Popular Investment and Speculation in Britain, 1918–1987

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Emmanuel College

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This dissertation is submitted for the degree of Doctor of Philosophy
Declaration

This dissertation is the result of my own work and includes nothing which is the outcome of work done in collaboration except as declared in the Preface and specified in the text. It is not substantially the same as any that I have submitted, or, is being concurrently submitted for a degree or diploma or other qualification at the University of Cambridge or any other University or similar institution except as declared in the Preface and specified in the text. I further state that no substantial part of my dissertation has already been submitted, or, is being concurrently submitted for any such degree, diploma or other qualification at the University of Cambridge or any other University or similar institution except as declared in the Preface and specified in the text.

In accordance with the Faculty of History’s guidelines, this thesis does not exceed 80,000 words.
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Summary

This doctoral thesis traces the various forms in which ordinary people engaged in the stock market across twentieth-century Britain. It asks how and why previously stigmatised forms of investment and speculation came to be regarded as socially, politically and economically desirable. I argue that financial and economic historians, preoccupied with the growing dominance of financial institutions over British security markets during this period, have neglected the social and cultural relevance of popular share ownership. Consequently investment is seen as more than an economic activity. Understanding the ways in which social and cultural attitudes towards finance relaxed over time, allows us to better understand the arrival of neoliberalism in Britain.

After World War I, Britain witnessed a significant expansion of private stock market investment. However, in comparison to the United States, Britain’s financial establishment took a more conservative stance on universal share ownership and restrained much of the potential for a “democratisation of investment”. After 1945, private share ownership continued to grow gradually across classes due to higher living standards and in spite of nationalisation, high taxation and the institutionalisation of securities markets. Politics was not the main driver of this trend as efforts to widen share ownership were difficult to square with the interventionist postwar economic settlement. More importantly, the rapidly expanding trade of financial journalism increasingly educated multiple audiences about stock market affairs. By widening the analytical scope beyond socioeconomic conditions, it becomes apparent that the sweeping social and cultural changes during the 1950s and 1960s helped to loosen older reservations against financial speculation, thereby drawing evermore investors into the market. The key shift of this period was that ‘playing the stock market’ became a popular and socially acceptable hobby, predominantly among middle-class households. Tracing these developments to the 1970s and 1980s, this thesis concludes that market populism had a powerful appeal to savers and investors hit by inflation, thereby accelerating the growth of economic individualism long before the Thatcherite Revolution unfolded in Britain.
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Introduction: A Cultural History of Twentieth-Century British Capitalism

This thesis explores popular forms of investment and speculation in Britain from the end of World War I to the Conservative governments of Margaret Thatcher in the 1980s. At the outset lies the simple question of how and why ordinary Britons increasingly began to invest and speculate in stocks and shares over this period of time. The idea of enfranchising ‘ordinary people’ in the economy via the stock market has a long political, social and cultural trajectory in twentieth-century Britain. Inter-war financial observers expected the ‘democratisation of investment’ to radically change the social and economic outlook of Britain. Likewise, commentators of the 1950s and 60s envisaged the coming of an ‘age of the small investor’ and in the 1980s, the Conservative governments of Margaret Thatcher claimed that their ‘popular capitalism’ had turned Britain into a ‘share-owning democracy’. Throughout the period, private share ownership expanded gradually and to some extent extended down the social ladder. But at the same time, further growth was arrested by political constraints, social barriers and cultural reservations. Even after the enormous increase in shareholder numbers during the 1980s, only a minority of Britons held shares directly, although by the 1960s, the majority of the adult population had an indirect stake in equity markets via pension funds or insurance companies.

In order to shed new light on the relationship between the stock market and British society, this thesis is structured into three main analytical approaches. For one, I will explore the history of financial capitalism in twentieth-century Britain ‘from below’ by putting under the microscope the culture of ordinary private investors whose voices are largely absent from the historiography. Secondly, I give attention to the media representations of these investors and the growing circulation of a popular financial knowledge in popular investment guides and the financial press. Thirdly, I examine political efforts to widen share ownership during the tumultuous ‘short twentieth century’ that saw Britain’s political economy develop from interwar laissez-faire capitalism into a social democratic regime after World War II and eventually become a pioneer of neoliberalism in the 1970s and 1980s. Such an integrated approach will highlight the social and cultural embeddedness of stock market activity and pay attention to the often ambiguous attitudes towards investment and speculation. In line with this, I will conceive of private investment not merely as a socioeconomic phenomenon, but use it as a window into broader and related questions that were negotiated in British society.
over time. Highlighting the entanglements of financial, political, social and cultural trends allows us to gain new insights into the rise of individualism, changing attitudes towards risk and the legitimacy of the profit motive.

This thesis fully acknowledges that socioeconomic conditions like taxes, income levels or inflation rates affect the extent of equity investment and share ownership patterns in a society. However, it challenges the primacy of high politics and economics that often pervades the existing literature and explores the role of Britain’s unique stock market culture in shaping people’s attitudes towards finance and money. The thesis contends that throughout the period of investigation, traditional moral and cultural constraints about the stock market, which were still powerful in the Victorian period, gradually collapsed in public and private life. This development helped legitimize a more speculative, self-referential and individualistic approach to investment that is often implied to have been ushered in by the Thatcher governments during the 1980s. By tracing the origins and implications of this development over a longer time period, this thesis suggests a more incremental reading of the sweeping political, economic and social transformations that became apparent in the last quarter of the twentieth century.

In its attempt to systematically explore the cultural history of the stock market from interwar to Thatcherite Britain, this thesis builds on numerous works, which have touched upon popular share ownership and related issues in nineteenth- and twentieth-century Britain. In the following I give an overview of the most relevant works this thesis engages with, in order to highlight its methodological as well as historiographical contribution. More detailed discussion and criticism of the literature will follow in the respective sections of the following chapters. The existing literature can be divided into four main strands of research. Not always have scholars of these strands entered into a dialogue with each other and this thesis also marks an exercise in synthesizing them productively.

For one, there are numerous accounts of Britain’s financial sector, the City of London, and its institutions. Among them are several works on the history of the Stock Exchange, which I will treat as primary sources, not just because they were published during the period of investigation, but because their authors pursued agendas that are the object of my historical enquiry.¹ As for the modern, scholarly literature, David Kynaston’s four-volume chronicle of

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¹ These are, for instance, E. V. Morgan and W. A. Thomas, The Stock Exchange: Its History and Functions (London: Elek Books, 1962); the authors were members of the Wider Share Ownership Council, the lobby group, which was founded in 1958, and is discussed further in chapters two and four. F. E. Armstrong, The Book of the Stock Exchange: A Comprehensive Guide to the Theory and Practice of Stock and Share Transactions and to the Business of the Members of London and Provincial Stock Exchanges, 5th edn. (London: Pitman, 1957); H. D. Berman, The Stock
the City remains an unparalleled reference work that traces the shifting domestic and international importance of the ‘Square Mile’ throughout the nineteenth and twentieth century. Ranald Michie’s authoritative account of the London Stock Exchange is an institutional history of one of the world’s largest markets for financial securities. Michie argues that ‘The House’, over time, developed into an evermore professional and sophisticated market, which yet struggled to adapt to sweeping social, political and economic changes in the second half of the twentieth century. The eminent financial historian has also explored the changing relationship between the Stock Exchange as well as other City institutions and Westminster governments. In this vein, Aled Davies’s recent study on The City of London and Social Democracy, which examines the financial sector’s complicated place within the postwar economic settlement, marks a major contribution to the field. All of the following chapters rely on these works for understanding the dramatic changes in Britain’s financial landscape, particularly the relative decline of the private investor in UK equity markets during the second half of the twentieth century due to the growing dominance of institutional investors. However, when touching upon the issue of popular investment, these accounts do so only from an institutional, high-finance or socioeconomic perspective.

A second, more quantitative-based strand of research deals explicitly with the “widening participation in financial investments” among less affluent investors from the Victorian period, through the inter-war years to the postwar era. The research was conducted by Janette Rutterford, Josephine Maltby, David Green and Alastair Owens, whose academic backgrounds are in Business and Management Schools as well as Geography departments. This collaboration resulted in several publications as part of an Economic and Social Research Exchange: An Introduction for Investors, 5th edn. (London: Pitman Publishing, 1966); both Armstrong and Berman were members of the London Stock Exchange and they defend their institution against public criticism. H. Wincott, The Stock Exchange (London: S. Low, Marston, 1947); A. Jenkins, The Stock Exchange Story (London: Heinemann, 1973); both Wincott and Jenkins were journalists and their books attempt to explain the inner workings of the stock exchange to a wider audience, which is a main theme of chapter three.  


Council (ESRC) Grant entitled ‘Women investors in England and Wales, 1870–1930’. The main endeavour of this project was concerned with socioeconomic and quantitative changes in Britain’s shareholder population over time, the sizes of individual shareholdings among different classes of investors and the previously neglected, but evidently growing involvement of women in the stock market from the mid-nineteenth century. This cliometric approach has conjured up valuable statistical data, on which this thesis relies. But it can be challenged for following a narrow understanding of investment as a purely economic phenomenon in its own right.

Thirdly, historians have uncovered the intellectual roots of concepts such as ‘property-owning democracy’ and ‘popular capitalism’, which underpinned the wider share ownership agenda of the Thatcher governments during the privatisation of nationalised industries in the 1980s. Other studies in this field are more concerned with the specific policy context of privatisation.

This thesis furthermore engages with literature that forms part of a wider and ongoing attempt to explain the collapse of the postwar mixed economy in the 1970s via the dissemination of ‘neoliberal’ ideas into British politics through a powerful network of New Right think-tanks like the Mont Pèlerin Society, the Institute of Economic Affairs or the Centre for Policy Studies. According to this narrative, economists like Friedrich August Hayek and Milton Friedman played a prominent role in guiding the counter revolution of the neoliberal ‘thought collective’. Shifting the focus away from political ideas, Amy Edwards has most recently

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drawn our attention to the various institutional channels in which Conservative policies of privatisation and deregulation reverberated during the 1980s. Building on this welcome change of perspective, this thesis will not dismiss the institutional context, the importance of policy-making or of political and economic ideas for popular share ownership. What it brings to the table is a detailed analysis of specific financial practices in their social and cultural context. When addressing the rise of neoliberalism and Thatcherism, I seek to complement top-down explanations with a bottom-up approach.

