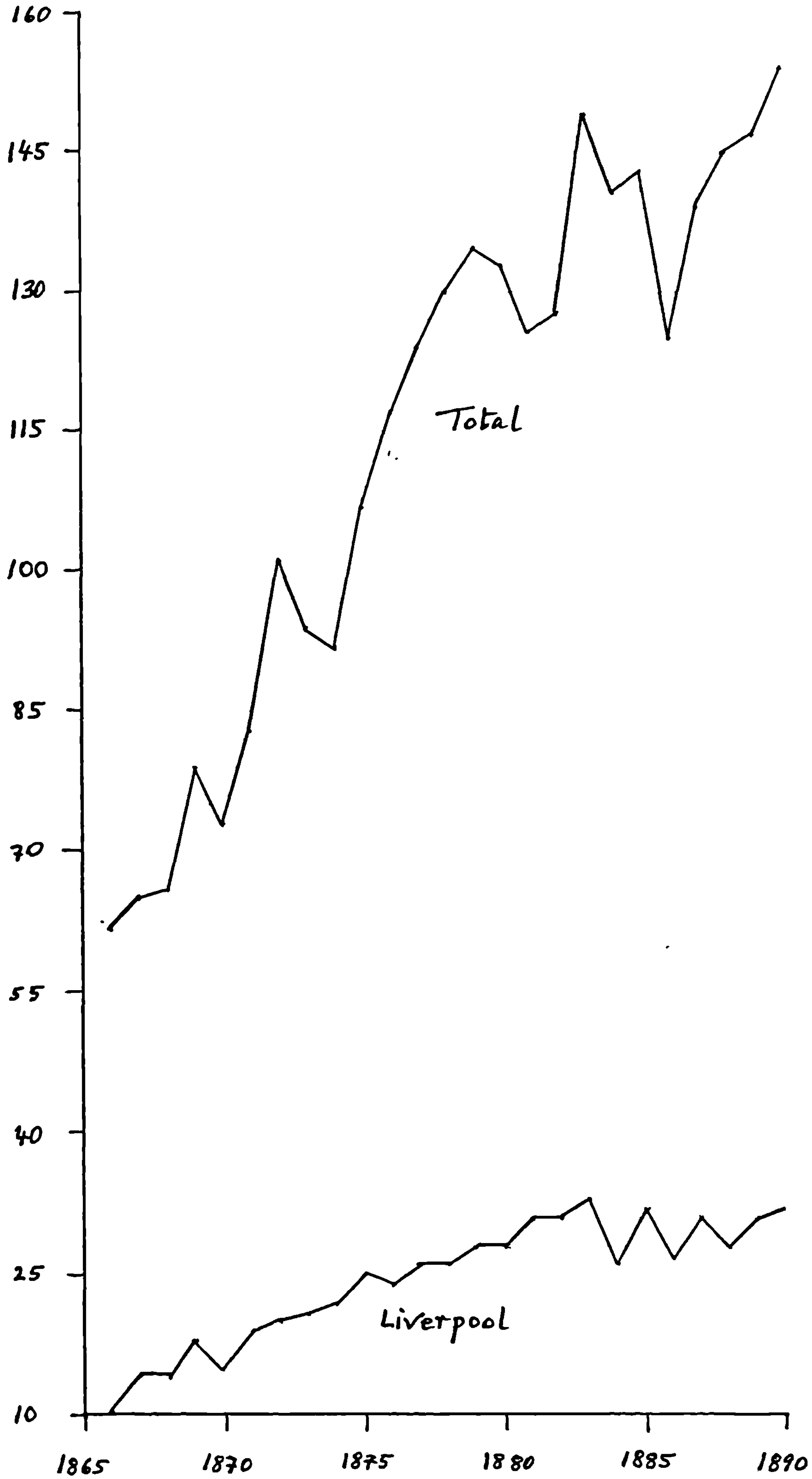
United Kingdom Imports of Preserved Beef (millions of cwts)