Fourthly, and finally, this thesis builds on media histories of Britain’s financial press. As the main source of financial information for small investors and given its significant influence on City elites, the financial press has already been submitted to substantial scholarly scrutiny. Early modernists have highlighted how important the public circulation of information such as prices was for Financial Revolution of the late seventeenth century. Sociologists and historians alike have traced the interrelated growth of financial journalism and the emergence of a wider investing public in Victorian Britain, where newspapers began to play a crucial role “in the integration and mediation of economic values, ideas and language”. Most prominently Dilwyn Porter has chronicled how around the turn of the century a popular brand of financial journalism emerged that sought to explain the complexities of stock market investment to the growing number of retail investors. I will turn a new analytical spotlight on the relationship between the investing public and the financial press by evaluating the private papers of one leading postwar journalist, the Financial Times commentator Harold Wincott. Taking Dilwyn Porter’s argument about the importance of the press even further, I contend that financial

journalists were the primary advocates of popular capitalism and played a crucial role in shaping the market-populist language that characterized the Thatcher years.

In sum, we are confronted with several accounts of economic, political and media history that have dealt with the issue of popular investment from different angles. As much as this thesis relies on the insights of these works, it takes issue with the ways in which scholars have so far conceptualised the investing public. All too often, the very investors who are assumed to have constituted the investing public are absent from these narratives. Economic histories uncritically construe the investing public as an ensemble of rational economic actors who consciously adjust to changing economic parameters. Political and media historians have applied a legitimate focus on the production of ideas and knowledge, but this has come at the cost of reducing shareholders to passive recipients of political rhetoric and media content. To be sure, scholars have examined class, gender and regional differences in the shareholder population, but its culture and mentality is implied to have been homogenous. I seek to remedy this methodological deficiency in the historiography by placing centre-stage the voices and experiences of private investors and by conceiving of the investing public as more than an economic sphere.

As a consequence, I will not equate Britain’s investing public with its ‘shareholder population’ as it was documented and recorded in contemporary statistics or company registries. Instead I will include occasional investors who were the object of political debates and the educative efforts of the financial press. My conception of the investing public will also encompass occasional and precarious forms of stock market participation that have not been studied closely before. Chapter one will demonstrate the benefit of widening our analytical scope beyond a positivistic, numerical understanding of share ownership. It will detail the protagonists and practices that constituted the interwar grey market for financial securities and argue that scholars have neglected the fringes of financial markets as a widely legitimate and vibrant entry point for investment newcomers. Vicarious forms of speculation via outside brokers or bucket shops – betting shops, where punters could wager on the movement of share prices – can be just as revelatory as ‘organised’ or ‘official’ market activity. In a similar vein, chapter two entails a close-up analysis of the speculative practice of ‘stagging’ – applying for shares in new company issues in the hope of reselling them quickly for a profit. Stags are

hyperactive market participants, but they do not appear in shareholder statistics and are not part of the ‘shareholder population’. However, their increased activity from the late 1950s prompted highly contentious debates over the morality of stagging that highlight the gradual waning of older constraints about financial speculation in the postwar period.

The integrated approach of this thesis requires engagement with an eclectic range of primary source material. For one, it draws from a vast array of ‘official’ collections of Westminster and City institutions such as the Treasury or the Stock Exchange, many of which have already been consulted. This material is important for explaining the difficult place of popular capitalism in the postwar settlement. Across parties, a wider spread of equity capital was deemed socially and economically desirable. But the prevailing paternalism in the City as well as in Westminster meant that decision-makers were uneasy with trusting ordinary people to make their own financial decisions. The governmental angle is complemented by collections of politicians involved in the making of wider share ownership proposals and of pressure groups like the Wider Share Ownership Council. Another type of source material that this thesis makes use of and which is often overlooked in the literature, are contemporary surveys that sought to track attitudes towards share ownership, particularly among the working classes.

The endeavour of exploring this history from below turned out to be more difficult, especially since ordinary retail investors have left behind very little archival traces. Stockbroking firms who catered for less affluent clients over the course of the twentieth century seemed like a natural place to track down the small investor, but only few collections of brokers have survived. Those who have, mainly contain minutes of partner meetings, memorabilia and ledgers that document trading activity – but no correspondence with clients. The existing material may lend itself to company histories or a comprehensive quantitative study, but is unsuitable for the qualitative approach of this thesis. However, with a little effort and serendipity, I have been able to rescue the voices, experiences and expectations of ordinary private investors from the condescension of posterity. Private investors, for instance, provided written evidence to official bodies like the Bodkin Committee in the 1930s or the Wilson Committee in the late 1970s, valuable collections that will be evaluated in chapters one and five. They also frequently wrote letters to newspapers, engaging in contemporary debates or sharing anecdotes. These ego documents should not be taken as a representative depiction of

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17 At least this applies to collections of the following member firms of the London Stock Exchange, which I have consulted at the London Metropolitan Archives: James Capel & Co., Mullens & Co., Heseltine, Powell & Co., G. S. Herbert and Sons, T. T. Curwen and Sons, Holland and Balfour, Gordon L. Jacobs & Co., Galloway and Pearson. It may be that collections of regional stockbroking firms hold other material.
the investing public and require careful analysis. But they complicate many prevailing stereotypes of private investment as a mundane, inert and prudent form of retirement planning that carried over into the literature. Instead, many investors celebrated the excitement and thrill that could go along with taking an active interest in the markets. Another layer of source material is provided by a vast range of popular investment guides, authored by City journalists, ‘financial gurus’ and hobby speculators. These are sources mainly for investors, which allow us to capture popular representations of investment and speculation, but they are also sources by stock market participants. As with the financial press, we cannot determine whether readers shared the views represented in these books. But the sheer quantity of this material and the fact that many guides reached several editions, testifies of their wide circulation and their ‘throw’.18

When approaching these sources, I draw much inspiration from works by historians of Victorian Britain, literary scholars and financial sociologists who have developed constructivist approaches to financial phenomena more broadly and cultures of mass investment in particular.19 An important merit of these works is the analytical rigour they apply to the discursive struggles over what was regarded as legitimate and illegitimate financial conduct over time. Marieke de Goede, for instance, has famously argued “that money, capital, and finance are not unmediated economic realities that can be taken as a starting point to academic inquiry but have been made possible through contested historical articulations”.20 Building on this insight, I pay particularly close attention to the ways in which distinctions between prudent investment, suitable for the many, and risky speculation, better left to experts, were constructed over time. At closer inspection these distinctions turned out to be fragile and hazy. This elusiveness also applies to contemporary efforts to equate legitimate stock market activity with

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18 Here I follow Peter Mandler, who has urged cultural historians to “evaluate not only the meanings of a text but also its relations to other texts, its significance in wider discursive fields, its ‘throw’, its dissemination and influence”. P. Mandler, ‘The Problem with Cultural History’, Cultural and Social History 1 (2004), 94–117, at 96.


frivolous gambling or to, vice versa, distinguish the two modes of action from each other. The most important defining line in the contested debates discussed in the following, is the age-old dispute over what was to be regarded as sound investment, risky speculation or reckless gambling. Alex Preda and others have drawn attention to the fact that contemporaries of early modern capital markets hardly distinguished between dealing in financial securities and gambling.\textsuperscript{21} At the outset of the nineteenth century, most Britons still viewed stock market transactions and outright betting with the same moral suspicion or outright condemnation. Even free-trade proponents and anti-Corn Law campaigners like William Cobbett would condemn “[t]he talk about ‘speculations’; that is to say, adventurous dealings, or, rather, commercial gamblings” as “the most miserable nonsense that ever was conceived in the heads of idiots”.\textsuperscript{22} This perception, however, began to change towards the second half of the century, especially after the Limited Liability Act of 1855 legally confirmed the concept of the joint stock company, which had been contributing to enormous financial growth and imperial expansion.\textsuperscript{23} Desperate to cast off their social stigma, financiers conceptualised their practices as a genuine economic and purposeful operation far removed from gambling. Paul Johnson has reconstructed how “[a]ctions that were pejoratively termed ‘gambling’ in the 1810s were described as ‘speculation’ by mid-century, and as ‘investment’ by the century’s end”.\textsuperscript{24} Eventually, late-Victorian economists and politicians came to view stock market operators as daring entrepreneurs and rational, calculating bearers of commercial risk.\textsuperscript{25}

With this ‘domestication of speculation’\textsuperscript{26} went along the construction of another distinction, namely that between the professional operator, who was in the know about market trends, and

\textsuperscript{21} A. Preda, \textit{Framing Finance: The Boundaries of Markets and Modern Capitalism} (Chicago: The University of Chicago Press, 2009). In her history of England’s first financial markets, Anne Murphy has pointed out: “Moreover, the close association between gambling and investment was constantly reinforced at this time. Because risk was ever-present, methods of utilising and controlling it were varied and often involved actions that would today be classified as gambling.” Murphy, \textit{The Origins of English Financial Markets}, p. 33.


\textsuperscript{24} Johnson, \textit{Making the Market}, p. 224.


the amateur, who was framed as a gullible, reckless gambler that had to be excluded for speculation to be efficient. Chapter one will clarify the social and economic implications of these constructs, which are complicated by the self-styled amateurism by some members of the gentlemanly City elite. Nineteenth-century critics, however, continued to hold the very concept of limited liability – property rights becoming objects of intangible trade – to promote fraud. Bourgeois social and cultural mores condemned horse racing, card games or lotteries for subverting “the meritocratic principles of the Puritan work ethic, in which capital is earned by hard work, talent and deferred gratification”. Likewise, because speculative dealings in company shares seemed to rely heavily on chance, Victorian economists and public moralists like Thomas Carlyle or John Ruskin attacked speculators for “discouraging honest enterprise and promoting gambling and the base pursuit of wealth”. The “severe moral opprobrium” that surrounded finance during the Victorian period forms an important backdrop against which the wider trajectory of relaxation in financial mores during the twentieth-century will be better understood.

It is important to bear in mind that gambling is not – as high finance representatives would have us believe – a parasitical element to the otherwise rational and prudent sphere of modern finance, but one of the stock market’s constituent features. Throughout the period of investigation, the striking resemblance between stock market activity and gambling came to the fore in myriad ways. For one, the language of the stock market was heavily influenced by the language of the casino and the turf. Market participants were referred to as ‘punters’, a term originally reserved for clients of a betting shop. Speculators ‘backed’ mining, rubber or railway shares like a gambler ‘backed’ horses. Relatively reliable and safe investments in large, established firms were referred to as ‘blue chip shares’ – like the blue $25 chip in a poker game.

In his eminent study Homo Ludens, the Dutch cultural historian Johan Huizinga elaborated on this linguistic kinship:

> The hazy border-line between play and seriousness is illustrated very tellingly by the use of the words “playing” or “gambling” for the machinations on the Stock Exchange. The gambler at the roulette table will readily concede that he is playing; the stock-jobber will not. He will maintain that buying and selling on the off-chance of prices rising or falling is part of the serious business of life, at least of business life, and that it is an economic function of society. In both cases the operative factor is the hope.

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28 Taylor, Creating Capitalism, p. 73.
of gain; but whereas in the former the pure fortuitousness of the thing is generally admitted (all “systems” notwithstanding), in the latter the player deludes himself with the fancy that he can calculate the future trends of the market. At any rate the difference of mentality is exceedingly small.\textsuperscript{30}

I contend that this affinity between the two realms holds much explanatory power. As much as it explains right- as well as left-wing criticism of the stock market as an immoral casino, it allows us to understand how the stock market developed a mass appeal over time. Taking serious the “entertaining and spectacular surplus”\textsuperscript{31} of the stock market allows us, for instance, to explain the fascination of bucket shops in the interwar period or to demonstrate how ‘playing the stock market’ became a popular and socially acceptable hobby during the postwar decades.

Throughout the twentieth century, Britain’s financial sector has been the object of much public criticism, resulting in often heavy disputes between successive Westminster governments and the City. The Labour Party’s critique of finance gained traction during the Slump that followed the 1929 stock market crash and helped shift the global political climate towards state intervention and market regulation. Subsequently, Britain’s postwar settlement rested on a deep suspicion of financial markets. Labour’s nationalisation of public utilities, including the Bank of England, sent shockwaves across the City with institutions like the Stock Exchange fearing to likewise come under public ownership. Before City-government relations improved in the late Thatcher period, the 1970s saw both Conservatives and Labour hold the financial sector’s alleged short-termism responsible for Britain’s industrial decline. There is a broad literature on the clashes between advocates and critics of financial capitalism, which provide the necessary background for my argument. This thesis wishes to broaden our understanding of Britain’s political economy by highlighting the tensions and social divisions within the investing public. In this regard, chapter two will detail how, as a reaction to postwar permissiveness about speculation, traditional shareholders began to fashion themselves as ‘genuine investors’. This concept took share ownership literal and claimed moral superiority over frequent buying and selling of shares. ‘Genuine investors’ framed their actions as an exercise in self-styled middle-class virtues of thrift, responsibility and deferred gratification. Chapter three maps the representation of this notion in the financial press, while chapters four and five discuss how it found its expression in Thatcherite plans for widening share ownership in


\textsuperscript{31} Staheli, \textit{Spectacular Speculation}, p. 29.
opposition as well as government. The concept of ‘genuine investment’ allows us to better understand the departure away from traditional notions of investment and the embracing of a more swashbuckling and speculative paradigm.

In its endeavour to write a cultural history of the stock market in twentieth-century Britain, this thesis also draws inspiration from studies in the history of capitalism, a field that grew rapidly after the financial crash of 2007/08.32 The concept serves as a useful reminder to avoid some of the mistakes of the cultural turn, as a result of which historians were sometimes prevented “from dealing with big structures and large economic processes”.33 In respect thereof, this thesis takes into account two important structural trends that unfolded during the second half of the twentieth century. First, the gradually growing economic, social and cultural importance of the stock market examined in the following is to some extent part of a global expansion of finance that gained traction in the 1970s. Historians and economists today refer to this phenomenon as financialization, “the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies”.34 Chapter three suggests that some antecedents of this trend can be found in 1960s Britain in the persona of Jim Slater, who first became known to a wider audience of small investors as a share-tipper in the Sunday Telegraph. The second structural transformation of relevance was the steady institutionalisation of UK equity markets. Beginning in the 1950s, institutional investors like pension funds and insurance companies increasingly moved their holdings in bonds into industrial shares. While private investors still held more than half of the shares listed on the London Stock Exchange, their share of equity had declined to twenty percent by 1990 – although shareholder numbers had skyrocketed from three to around ten million during the Thatcher years.35 This development caused much concern among advocates of popular capitalism and its implications for policy proposals, the tax system and the market position of private investors will be discussed throughout the main body of the thesis.

By seeking to mediate between the micro and the macro, the representative and the unrepresentative, this thesis heeds Kenneth Lipartito’s call “for tearing down the walls between economic, social, and cultural history”. In a similar fashion, the German social historian Jürgen Kocka has lamented the fact that “economic historians and other historians have moved away from each other in recent decades” and has sought to establish the history of capitalism as a bridge between two alienated academic camps. In an early attempt to define the field, he has urged economic historians to give due attention to capitalism’s “noneconomic conditions: law, culture, social relations, family, even religion”. These are “of utmost importance if one wants to understand the history of capitalism as an economic system” and investigate its “political, social, and cultural ‘embeddedness’”. Much of the recent literature in the field has put particular emphasis on capitalism’s global ramifications, which has allowed scholars to demonstrate how commercial expansion correlated with war, violence and slavery. This welcome and necessary widening of perspective has prompted Sven Beckert to remark in his ground-breaking study on the Empire of Cotton that the workings of capitalism can only “be properly understood in a global frame”. This thesis contends that a national framework can still yield valuable insights into the history of capitalism, especially into different elements of its mass participation. In this regard, it forms a systematic attempt to explore capitalism’s embeddedness by tracing the ramifications of popular engagement in the British stock market “from the bottom up, all the way to the top”, as Louis Hyman has suggested.

Determined to foster this ongoing dialogue across disciplines, this thesis will relate its findings to key themes of twentieth-century British historiography. Throughout the period of investigation, matters of investment correlated with social, political and cultural developments in ways scholars have not acknowledged before. Chapter two, for instance, builds on recent studies that conceive of postwar ‘affluence’ not just as a socioeconomic condition, but also a pervasive cultural climate. This analytical framework can broaden our understanding of postwar finance, while in return, the growth in popular investment and its cultural implications

may shed new light on the nature of postwar ‘affluence’. Furthermore, the chapter highlights how discourses over investment were embedded in the postwar trend of secularisation. During the 1950s, the Church of England shifted its funds from gilt-edged securities into equity on a large scale – thereby joining pension funds and insurance companies in the ‘Cult of Equity’ – and became one of Britain’s largest institutional investors. As an unacknowledged side effect, the Church Commissioners undermined religious criticism of the stock market that had previously held strong purchase in conservative milieus.

Another important background story of Britain’s quest for wider share ownership, so far overlooked, are contemporary debates of ‘declinism’. Chapters three and four will show that from the late 1950s, advocates of wider share ownership became obsessed with the notion that Britain lagged behind its European competitors in terms of economic performance. In many ways, wider share ownership was a project that sought to remedy Britain’s perceived over-consumption and lack of investment. This thesis does not seek to determine the ‘real’ extent of Britain’s relative decline as a manufacturing power. Instead it follows Jim Tomlinson, who has famously called on his peers to explore the ways in which “contemporary declinism was being constructed”. In this regard, I will put particular emphasis on the New Right’s lament that Britain allegedly lacked the industrial spirit of its competitors. The resulting proposals increasingly framed the stock market as a site for the British people to rediscover capitalist or ‘Victorian’ virtues of thrift and deferred gratification. To some extent these suggestions – some of which later inspired Margaret Thatcher’s privatisation policies – were already aware that the stock market also encouraged economic behaviour and emotions contrary to Victorian values: speculation, short-termism, gambling and greed. Chapter five will examine how this tension played out in the reality of 1980s popular capitalism.

Being a modern concept, the history of capitalism is also the history of its competing conceptualisations. Rather than putting down a working definition of capitalism, I wish to draw attention to the ongoing friction between two fundamental ways capitalism has been construed throughout the twentieth century. For the purpose of thesis, we can take as a basis two broad strands, both of which had taken shape by the outset of the century as a result of

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41 J. Tomlinson, ‘Thrice denied: ‘declinism’ as a recurrent theme in British history in the long twentieth century’, Twentieth Century British History 20 (2009), 227–51, at 238. Tomlinson’s constructivist approach does not deny that Britain lagged behind its competitors in economic terms. He acknowledges that “[f]rom around 1870, when Britain reached the apogee of its industrial predominance, the country has experienced relative decline as the size of its economy in relation to the rest of the world has fallen”. Ibid., 227.

heightened debates over the nature of ‘modern capitalism’. The first strand viewed modern capitalism – the interplay of markets, private property and formally free contractual labour – as a primarily rational endeavour drawing much of its energy from a protestant work ethic built around mundane asceticism, deferred gratification and prudent calculation. According to this notion, financial speculation was an irrational activity alien to modern capitalism. This concept was most famously put forward by the German sociologist Max Weber in his 1905 work *The Protestant Ethic and the Spirit of Capitalism*. But the assumption of ongoing rationalisation was even shared by capitalism’s critics like for instance the Marxist economist Rudolf Hilferding, who observed the “reduced role of speculation” in the modern business economy:

Those mass psychoses, which speculation produced at the beginning of the capitalist era, those blessed times in which every speculator felt himself to be God, creating a world out of nothing, all that seems irretrievably lost.