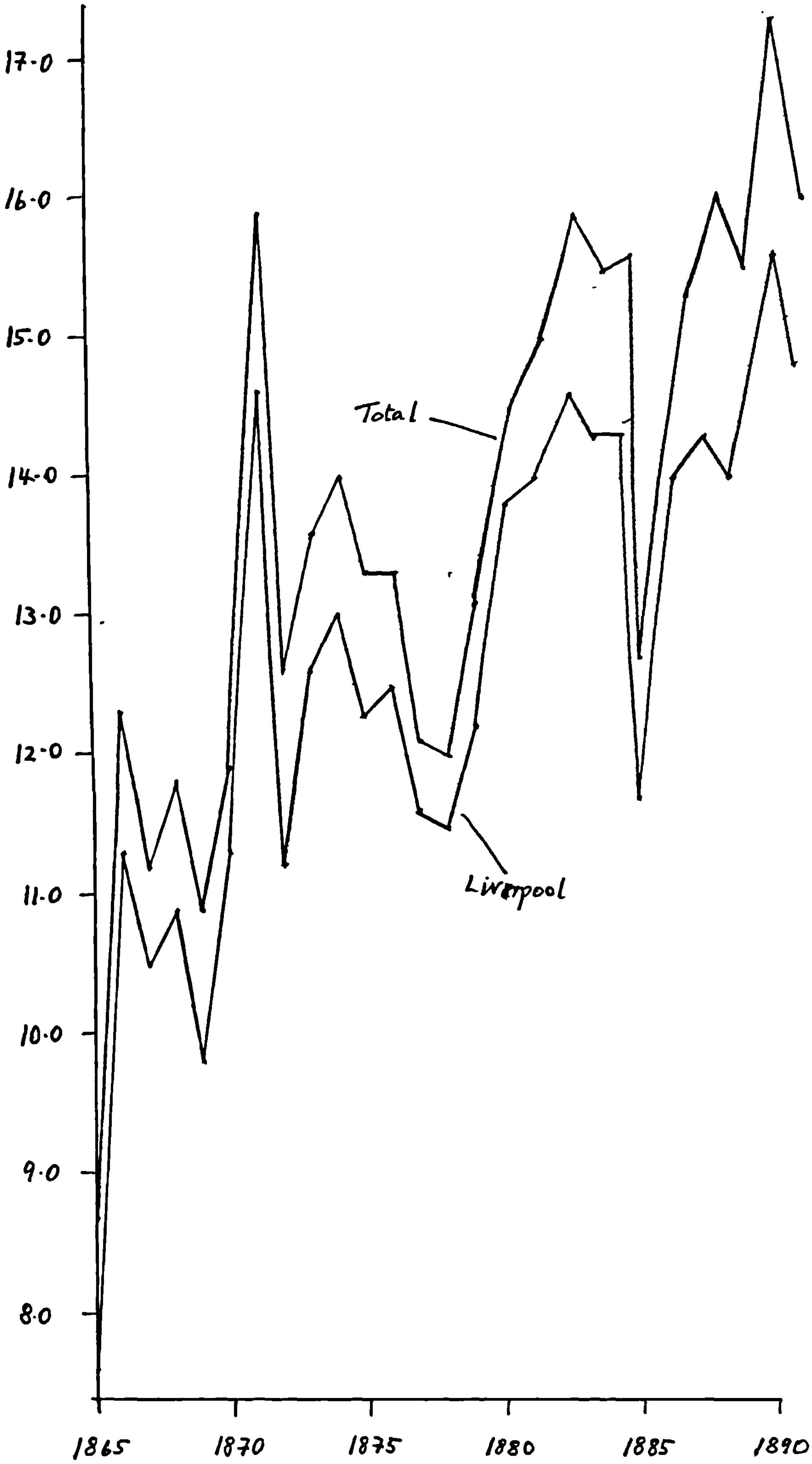
United Kingdom Imports of Live Cattle



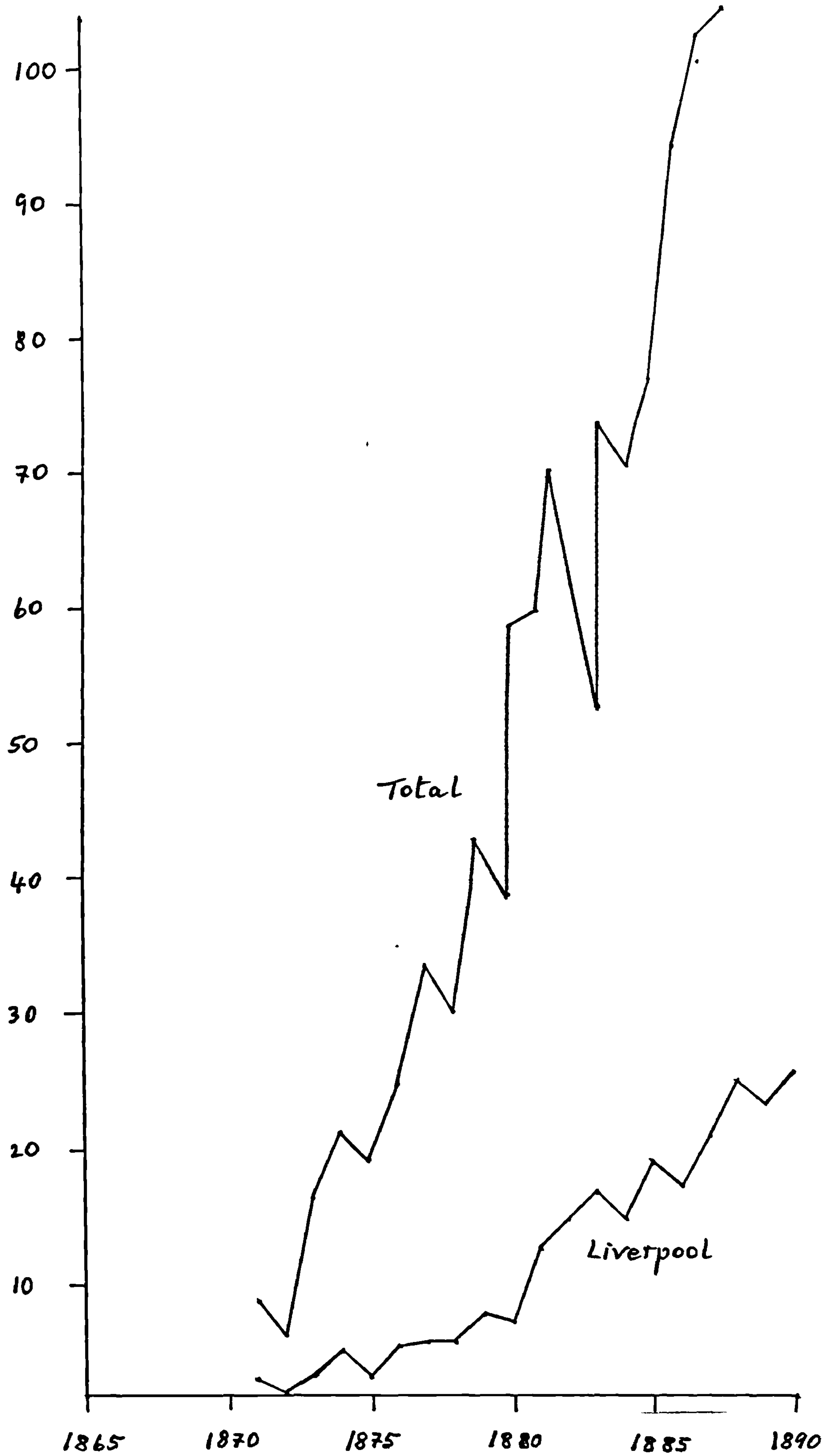
United Kingdom Imports of Cereals (millions of cwts)