Weber’s works entered Anglo-Saxon academic discourse by the interwar period and the notion of capitalism relying on bourgeois virtues of thrift and hard work came to hold strong purchase in Western political thought. It found its way into British politics in the course of the “post-war declinist ‘moment’” in the late 1950s and became a defining element of the New Right, whose explanation for British decline was the alleged demise of these bourgeois or – in Margaret Thatcher’s parlance – ‘Victorian’ values. In Thatcher’s case this went along with a life-long suspicion of finance that stemmed from her Methodist upbringing and according to which stock market transactions were merely an economically disguised form of gambling.

Competing with this narrative of rationality was a second understanding of modern capitalism, which saw irrational, emotional and whimsical aspects at work in its inner fabric, particularly in the financial sphere. Max Weber’s counterpart Werner Sombart argued that modern capitalism was just as much driven by rational calculation as by “hazard [Spielwut], “instincts” and the “gamester’s passion”. Sombart’s ideas were conveyed to a British audience via the liberal thinker and famous theorist of imperialism, John A. Hobson, who acknowledged Sombart’s influence on his *Evolution of Modern Capitalism*. Hobson observed the workings of

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47 The first edition of Hobson’s magnum opus was published in 1896 and holds very little reference to finance and speculation. The revised edition of 1926 has an entire chapter on ‘The Financier’ and pays the following
a “large intricate financial machinery” and concluded that the “whole system is one of betting: not indeed blind gambling, but speculation in which foresight and chance play parts of varying magnitude”. John Maynard Keynes, another great liberal thinker, was even more convinced that modern finance came almost undistinguishably close to the activities of a casino. Derived from his own career as a speculator, Keynes came to the conclusion that a certain “gambling instinct” and what he famously referred to as “animal spirits”, were core elements of financial capitalism. We will come across this tension throughout this thesis, for instance when the interwar chairman of the Stock Exchange conceded in camera that a certain gambling spirit lay at the heart of his institution. Of course, in public ‘The House’ would deny any such resemblances and the chairman’s postwar successors regularly had to defend his institutions against attacks from Labour frontbenchers who likened the Stock Exchange to a casino, often employing Keynes’ famous analogy.

This thesis is informed by studies that have fleshed out the emotional economy of the stock market. Its findings support the argument Edward Chancellor made in his Social History of Speculation: “Rather than being antithetical to capitalism as Weber suggested, greed and the irrational gambling impulse actually helped to advance its institutions.” I will show that large parts of Britain’s investing public were convinced that the stock market was heavily influenced by the ‘flair’, ‘intuition’ or ‘instinct’ of its participants. For many small punters this aspect was a key motivation that added to the ‘thrill’ of playing the stock market. The perception that emotions mattered to finance continued to hold sway in Britain’s investing public throughout the decades even as the idea of naturally efficient and rational markets revolutionised politics and economics in the last third of the twentieth century. Chapter five will put particular tribute to Sombart in the preface: “While most of the matter of the earlier historical chapters in the first edition is retained, numerous emendations and additions have been made, and an introductory chapter on the Origin of Modern Capitalism, based largely upon the researches in Professor Sombart’s great work, Der Moderne Kapitalismus, has been inserted.” J. A. Hobson, The Evolution of Modern Capitalism: A Study of Machine Production, New and revised edition (London: The Walter Scott Publishing Co., Ltd., 1926), p. v.

48 Ibid., p. 243.
50 “When the capital development of a country becomes a byproduct of the activities of a casino, the job is likely to be ill-done.” Keynes, The General Theory of Employment, Interest and Money, p. 159.
emphasis on the tension between rational and irrational elements in financial capitalism that help us gain a better understanding of 1980s popular capitalism. It will argue that this has been somewhat impeded by the fact that scholars of Thatcherism have explicitly or implicitly subscribed to a Weberian understanding of capitalism. If we critically reflect on our understanding of capitalism, the history of its expansion in this crucial decade will also appear in new light.
1. **Bucket Shops and Outside Brokers: The Interwar Grey Market for Financial Securities**

World War I changed the way ordinary Britons viewed and interacted with financial markets. The wartime Coalition governments of Liberal Prime Ministers Herbert Asquith and David Lloyd George oversaw three major issues of ‘War Bonds’ that attracted over 13 million savers and investors. Political rhetoric and large-scale advertising campaigns fashioned investment into a patriotic duty.¹ In Britain as well as in the United States ‘War Bonds’ and ‘Liberty Bonds’ respectively prompted a wider interest in financial securities, not least stocks and shares.² Assessing the consequences of war finance for Britain’s investing public in 1918, the Liberal politician and tax lawyer, Arthur Comyns Carr,³ summed up a widely shared expectation at that time when he anticipated an enormous increase in the number of private shareholders:

> We have seen during the war a remarkably widespread diffusion of money, and a wonderful growth in the habit of investment, among classes of the population to whom both are a novelty. […] After the war it is expected that a large number of people who never were investors before will be willing to trust their savings to commercial companies, but will not be very well equipped to select those which are worthy of their confidence.⁴

This chapter explores the entangled debate over popular share ownership that ensued immediately upon Britain’s return to a peace-time economy and, closely connected to this, the emergence of a new financial infrastructure for the small investor by the end of the 1930s. Politicians like Comyns Carr, financial journalists, but also Anglican clergymen and eugenicists engaged in a debate over legitimate forms of investment and speculation for ordinary people. Shibboleths like ‘democratisation of investment’ or ‘property-owning democracy’ came to describe a perceived socioeconomic transformation and denote a normative project of universal share ownership. In light of mass democracy and universal franchise sweeping across

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the continent, interwar observers envisaged these trends to be followed by similar forms of financial enfranchisement in the equity market.5

Surveying Britain’s economic outlook shortly after the Armistice, the Financial Times argued that “the provision of facilities for the small investor is now more urgent than ever” if the trend of popular capitalism was to be encouraged. The mouthpiece of Britain’s financial world called upon the Stock Exchange to “devise means to enable its members to be brought into closer touch with the public and so attract a big volume of business which otherwise will be diverted to other, and very frequently undesirable channels”.6 But, as this chapter will show, Britain’s largest institutional market for stocks and shares, the London Stock Exchange, showed little interest in the new investor class. Therefore, as the FT had envisaged, outside or unlicensed stockbrokers and so-called ‘bucket shops’ burgeoned on the fringes of financial markets and catered for these largely uneducated shareholders, while at the same time criminal share-pushers sought to prey on the more gullible among them. Established market actors and institutions as well as the financial press felt overwhelmed by these challenges and called upon the legislator to provide a new regulatory framework. In 1936 a Board of Trade Committee was commissioned “to consider the operations commonly known as share-pushing and share-hawking and similar activities and to report what, if any, action is desirable”.7 Eventually, as this chapter will demonstrate, this legal war largely put an end to illegal activities in the financial sector. But tough regulations, it is argued, came at the cost of effectively stifling the retail market for stocks and shares, in contrast to developments that unfolded in the US during the interwar period.

Recent scholarship has questioned whether ‘democratisation of investment’ adequately describes socioeconomic trends of interwar Britain. Janette Rutterford et. al. argue that to a large extent contemporaries misinterpreted the phenomenon, stating that the dominant trend “seems not to have been the arrival in the share market of a new group of non-traditional investors, but rather a change in behaviour by the classes who had been investors from the mid- to late nineteenth century onwards”.8 However flawed the notion of ‘democratisation’

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7 Share-Pushing: Report of the Departmental Committee appointed by the Board of Trade, 1936–7, p. 5.
may be empirically in terms of ownership dispersal, it nevertheless had a very real impact on interwar finance and politics. Legal experts, financial journalists and political decision makers all acted under the assumption that the investing public had grown and was growing rapidly. In the course of the 1920s and 1930s, they contested the defining lines between investment, speculation and gambling when negotiating desirable forms of popular engagement in the stock market. Speculation remained to be viewed as an affair of professionals, furthermore retaining its brand of being a potential social menace, especially if embarked on by market actors unequipped to shoulder the risks involved. However, the small investor’s participation in the Nation’s and Empire’s wealth was fashioned as the paragon of modern citizenship. Gradually, stocks and shares lost their social stigma of being suitable only for financial professionals and the upper classes. For the first time in British history, the idea of spreading share ownership more widely among all social classes became a normative project.

The “democratisation of investment”? Contesting share ownership after World War I

Naturally, the prospect of a crowd of market newcomers in need of investment advice was relished by the financial press which had been growing rapidly since the expansion of share ownership in Victorian times.9 Dilwyn Porter has reconstructed this emergence of a ‘new’ or ‘popular’ financial journalism during the decades between 1900 and 1960. In the wake of democratisation, commodification and professionalization, British journalists had moved away from early Victorian elitist ideals and increasingly endeavoured to be “representative of the people”.10 Media outlets converged and sought to address the rapidly widening audience in a more accessible and less technical style. This meant that popular newspapers like the Daily Mail, the Daily Herald and the Daily Express entered the field while established journals and papers like the Economist, the Times or the Telegraph discarded their overly technical approach to financial affairs.11


The paper that epitomised this media transformation and became the “flagship” of the new financial journalism was the Financial News, founded in 1884 by the flamboyant Harry Marks. Marks had gathered his first journalistic experience in the United States and established the FN as the leading voice of the “modern investing public”. He promised its readers a “Yankee bounce” instead of “eighteen-hundred-and-fast-asleep conservatism of the old school”, but “never quite shook off the suspicion that he was rather shady”. Persistent accusations of fraud surrounded Marks until the end of his life. Perhaps more than any other newspaper the early FN highlights the ongoing tension between the professionalization of and fraudulent elements in financial journalism as some newspapers became channels for criminal activities by promoting company fraud – a tension continued to exist throughout the postwar period as we shall see in chapter three. Nevertheless, the growth in financial knowledge and in shareholder numbers was mutually dependent with the media creating more and more awareness of the stock market and new investors demanding orientation and advice. After 1918, City journalists were further incentivised to promote the ideal of universal share ownership.

In 1919, Marks’s successor as editor of the FN, Dr Ellis Powell, pinned down the zeitgeist in an essay for the Financial Review of Reviews. Powell claimed that as a result of the “financial patriotism” expressed in the subscription to War Loans, Britain would now experience a “democratisation of investment”. For Powell, the evolution of a “constantly augmenting financial public” was a natural act of rationalisation which was to put an end to the “continual withdrawal of the life-blood of the body economic into stagnation and unfruitfulness”. A powerful brand of market populism took shape that presented free-market capitalism as a more promising vehicle for equality than the state and the solution for not the problem of the

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17 Powell, Democratisation, p. 250.
‘small man’ – a notion that is pervasive in British financial journalism until this day. It is striking and so far unacknowledged that the idea of a popular capitalism had roots in social Darwinism, which was omnipresent in interwar social, political and economic thought. Powell was convinced, as he had already averred in 1915, that the “ever-increasing stability and potency of modern finance were attributable to something in the nature of organic development, operating by means of Natural Selection, and therefore completely in accordance with the main postulate of the Darwinian theory”. Surely not all of Powell’s colleagues in City journalism shared his assumption that wider share ownership was an expression of natural selection. But there was certainly a ‘Whiggish’ sense of determinism in the predominantly Liberal financial press. Hartley Withers, for instance, editor of The Economist from 1915 to 1921, was equally impressed by the “great increase in the investment habit, among classes in which it was formerly uncommon, during and since the war” and was convinced that the “social importance of this growing democratization of capitalism is difficult to exaggerate”. In a similar vein, The Economist declared in 1926 that “capital ownership in this country is truly a democratic business”.

In addition to journalistic efforts to increase newspaper circulation, the quest for wider share ownership needs to be seen in the context of anti-socialism and the contested debate over earned and unearned income. Increasing the number of investors also held the prospect of mobilising middle-class voters against the unequal tax treatment of income derived from capital investments as ‘unearned’, which supporters of free-market capitalism regarded as a fatal disincentive for thrift and deferred gratification. This differentiation had been introduced by the Liberal Party in 1907 and further promoted in form of a surtax by the short-lived first Labour government of Ramsay Macdonald in 1924. Particularly the Labour Chancellor Philip

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Snowden excelled in denouncing the “large rich and idle class” of rentiers as “parasites” of the community.\textsuperscript{25} Free marketeers like Ellis Powell were hopeful that a dispersal of equity capital would generate awareness that “persons who, by thrift, self-denial, and skillful investment, have created and accumulated these financial stores are really the backbone of the community, not thieves exploiting other people’s labour”.\textsuperscript{26} Another reform-minded journalist who championed the case of wider share ownership by awarding moral authority to the small investor was Hargreaves Parkinson. Praised as a prolific writer on economic affairs, Parkinson had also been with The Economist before joining the Financial News in 1928 and became editor of the Financial Times in 1945, after the two dailies had merged that year.\textsuperscript{27} According to Parkinson, a spread of the investment habit would foster the key middle-class virtue of thrift.

Under the heading ‘The Moral Aspect’, he argued:

> Thrift teaches a man dependence on himself rather than on the pity and charity of others. It overcomes the tyranny of chance and misfortune. It confers freedom from anxiety and forms an appropriate background for a serene mind. It enhances self-reliance, and supplies the motive power for the putting forth of one’s best in all the affairs of life.\textsuperscript{28}

In order to assert this moral high ground, however, the small investor’s actions had to be rid of the taint of speculation and, to an even greater extent, gambling. More than ever, clear distinctions were needed:

> To put the matter in broad terms, the investor deals in certainties, or, at least, what appear to be such within the limits of this somewhat uncertain world. The speculator takes risks and knows that he takes them, but seeks at the same time to reduce the element of uncertainty to a minimum by ascertaining whatever is ascertainable regarding the matter in hand. He speculates in the light of knowledge. The gambler – the real villain of the piece – risks all on some casual ‘tip’ which may have come to his ears without any real understanding of the merits of the case.\textsuperscript{29}

The likes of Powell, Parkinson and Withers were walking a tightrope when defining the lines between investment and speculation as they faced criticism not only from the left, but also concerns over excessive speculation from organised religion. Soon after the end of the First


\textsuperscript{26} Powell, ‘Democratisation of Investment’, 255.

\textsuperscript{27} Kynaston, The City of London, III, p. 487, 505 denotes Parkinson a “reform-minded financial journalist”.


World War, a debate over the “ethics of investment” unfolded in the *Financial Review of Reviews*. One intervention came from H. J. D. Astley, an Anglican vicar from Norfolk and Fellow of the Royal Historical Society, who attempted to erect a moral barrier between “the proper use of money” on the one hand and the speculator’s “greed and selfishness” on the other. Writing in 1918, he hailed war loans as a “prudent and patriotic act”, leading to “peace and quiet”, but condemned the “speculation involved in the holding of ordinary shares” as sinful. Unlike the investor, to whom “worry and anxiety” are unknown, for the speculator “there lies in wait too often not only loss of goods and loss of self-respect, but the felon’s cell or the suicide’s grave!” But in this debate the Church faced an intricate tension between Mammon and morality. As we shall see, clergymen recurrently engaged in the stock market – often with devastating consequences – and exposed the Church to accusations of double standards.

A similarly dramatic note was struck in an article titled ‘The Nemesis of Speculation’ by the eugenicist Caleb Saleeby a year later. Saleeby had become an internationally acclaimed authority on social problems such as “venereal disease, insanity, and, in particular, alcohol” by the early 20th century. In 1919, he identified speculation as another such “racial poison” and declared the “temper of the hour [to be] speculative and inclined to take risks”. “Lending our money to win the war” may have been entirely legitimate, but now Saleeby sensed a widely held expectation among the British people to “make money without working for it, by means of speculation and the harassing exploitation of the something-for-nothing instinct”. In the vein of Victorian critics of finance, the trained physician listed addictive behaviour, alcoholism and suicide among the “deplorable consequences to mind and body of speculation”. Deeply embedded in the contemporary language of social hygiene, he urged Britain to eradicate this “injury to the body-politic and to the mind-politic”. Acutely aware that “speculation is a much-abused word”, the likes of Hargreaves Parkinson likewise discarded it for the “ordinary investor”. It was not the latter’s “business to dabble in speculative share transactions, but to build railways and roads, create industries, and equip them with their necessary resources”.

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31 Ibid., p. 254.
32 Ibid.
36 Ibid., p. 36.
38 Ibid., p. 33.
This integration of shareholding into a twentieth-century model of citizenship found its political expression in the early 1920s. The London-based tax lawyer, Herbert W. Jordan, was commissioned to chair a government committee on employee share and profit-sharing schemes in 1920. He argued that via these means, employees would “become in a small way capitalists”.

Three years later, The Spectator published a series of essays entitled ‘Constructive Conservatism’ by the Scottish Unionist politician Noel Skelton that made a more lasting impact than Jordan’s intervention. Skelton envisaged investment – not in the sense of stock dealing or speculation, but of share ownership – as a suitable means of bridging the gap between capital and labour. Keen to offer a Conservative alternative to the rise of socialism, he wrote that

To the wage-earner, co-partnerly brings a new incentive and a new kind of interest in his work, arising out of his new relation to it; a union of his thrift effort and his work effort; a wider industrial outlook, since, as his savings in the business increase, so does his interest in its general prosperity, for that prosperity affects him directly as a shareholder.

Eventually, Skelton expected, “workers would become capitalists” and therefore not only politically, but economically enfranchised citizens of a “property-owning democracy”. Under the term ‘co-partnerly’ he subsumed profit-sharing and employee share schemes, which had already begun to flourish in some industries around the turn of the century. Skelton’s ideas were picked up by interwar intellectuals such as Hilaire Belloc and G.K. Chesterton and, as we shall see, the concept of a property-owning democracy went on to leave a significant mark on British politics in the second half of the 20th century.

While financial journalists, progressive Tories and Liberals began to promote the benefits of wider share ownership during the interwar period, only a few supporters were found in the City of London, the heart of Britain’s financial system. David Kynaston pointed out that the “Stock Exchange itself hardly encouraged popular capitalism” during the interwar years.
Kynaston discusses the following example that illustrates how remote the Stock Exchange’s business practice was from the ideal of a “free and open market place”:

As early as 1923, a year after it began, the BBC asked for permission to broadcast prices – a request granted, with the utmost reluctance, only three years later, a concession rendered almost useless by the stipulation that no prices were to be broadcast prior to 7 p.m., long after the end of trading.

At the same time, quite a contrary development unfolded on Wall Street, where the New York Stock Exchange embarked on a large-scale marketing agenda and promoted itself as “the free and open people’s market”. There is widespread agreement that in the US, financial advertising was a key factor in facilitating a vibrant retail market for stocks and shares. On the downside, this large-scale participation meant that in the US many more savers and investors suffered from the consequences of the 1929 stock market crash than in Britain. Was this one of the reasons why the London Stock Exchange was reluctant to cater for the new small investor? A more detailed answer to this question will be given when discussing British debates over financial advertising in the 1920s and 1930s as well as the legal war against bucket shops in the following section of this chapter. One part of it, however, dates back much further and has to do with a deep-rooted aversion among Britain’s financial establishment against ‘amateur’ involvement in the market.