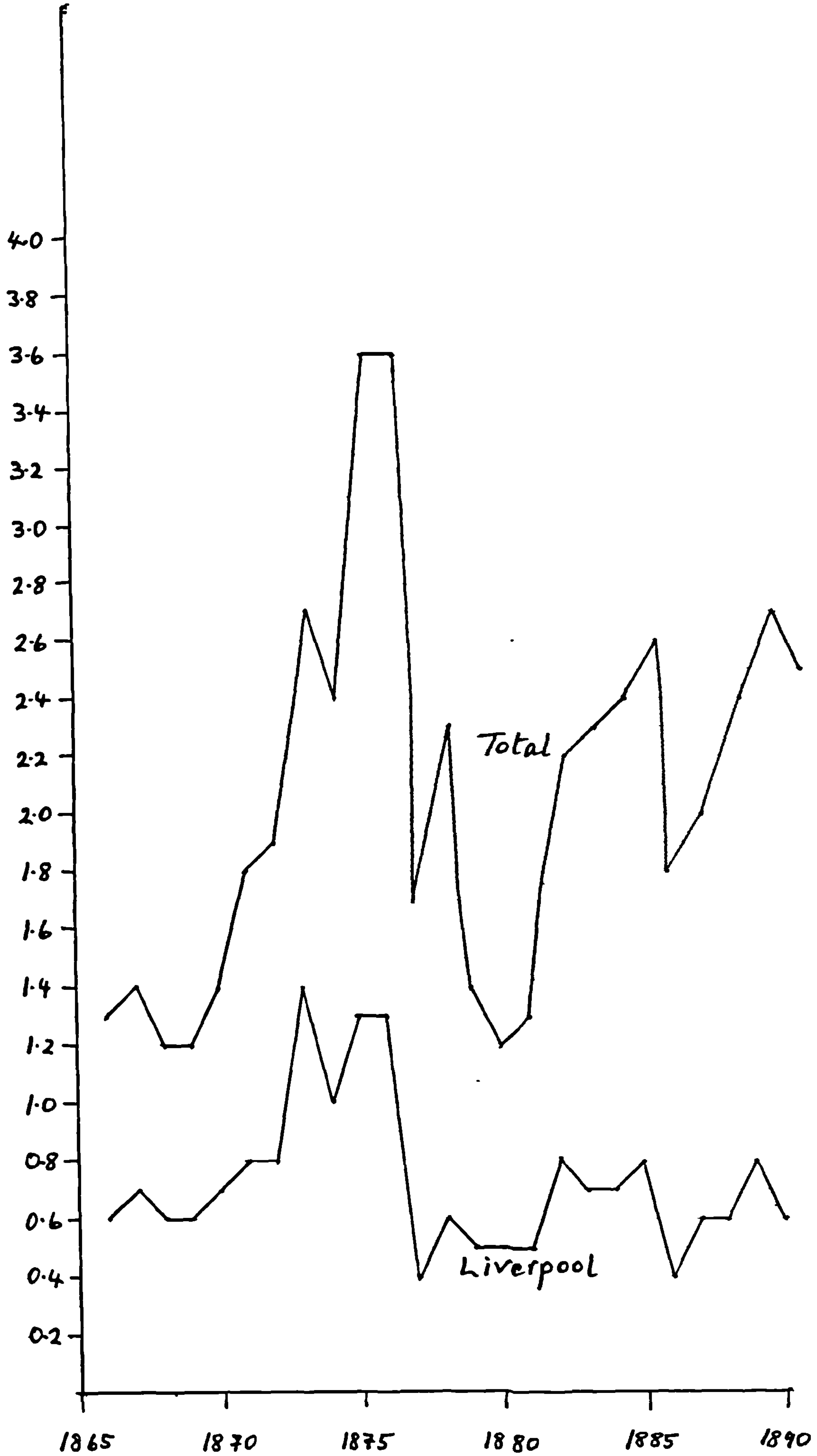
United Kingdom Imports of Raw Cotton (millions of cwts)



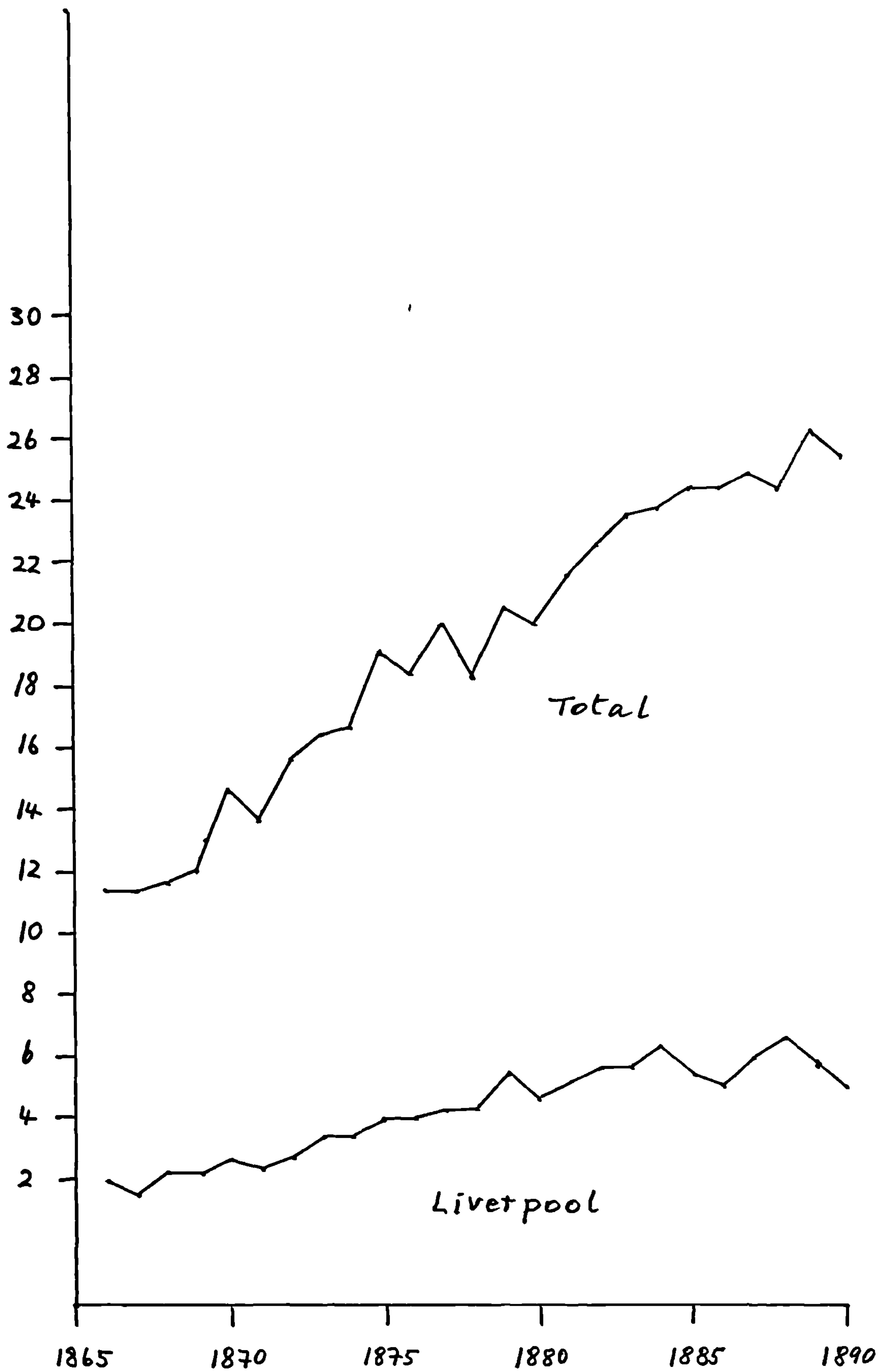
United Kingdom Imports of Petroleum (millions of gallons)