An inquiry into the intellectual history of financial speculation reveals that by the second half of the 19th century, the concept of a ‘professional’ stock market operator took shape across Europe and the United States. With this figure, the amateur speculator emerged as its counterpart. According to Charles Duguid, long-time City editor of the Daily Mail, the speculator “risks money the loss of which he is perfectly well able to afford, in the furtherance of experiments in commerce and industry”.

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44 For a more favourable assessment of the London Stock Exchange in this regard around the turn of the century see Michie, The London Stock Exchange, p. 142: “Accepting that any stock exchange involves a less-than-ideal situation, compared to the free and open market place, then the situation of the London Stock Exchange did not compare unfavourably with any rival or alternatives on the eve of the First World War.”


48 The following line of argument follows Alex Preda, who has shown how “the enclosure of stock exchanges, set in place at the start of the nineteenth century, was meant to endow markets with legitimacy. This enclosure, however, together with the social restrictions put on access, cut off possibilities for an outsider acquiring knowledge of financial transactions and actors through in situ observation.” A. Preda, Framing Finance: The Boundaries of Markets and Modern Capitalism (Chicago: The University of Chicago Press, 2009), p. 19.

employed colonial narratives to fashion speculators as pioneers of imperial capitalism.  
Frederick Armstrong, senior partner in the renowned stockbroking firm Messrs. Killik & Co. stated in his interwar standard work on the Stock Exchange that

All pioneer effort is by its very nature speculative, and efforts to deprecate this natural urge and impulse must, to be consistent, frown on the noblest achievements of man. Columbus, Cook, Livingstone, Pasteur, Alcock, Brown, Marconi, to add to legions of other names famous in history, surely were all speculators.  

Francis Hirst, the prominent free trader and editor of The Economist from 1907 to 1916, evoked similar images of imperial grandeur when discussing the deeper meaning of investment:

Our merchants and shippers seek profit in every corner of the globe; our investors large and small have interests in every continent, and the London Stock Exchange List is in itself a sort of key to the distribution of British trade and capital. [...] It will, therefore, be proper within a small compass to take a wide view; for, as Burke says, ‘Great empire and little minds go ill together.’

Inclusion and exclusion from stock markets was largely decided along class lines, in London more than elsewhere. Here, the Stock Exchange viewed the prospect of allowing speculation among the lower classes as a lose-lose situation. If plebeian investors happened to gain a windfall profit from successful dealing, this would be a threat to social hierarchies and the Victorian class system. James Taylor reminds us that it “was speculation among the lower orders that really preoccupied commentators. What was so disturbing was the belief that in the maelstrom of speculative frenzies, society’s hierarchies were dissolved and could be reformed in new, unusual shapes.” If, on the other hand, working- and lower middle-class investors lost money in unguided stock exchange dealings, this could bring the Stock Exchange into disrepute. This had become apparent in the 1870s, when several popular investors had burnt their fingers, resulting in the establishment of a Royal Commission on the Stock Exchange in 1878. Back then, the Commission “identified ‘people of limited means’ as being key to the accusation of gambling” and condemned the “social promiscuity” they observed when finding

manual labourers next to wealthy financiers on the shareholder lists of public companies. Therefore, clear distinctions between amateurs and professional operators were introduced to the debate.

The first systematic and theoretical attempt in this regard in Britain was made by the banker and financial author Arthur Crump in his 1874 *Theory of Stock Exchange Speculation*. Crump laid out what became the classical economic argument in favour of the speculator as a pioneer of enterprise who anticipates future business trends and stabilises prices, thereby benefiting markets and society. Ironically he drew inspiration from the French anarchist thinker, Pierre-Joseph Proudhon, who had first articulated these theorems in 1853. Like Proudhon, Crump argued that only the “professional speculator, who has the right sort of head, sufficient capital, patience, perseverance, coolness, and a business-like aptitude for laying down the elaborate machinery that is necessary for mercantile success” should be allowed access to the market.

More than anything, what made a professional was access to insider knowledge and the readiness to make the most out of this information asymmetry:

> The professional operator does not scruple to lay traps, and drive the public into them, by plying them with fictitious telegrams, if he can get them published, and by forming syndicates to ‘rig’ the markets. [...] He must systematically not only disregard the interest of other people, but deliberately calculate upon the weaknesses of human nature which characterize the crowd, in order to work upon them for his own ends.

The counterpart of the scheming, ruthless professional was the “haphazard” or “amateur speculator”. This “person of flabby character” with “a taste for the excitement of dabbling in the markets [that] grows into a thirst, and from that into a mania” had to be excluded, in order for speculation to be beneficial and respectable. In 1896, the Harvard economist Henry

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58 Ibid., p. 47.

59 Ibid., p. 50.
Emery Crosby wrote the first American treatise of organised speculation, arguing along very similar lines to Crump “that the negative effects of speculation were not inherent in financial practices but were caused by amateur participation in the stock markets”. Essentially, what made a professional was not a specific training or a set of supposedly middle-class virtues like prudence, calculation or business acumen. Instead what distinguished this category from the amateur was access to insider knowledge and sufficient capital to shoulder losses resulting from unsuccessful speculations. In this regard, the line between legitimate and illegitimate speculation was often drawn between informed and uninformed speculation.

By the turn of the century, London had gained a reputation for having organised its Stock Exchange strictly as “the monopoly of the rich” in comparison to the more open exchanges in New York, Paris or Berlin, where “Tom, Dick, and Harry can go to the public gallery and see their business done”. In his seminal essay on European stock exchanges, the German sociologist Max Weber even called for “an organization of the [European] exchanges more along the lines of the English”. He praised the London Stock Exchange for being “organized ‘plutocratically’ in that a significant amount of wealth and security deposits are required as preconditions for admittance to business on the exchange”. It should be said at this point that Weber’s stock exchange writings occupy an awkward place in his oeuvre. He would later regard stock markets as “very imperfect specimens of modern capitalism”, which explains their almost complete absence from his magnum opus, the Protestant Ethic and the Spirit of Capitalism, which famously argued that Puritanism and Protestant morality abetted the advance of modern capitalism. Weber’s adulation of the London bourse can be put down to his misperception of ‘The House’ as not being “corrupted or weakened by speculation”, a practice he regarded as

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largely “irrational”. Chapter five will come back to the implications of Weber’s assessment that financial speculation was irrational and antithetical to the ‘capitalist spirit’.

Not only admission, but also dealing costs were high in London, where the Stock Exchange enforced a unique and strict distinction between stockbrokers (agents) and stockjobbers (dealers or market makers). Brokers charged clients a fixed commission of two per cent for processing orders through jobbers who specialised in different markets and aimed to buy low and sell high. Brokers were technically not allowed to deal on their own account – although they did so extensively – and jobbers were forbidden to deal with members of the public. This rule avoided a principal-agent problem, but deterred less affluent investors who could not shoulder paying the broker’s commission and the jobber’s ‘turn’ – not to mention taxes and stamp duty of one per cent on each transaction. As one private investor put it in a reader’s letter to the Financial Times in 1923:

The game is too much against the punter. He has not a chance to do any good, as he has to placate (1) the broker, (2) the Government, (3) the jobber. All these three take heavy toll before the punter gets anything. I have been a punter for years, but find it a poor game, and I do not wonder that people prefer to back horses. Give the small speculator a ghost of a show and he will come back, but not before.

This FT reader was exactly the type of client that Crump, Crosby and Weber wished to see excluded. They had no time for the “small speculator who seeks to make earnings out of small differences in prices” and condemned the amateur as a “superfluous parasite” who was “not fulfilling any aim of the national economy as a whole”. This conception persisted in British economic thought with the economists Alfred Marshall and John A. Hobson reaffirming the idea of the “professional financier” who “manipulate[s] prices, so as to assist his calculations”, while “the amateurs who play with them must lose”.

Universal franchise after the War did little to change attitudes among members of Britain’s financial establishment. Arguably, the severe consequences of the 1929 stock market crash in the US, where millions of small savings were lost in a speculative frenzy, confirmed their scepticism towards mass involvement. Marshall’s most famous disciple, John Maynard Keynes,

67 Ibid., p. 64, 66.
picked up on this aspect in his *General Theory*. Keynes was of course himself well-acquainted with stock and commodity exchanges, having speculated on heavy margin in derivative markets during the 1920s. Keynes highlighted London’s continued aloofness in comparison with Wall Street:

> It is usually agreed that casinos should, in the public interest, be inaccessible and expensive. And perhaps the same is true of Stock Exchanges. That the sins of the London Stock Exchange are less than those of Wall Street may be due, not so much to differences in national character, as to the fact that to the average Englishman Throgmorton Street is, compared with Wall Street to the average American, inaccessible and very expensive. The jobber’s “turn”, the high brokerage charges and the heavy transfer tax payable to the Exchequer, which attend dealings on the London Stock Exchange, sufficiently diminish the liquidity of the market (although the practice of fortnightly accounts operates the other way) to rule out a large proportion of the transactions characteristic of Wall Street.

But even though the Stock Exchange could claim that its restrictive attitude avoided a more disastrous outcome of the crash, the concept of professionalism remained elusive and fragile. While Ranald Michie has rejected the characterization of the Stock Exchange as “the last bastion of the British amateur”, David Kynaston has shown how behind a veneer of expertise, members of ‘The House’ were in fact “poor at analysing economic fundamentals and distributing financial resources accordingly”. The concept of professionalism was further complicated by the fact that the gentlemanly identity of many Stock Exchange members did indeed entail the self-perception of being amateurs. As Marcus Collins has pointed out, this “afforded them a disinterestedness, an easygoing generosity, a horror of the small-minded” – character traits that could entail “an anti-work ethic opposed to the more ruthless and

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73 J. M. Keynes, *The General Theory of Employment, Interest and Money* (London: Macmillan, 1961 [1936]), p. 159. Much less known is Keynes practical acquaintance with casinos that the Oxford don and jurist, Arthur Lehman Goodhart, revealed in a 1972 reader’s letter to The Times. Apparently, during the spring of 1941, him, Keynes and the judge Sir Wilfrid Greene, were waiting in Lisbon for a “sea-plane to fly us to New York” and the group went to the local casino to kill some time: “Keynes and Greene, who were following a carefully planned system, seemed to be inexorably unsuccessful while I, a novice, recouped our deleted finances. When we left, Keynes explained that a player’s success depended more on intuition than on intelligence. He gave as an illustration his own reputation he had made staggering profits both for King’s College (Cambridge) and for himself by investing in the shares of a Chicago traction company. For no particular reason he had sold these holdings two weeks before the stock market collapsed in the autumn panic of 1929. If he had not done so the College would have been in serious financial difficulties and he would have been wiped out. It was not reason but chance that had made him choose the crucial date. The fact that he was an economist, he said, was irrelevant.” *The Times*, 28 March 1972.


competitive aspects of professionalism”. Up until the postwar decades, leading firms like the blue-blooded stockbrokers Cazenove “prided [them]selves on being enthusiastic amateurs” in internal correspondence. The memoirs of Nicholas Davenport, the left-leaning City editor of *The Spectator*, convey telling insights into the amateurism of the Stock Exchange, based on experiences with the renowned brokers Rowe and Pitman. Davenport had started working for the firm in the 1920s and described first-hand the nepotism that governed the City and excluded ordinary investors from the privileged networks of information:

I remembered Hugo Pitman […] calling me into his room one day to ask me to explain a balance sheet. There was really no reason why Hugo should have bothered to understand a balance sheet. His family’s immense clientele was not built up on his understanding of company accounts, but on his integrity and charm. He had rowed for Oxford and was a friend of Augustus John, whose paintings he had collected. He was given the first issue of the Ford Motor Company to handle, because a Ford family connection had been up at Oxford with him and had rowed in his college boat.

Davenport’s encounters were far from unusual. George Aylwen of J. & A. Scrimgeour recalled the average life of the interwar stockbroker as follows:

Most members were merely passers on of information and gossip, there was little or no attempt to sift information, to analyse prospects of equities, or indeed to justify the recommendation of the many and various tips toddled out by the market.

The main reason for this sort of attitude was the City’s reliance on insider trading, which had been outlawed in the US in the 1930s, but was not tackled in Britain before the 1960s. The unique selling position of stockbrokers was whether they could provide wealthy clients with profitable tips – “whom one knew still mattered more than what one knew”. In the 1920s and 1930s, the City was still a bastion of upper-class financiers and therefore woefully unfit, unprepared and unwilling to accustom itself with the financial consequences of World War I.

We must also challenge the often implied assumption of regular stock market activity as an overly sound, prudent and calculating affair and bear in mind that interwar stock market was regularly engulfed in an unusually bullish climate. For a vivid account of interwar speculation we can turn to the journalist and writer Sydney Moseley who published his private diaries in 1960 and wrote in rich details about his – often disastrous – engagement in the stock market.

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80 Ibid., p. 296.
After a spell with the City engraving house Waterlow & Sons, Moseley changed career paths and joined the Evening Standard in 1910. However, he maintained close ties to inner City circles, which he employed to make his mark as an author of critically acclaimed investment guides during the interwar period. Moseley was never a member of the Stock Exchange, but, commanding sufficient capital and having access to insider knowledge, he was a professional by Arthur Crump’s standards. Moseley’s diaries give a rather different impression of his stock market dealings than his investment guides. On April 7th 1927, only days before his first book was published, Moseley was in fact “[s]till trying hard to close down on [his] Stock Exchange dealings” and complained that it was “as hopeless as ever to make money by speculation”. In October that same year, Moseley was found speculating heavily with borrowed money when the market turned against him.

What I find so heartbreaking is that the money I have made by hard work in writing is simply thrown down the Stock Exchange drain. For some years now I have been trying to reduce my market commitments, but I am no better off for the effort. […] What’s the use of earning a few guineas when one loses hundreds? That, I suppose, is one of the particular evils of speculation: it distorts one’s sense of values.

In July 1934 – his second investment bestseller, which he advertised as a “safety-first book” that had “nothing whatever to do with speculation or speculative investment”, had appeared in the meantime – Moseley was “still in deeply” although he had cleared his “three biggest stockbroking accounts”. He had six altogether. He promised himself “that, given the chance, I will get free of the Stock Exchange altogether. At any rate, no more buying! … Get out! Get out!” No improvement, however, was in sight by March the following year when Moseley was “tired of ‘deals’, tired of the Stock Exchange, and [hated] to say what else [he was] tired of”. His diary entry of the 26th reveals the enormous leverage of his dealings:

I must really stop this speculating. […] My present position is that in one firm I have some £20,000 of stock open for which I am paying a nice interest! […] I owe my bank

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84 Ibid., pp. 286–287.
86 The Private Diaries of Sydney Moseley, p. 331.
about £10,000. And that is not the whole story. So, I repeat, it is very necessary for me to clear out of the Stock Exchange once and for all.  

Come September, however, Moseley had found excuses for plunging into shares once again: “I would put that money I have into the Insurance companies, […] but look at the silly rates they offer!” Instead, he “went bang into the gilt-edged market and the so-called high-class investment shares, [buying] 500 Pearl Insurance, followed by another 100 or more”. Moseley’s personal writings of that time are not the notes of a rational stock market agent. Instead they reveal a nervous gambler who enjoyed and suffered from the thrills of playing the stock market and who showed many of the symptoms – addiction, suicidal thoughts – his contemporary critics attested to what they saw as the social evil of speculation.

Catering for “a curious sort of investing public”: outside brokers, bucket shops and share-pushers

Already by the 1870s, the expansion of the financial press and the establishment of a telegraph network had laid the groundwork for a modern financial infrastructure to serve Britain’s growing investing public. As a result, investors whom the Stock Exchange neglected or ignored entirely, came into touch with brokers and dealers who were not member of any of the registered Exchanges. Outside the institutional market structure, however, they risked falling prey to criminal share-pushers who sought to defraud unexperienced members of the investing public. Due to lack of regulations, “any person with or without special knowledge or experience of stock and share matters may describe himself as a stockbroker”. Thus, both legitimate and fraudulent financial service providers seized upon the retail investor as a business opportunity. The history of this grey market for stocks and shares has often been told through the lens of the ‘bucket shop’. Bucket shops were originally betting offices, in which clients could bet on the fluctuations of share and commodity prices without actually dealing in the underlying securities or produce. But unlike in the US, in the British discourse, ‘bucket shop’ soon became a derogative umbrella term that diluted the difference between respectable outsiders and more dubious intermediaries. These muddled distinctions still characterise historical scholarship which focusses largely on criminal share-pushing activities and less on legitimate outside brokers. David Kynaston’s otherwise brilliant account of the Golden Years of

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87 Ibid., pp. 345-346.
88 Ibid., p. 348.
89 Share-Pushing: Report of the Departmental Committee appointed by the Board of Trade, 1936-7, London, Printed and Published by His Majesty's Stationery Office, p. 43, The National Archives (henceforth TNA), BT 55/104.
the City of London, for instance, claims that “[m]ost outside brokers were a lot closer to the bucket-shop” and inhabited “a pretty squalid, small-beer world […] – a world from which the main avenue of escape was down rather than up.”

The following survey of the interwar shadow market for financial securities will shed new light on the competing actors and their various commercial as well as fraudulent practices. It draws on an approach developed by Rob Aitken, who has argued that “the fringe finance sector disturbs and complicates our conceptions of finance as a category dominated by rational, technical or respectable sets of relations”. However, I will argue that contemporary high finance sought to delegitimise fringe activity that was actually largely respectable. The main sources for this analysis stem from the Board Trade Committee on Share-Pushing that was appointed in November 1936. So far, historians have made use of contemporary accounts, newspaper coverage and the Committee’s final report that paved the way for new regulations of the stockbroking profession under the Prevention of Fraud (Investments) Act 1939 that made it compulsory for outside brokers to register with the Board of Trade. The existing literature has not, however, made use of the written and oral evidence submitted to the Committee by members of the Stock Exchange, solicitors, outside brokers, the police, financial journalists and defrauded members of the investing public. This material allows us to gain a more accurate and nuanced picture of Britain’s financial infrastructure for popular investment. Criminal activities in this market certainly posed a serious challenge to the legitimacy of the financial system. However, it will become apparent that the majority of outside brokers provided an entirely legitimate entry point for the growing number of investment newcomers and served as a useful supplement to the wider market.

The Departmental Committee on Share-Pushing soon become known as the Bodkin Committee due to its Chairman, Sir Archibald Bodkin, who had been appointed by Walter Runciman, President of the Board of Trade and National Liberal MP for St. Ives. By the time of his appointment, Bodkin was 74 years of age and had risen to legal fame as the Director of Public Prosecutions between 1920 and 1930. During this tenure he prosecuted two of Britain’s most notable financial swindlers, Horatio Bottomley in 1922 and Clarence Hatry in 1929, which made him a natural choice for head of the Committee. But Sir Archibald had also gained a reputation for his moral conservatism, especially due to his legal war against what he regarded as ‘obscene’ literature. These endeavours resulted, for instance, in the 1922 ban of James

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Joyce’s *Ulysses*, “the passages dealing with Molly Bloom’s orgasms being enough to convince him of the book’s obscenity”. Known to be of a somewhat pedantic and strait-laced character, Bodkin presided over a taskforce of leading proponents of Britain’s legal and financial establishment: his deputy was the Old-Etonian barrister Lionel Cohan; Sir Malcolm Hogg was the Deputy Chairman of the Westminster Bank; Charles Vickers of Slaughter & May and E. T. A. Philips, the Senior Official Receiver topped off the Committee’s legal expertise; John McEwan represented the Associated Stock Exchanges as their Chairman and the London Stock Exchange commissioned its Deputy Chairman, Robert Pelham Wilkinson. The Committee’s task was to survey the outside market for financial securities and devise a new regulatory framework that would put an effective end to illegal share-pushing activities. The course of action for this was, in McEwan’s words, “to separate the sheep from the goats among the Outside Stockbrokers”. The compilation of this Committee meant that from the outset this legal war was tilted in favour of established financial institutions.