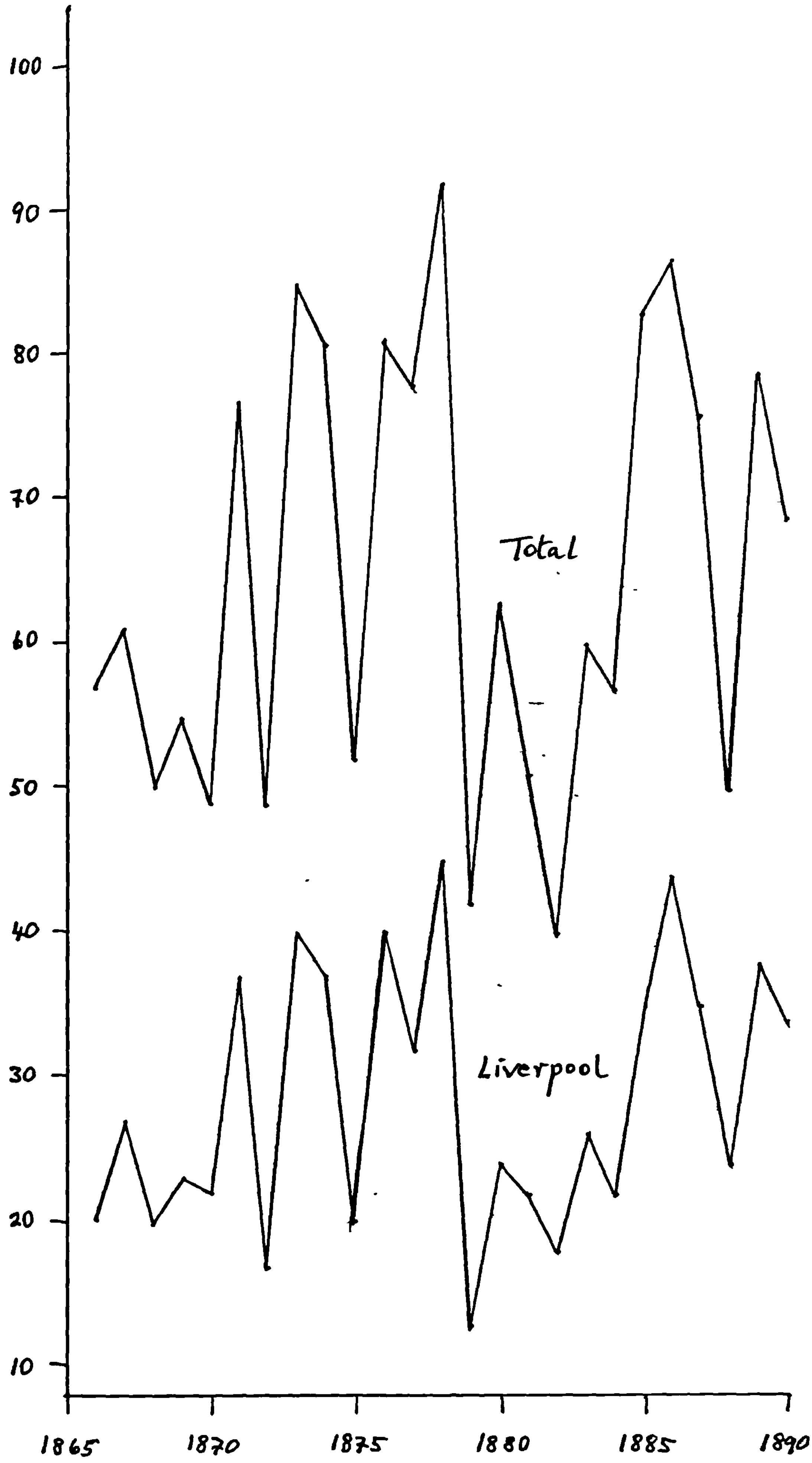
United Kingdom Imports of Saltpetre and Cubic Nitre (millions of cwt



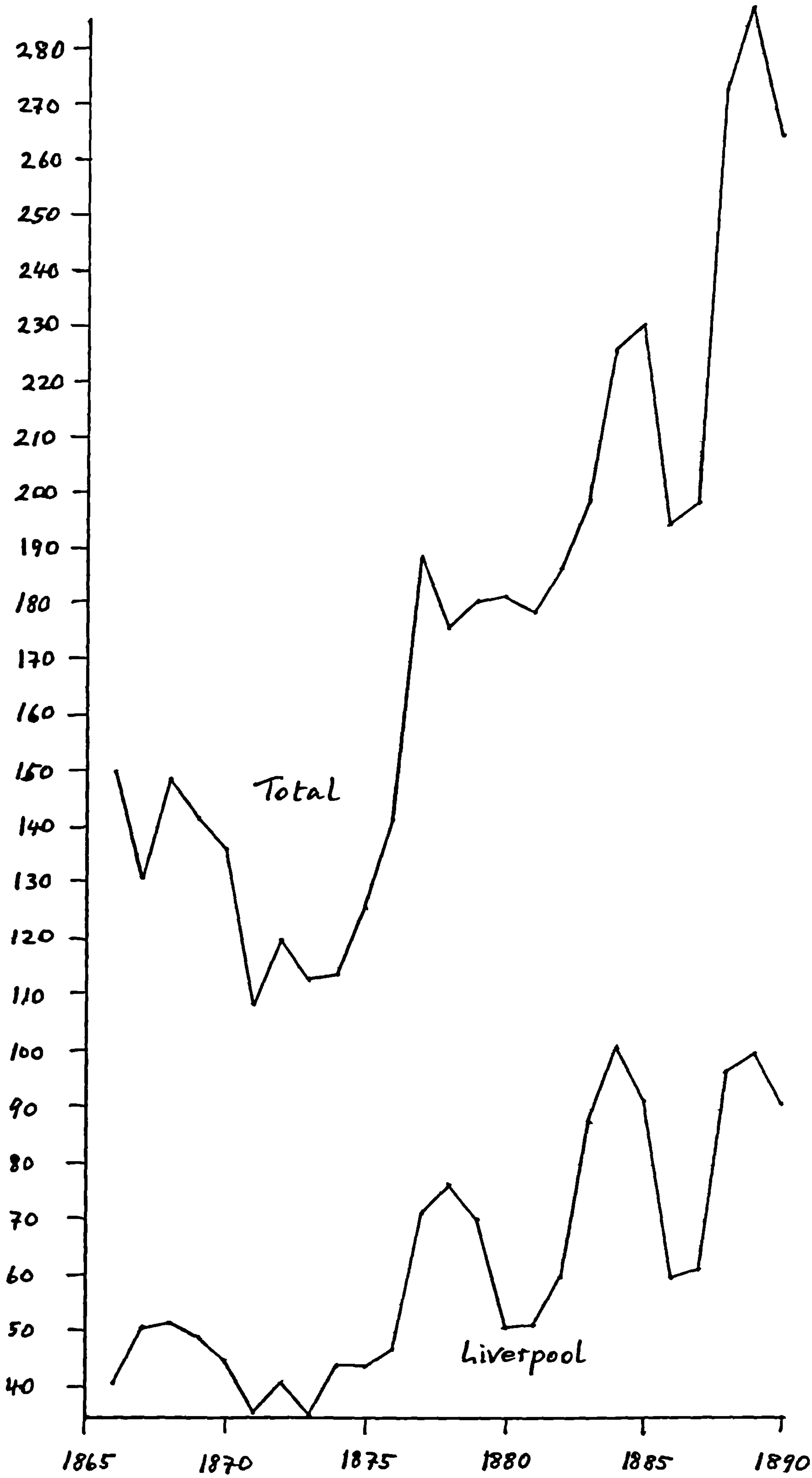
United Kingdom Imports of Sugar (millions of cwts)



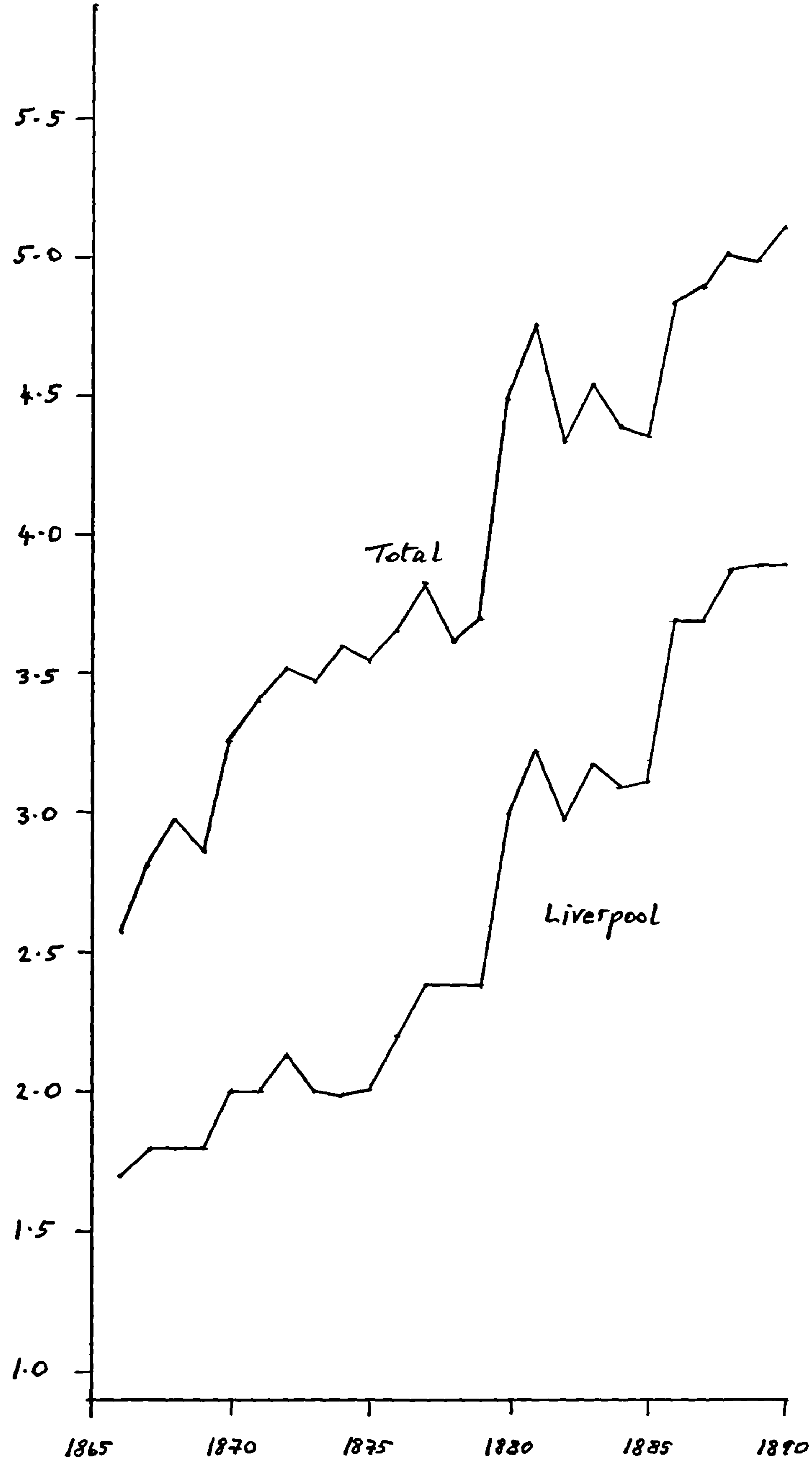
United Kingdom Imports of Tobacco (millions of lbs)



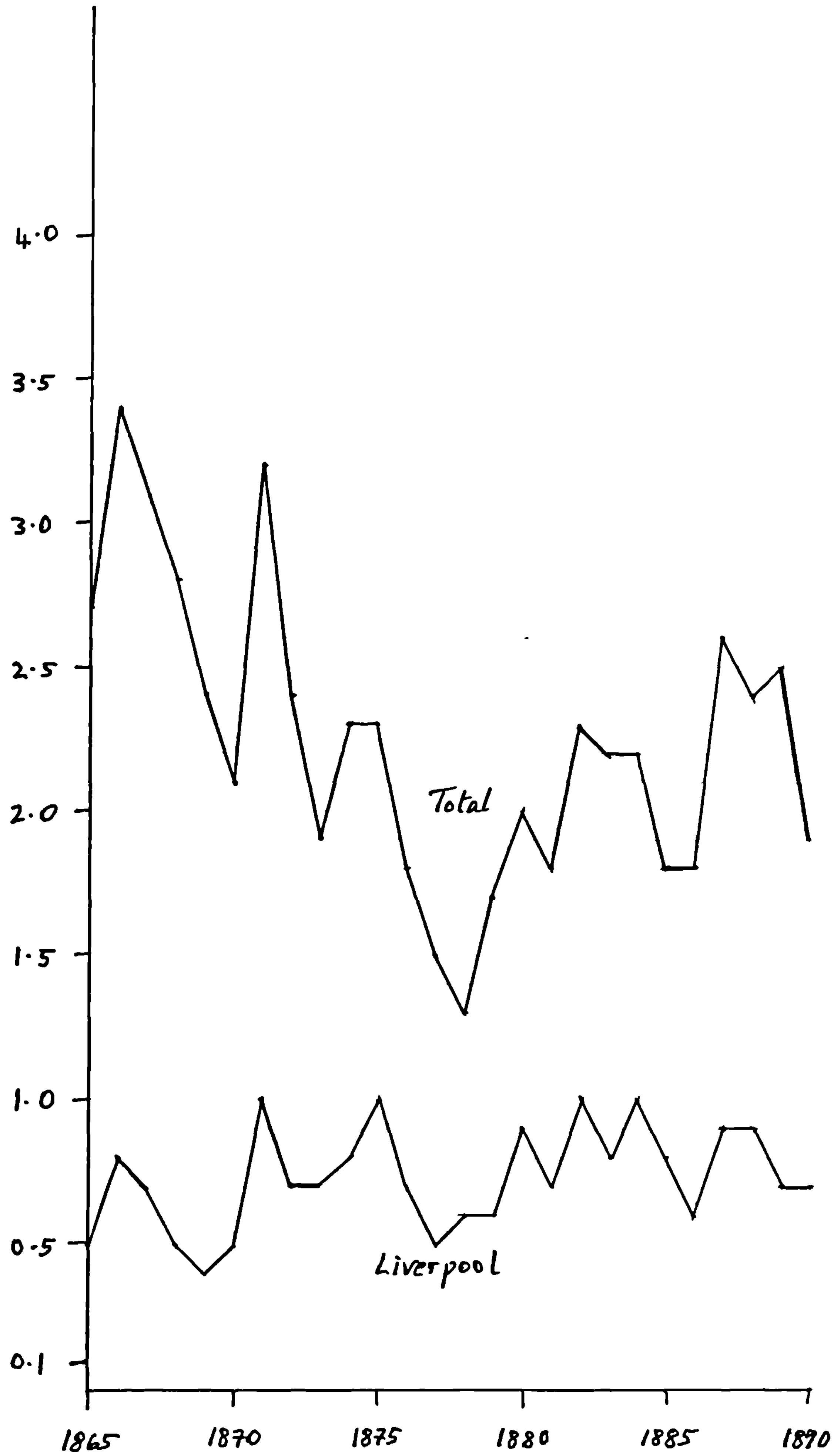
United Kingdom Imports of Copper (tons)



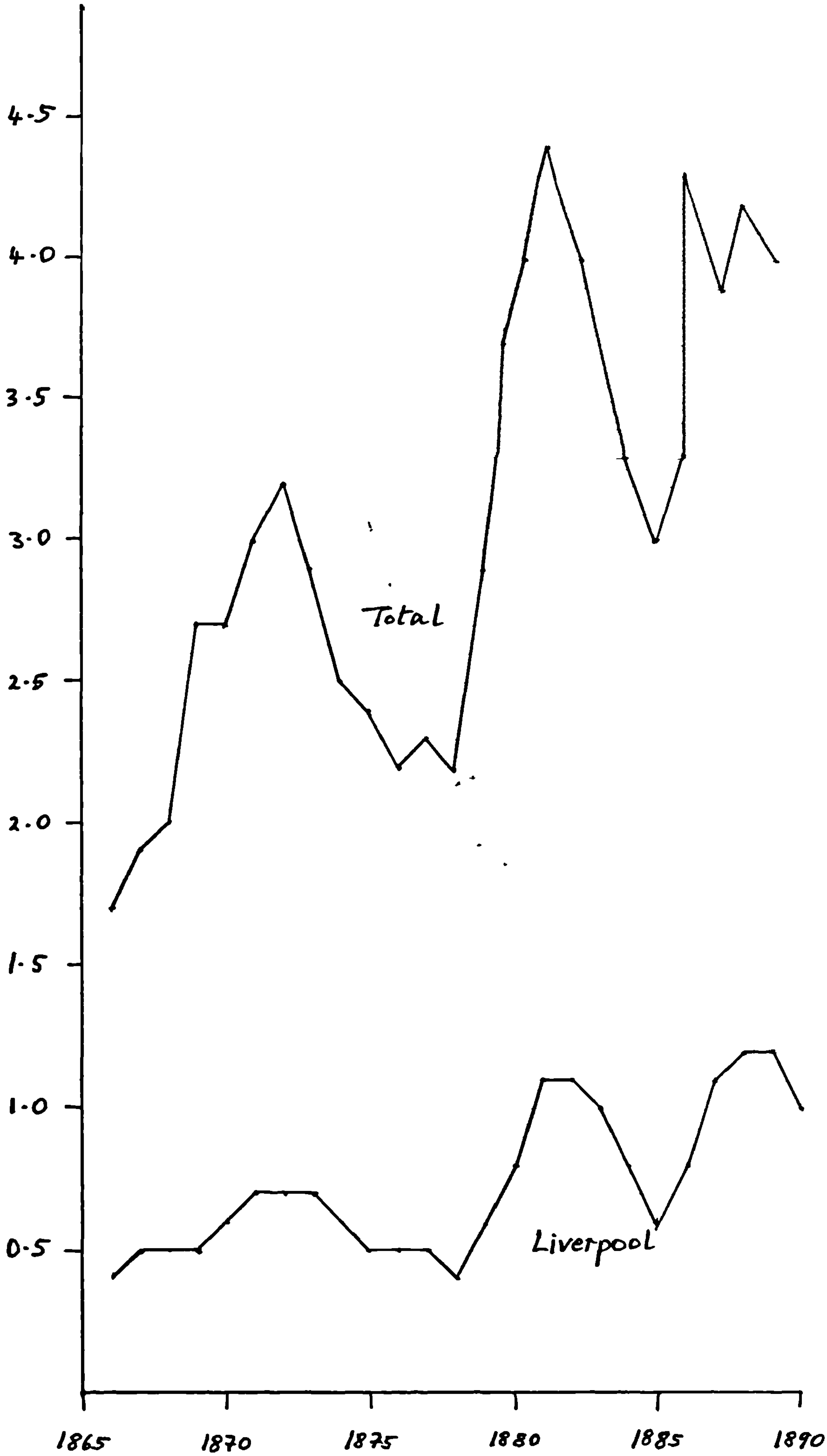
United Kingdom Exports of Cotton Manufactures (millions of yard



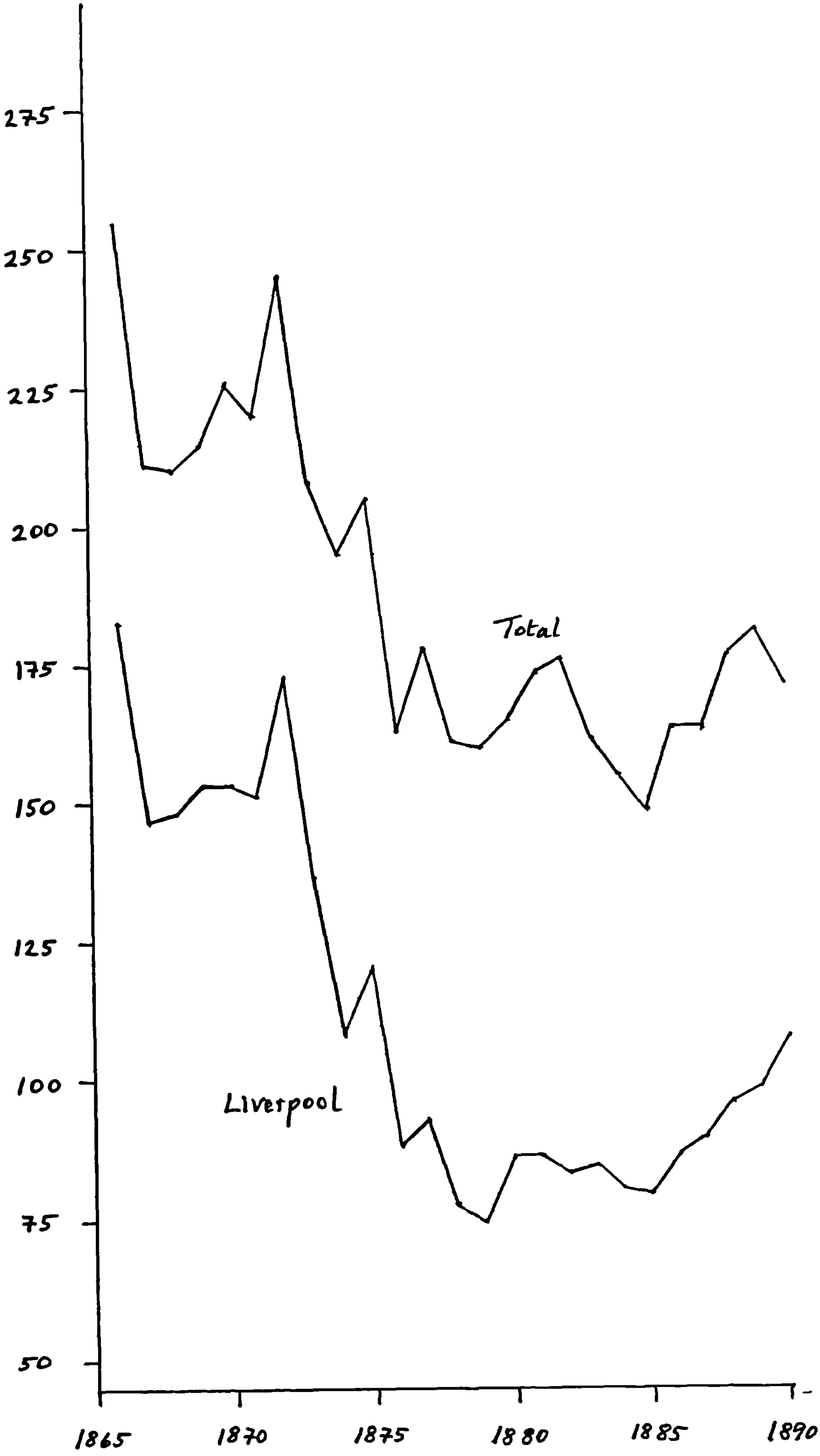
United Kingdom Re-exports of Raw Cotton (millions of cwts)



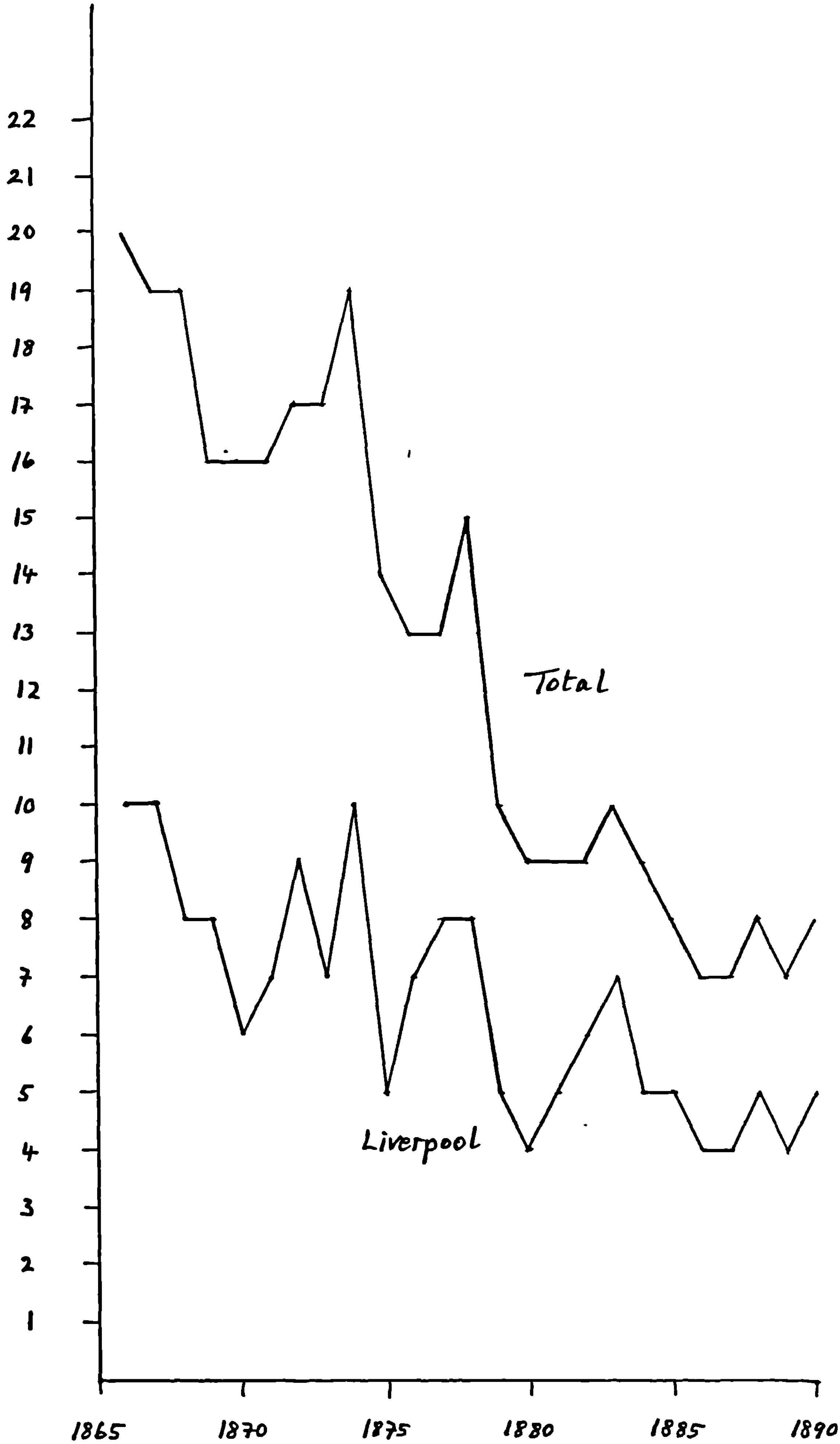
United Kingdom Exports of Iron and Steel (millions of tons)



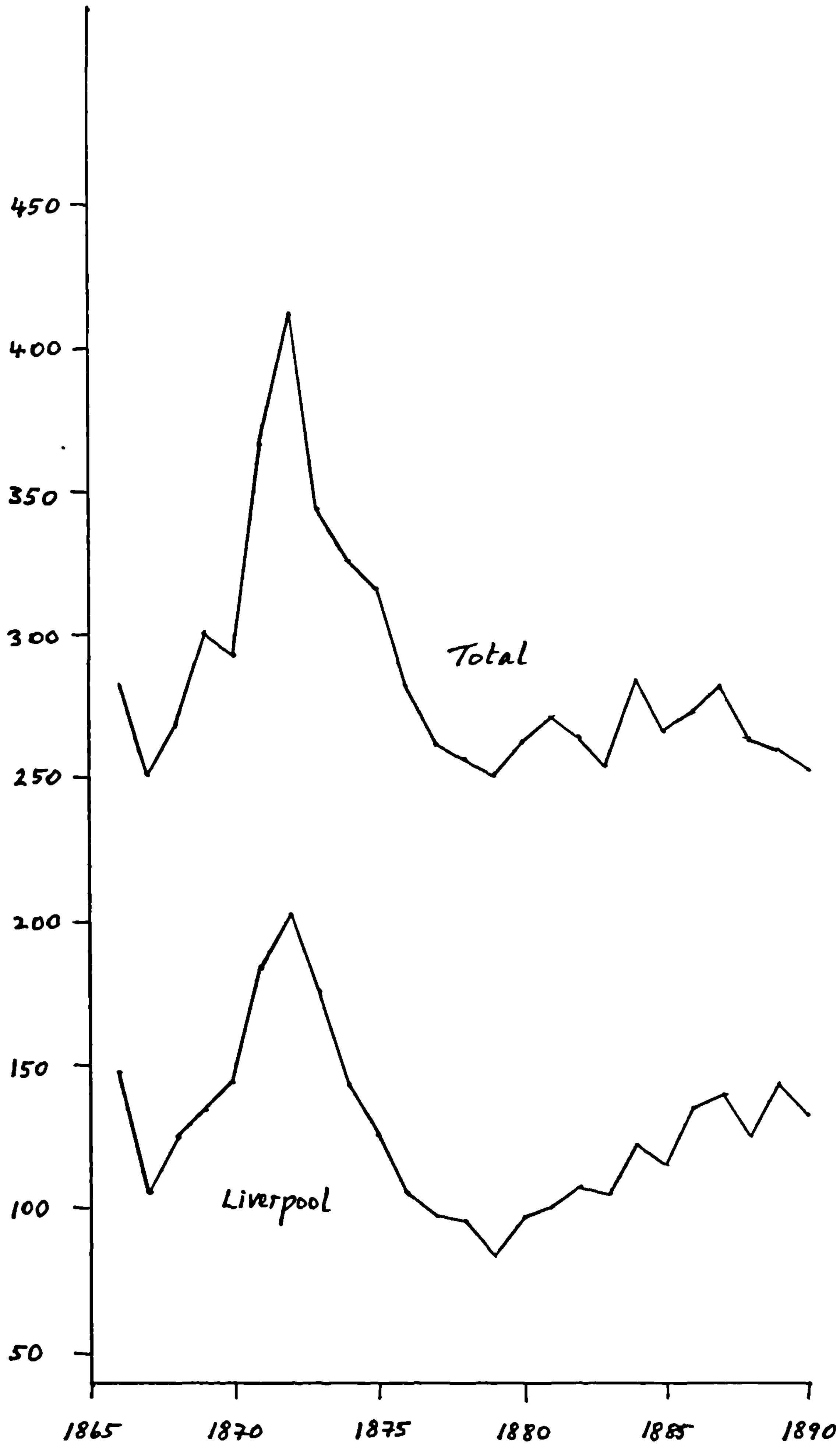
United Kingdom Exports of Linen Manufactures (millions of yar



United Kingdom Re-exports of Tobacco (millions of lbs)



United Kingdom Exports of Woollen Manufactures (millions of yds



APPENDIX 7 : The Cotton Trade at New Orleans, 1875-88

Year	Cotton Crop	Gross Receipts	% Crop	% Crop Sold
1875-76	4,669,288 bales	1,426,043 bales	30.5	29.5
1876-77	4,485,423 "			
1877-78	4,811,265 "	1,693,761 "	35.2	33
1878-79	5,073,531 "	1,426,061 "	28.1	21.6
1879-80	5,757,397 "	1,728,604 "	30	24
1880-81	6,605,750 "	1,883,849 "	28.5	21.4
1881-82	5,456,048 "	1,373,175 "	25.2	20.2
1882-83	6,949,756 "	2,013,586 "	29	18.6
1883-84	5,713,200 "	1,709,381 "	29.9	19.3
1884-85	5,706,165 "	1,697,327 "	29.7	17.2
1885-86	6,575,691 "	1,946,037 "	29.6	17.2
1886-87	6,505,087 "	1,919,186 "	29.5	13.4
1887-88	7,046,833	1,913,428 "	27.1	14.3

Year	Pressed & Sold	Transit Cotton	Transit as % Receipts
1875-76	1,376,924 bales	49,119 bales	3.5
1876-77			
1877-78	1,270,173 "	423,588 "	25
1878-79	1,098,880 "	327,181 "	22.9
1879-80	1,382,841 "	345,763 "	20
1880-81	1,417,679 "	466,170 "	24.7
1881-82	1,104,866 "	268,309 "	19.4
1882-83	1,296,220 "	717,366 "	35.6
1883-84	1,103,379 "	606,002 "	35.5
1884-85	984,587 "	712,740 "	41.9
1885-86	1,133,112 "	812,925 "	41.8
1886-87	868,875 "	1,050,311 "	55.2
1887-88	1,010,991 "	902,437 "	47.1

Source: Minutes of New Orleans Cotton Exchange

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