What were the facilities available to ordinary people for investing and speculating in financial securities during the interwar period? First of all, local bank managers and solicitors mediated between the public and members of the London Stock Exchange by handling a large chunk of the average private investor’s business in return for a share of the broker’s commission. This arrangement had grown over the years and brought peripheral business to London, but was resented by the 22 Associated Stock Exchanges in Manchester, Birmingham, Glasgow, Belfast, Dublin and other cities, which together counted around 1,100 members in 1937. Their dealings were largely confined to shares of local companies, but they would also forward clients’ orders to London for national and international securities, again sharing the commission. In this business the Associated Exchanges competed not only with named solicitors and banks, but also with the Provincial Brokers Stock Exchange (PBSE), an association of around 275 provincial brokers with an executive committee based in Hull.

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92 C. Humphreys, ‘Bodkin, Sir Archibald Henry (1862–1957)’, *ODNB*.
97 W. A. Thomas, *The Provincial Stock Exchanges* (London: Cass, 1973). The Associated Stock Exchanges were and are often referred to as the Provincial Stock Exchanges, but are not to be confused with the Provincial Brokers Stock Exchange.
These provincial brokers “were regarded as playing a role in mobilizing capital for small companies”, but did not have a stock exchange building and carried out their stockbroking business on the side of main professions. Sensing a chance to hamper a competitor, the Associated Exchanges pointed out the ambiguous legal status of the PBSE to the Committee and argued that “their business and the way it is conducted come into the category of Outside Stockbrokers, and they should be dealt with in the same way”. Also among the list of the ‘recognised’ markets were several smaller exchanges many of which were obscure and short-lived. But some played an important role in Britain’s financial infrastructure. The Mincing Lane Stock Exchange in the City of London, for instance, managed to acquire much of the business in tea and rubber shares. Formed as the Mincing Lane Tea and Rubber Broker’s Association in 1909, this exchange was formed “to provide a market for the vast speculative business in plantation company shares being generated at that time”. Another successful and important institution was the Oldham Stock Exchange near Manchester, which specialized in cotton shares.

The London Stock Exchange at Capel Court on Throgmorton Street was by far the largest market for national and international shares and in 1938 counted 4,132 members, “of whom 2,491 members were brokers, 1,433 were jobbers and 208 were inactive”. When negotiating business terms with other Exchanges, the General Purpose Committee, London’s governing body, always had the upper hand. The Paramount condition for cooperation was that stockbrokers did not advertise their services to the general public. The London Stock Exchange had always regarded advertising as ‘unprofessional’ and moreover unnecessary since its members could rely on personal contacts for their business. When the earliest outside brokers had begun to advertise in an attempt to attract the new late-Victorian investor class, the Stock Exchange imposed an advertising ban on its members in 1885 in order to disassociate

itself from outsiders. Brokers of the Stock Exchange were only allowed to circularise about new issues or possible bargains to existing clients.\textsuperscript{104}

The interwar years saw new calls for a relaxation of advertising, especially from the financial press, but in 1925 the London Stock Exchange demonstrated how serious and relentless it was about this rule. In June that year, the Committee of the Mincing Lane Exchange had decided to expand its business beyond tea and rubber shares and to “allow the Members [...] to advertise so that members of the public could get into direct communication with brokers”.\textsuperscript{105} Naturally City journalists welcomed this move as a new source of revenue and a promising method to popularise share ownership. In 1925, the\textit{Daily Express} published the first advertising by the Mincing Lane member firm, Hatherill-Mynott & Co., the same company which would testify to the Bodkin Committee a decade later. The newspaper reckoned that the decision would “move business from Throgmorton-street to Mincing-lane [sic] and it will increase public interest greatly in stocks and shares”.\textsuperscript{106} But the Stock Exchange’s uncompromising reaction to this sort of competitive clamour was characteristic. The eminent Cazenove & Akroyds broker Claude Serocold was the first to get wind of the move, even before the ad was published in the\textit{Express}. The Mincing Lane chairman, T. G. Hatherill-Mynott of said company, had approached the Savoy Hotel, offering to list its shares on his exchange. Unfortunately for Hatherill-Mynott, Serocold happened to be a director of the Savoy and was informed immediately.\textsuperscript{107} The same day, he lobbied with the General Purpose Committee and prompted its secretary, Edward Satterthwaite, to address a threatening letter across the Square Mile:

\begin{quote}
Sir,

The attention of the Committee of The Stock Exchange has been called to statements in the Press that your Association intend in future to allow your Members to advertise for Stock Exchange business and to issue circulars respecting such business to other than their own Principals. They have been further informed that certain Companies not specially connected with Tea and Rubber industries have been invited to apply for a quotation in your Official List. I am directed to enquire whether these statements are correct and if they are to request you to inform your Committee
\end{quote}


\textsuperscript{105} Oral Evidence by T. G. Hatherill-Mynott, Member of the Mincing Lane Stock Exchange, 5 March 1937, TNA, BT 55/109.


that the persistence in either of the policies mentioned above must inevitably lead to
measures on the part of my Committee which they would be very loath to take.108

There was a minority of Stock Exchange members who sought to lift the ban on advertising
in order to attract business from the growing investing public. But the General Purpose
Committee’s only concession was to initiate a corporate advertising campaign in national
newspapers and to invite investors to write to the Secretary and enquire for a list of brokers.

For the curious investor, however, this ‘service’ was almost entirely useless. As the former City
editor of the Daily Mail, Herbert Meredith, pointed out: “If an investor writes to the Secretary
of the London Stock Exchange, asking for the name of a stockbroker, he receives a list of over
1,500 names” – and it was highly likely that the chosen broker would not respond to
unsolicited requests from small clients unknown to him.

As a result of the Stock Exchange’s structural and habitual conservatism, the social and
geographical distance between the average small investor and registered stockbrokers was
enormous. Therefore, around 800 outside brokers operating in London, other metropolitan
areas and the provinces, sought to fill this gap by employing modern advertising techniques
via the press, telegraph and circulars. They were labelled ‘outsiders’ because they were not
member of any of the ‘official’ Exchanges. Records show that the average firm of outside
brokers in the provinces had a client base between 100 and 1,000, while large firms in
metropolitan areas could have up to 7,000 clients. One Mr. S. R. Charlesworth, for instance,
catered for about 700 active clients from his home office in Grimsby.109 On the other side, the
Stock and Share Dealers Charles W. Gordon & Co. Ltd entertained an office on Old Broad
Street, right in the City of London, commanded capital of £30,000 and had 4,600 clients on
their books.110 The social background of these small investors and speculators was highly
diverse and included solicitors and accountants, clergymen, widows and spinsters as well as
manual workers and domestic servants.

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108 Cazenove & Akroyds to E. Satterthwaite, Secretary of the Stock Exchange, 12 June 1925; E. Satterthwaite,
Secretary of the Stock Exchange to Secretary of the Mincing Lane Tea & Rubber Sharebrokers Association, 15
June 1925, Guildhall Library, Collection Stock Exchange, London, Minutes and Related Papers, General
Purpose Committee Minutes, ref code: CLC/B/004/B/01 (henceforth GL), 14600/116.
110 Charles W. Gordon to John G. Henderson, Secretary of the Bodkin Committee, 5 February 1937, TNA, BT
55/110. According to the Bank of England Inflation Calculator, £30,000 from 1937 would be worth
£1,875,361.45 in 2016.
http://www.bankofengland.co.uk/education/Pages/resources/inflationtools/calculator/default.aspx. Accessed
16 April 2017.
The relationship between outside firms and members of the Stock Exchange was ambivalent. On the one hand, the outsiders meant serious competition to Throgmorton Street and they “did not bear the responsibilities or costs of Exchange membership”.\textsuperscript{111} On the other hand, a member could profit from the bit of extra business that the outsiders acquired for him because non-member brokers relied on good contact to a jobber inside ‘The House’ who would process their dealings in return for a share of the commission.\textsuperscript{112} In this way members and outsiders complemented each other and in 1893 it was estimated “that outside brokers paid £53m in commission to 294 members of the Stock Exchange for business transacted on behalf of their clients”.\textsuperscript{113} Non-member brokers performed a vital service in that they specialised on niche securities, for which often there was no ready market, thereby fostering “closer pricing, stability, and liquidity”.\textsuperscript{114}

One of the biggest and most reputed outside firms was the National Securities Corporation Limited (NSCL). By 1929, the firm employed 140 people in their Cannon Street offices and had capital of approximately £40,000.\textsuperscript{115} But the history of this particular outside firm is revealing in another regard. The London as well as the Associated Exchanges refused women to become members. While some Associated Exchanges admitted women as brokers after World War II, the London Stock Exchange did not allow female membership until 1973.\textsuperscript{116} This made the outside market an attractive career path for female financial professionals.

\begin{footnotesize}
\begin{enumerate}
\item Robb, \textit{White-Collar Crime in Modern England}, p. 87.
\item Kynaston, \textit{The City of London}, III, pp. 315–7.
\item Michie, \textit{The London Stock Exchange}, p. 110.
\item Ibid., p. 82.
\item The Committee on Share-Pushing. Evidence of Mr. Richard Sefton Turner, Joint Managing Director of National Securities Corporation Limited, 15 February 1937, TNA, BT 55/109.
\end{enumerate}
\end{footnotesize}
Arguably the most notable woman stockbroker during the interwar period was the joint-managing director of NSCL, Beatrice Gordon Holmes (known as Miss Gordon Holmes). Although born in the City of London in 1884, the daughter of an Irish father and a South African mother was ever so unlikely to become a “prominent figure” in the Square Mile. After entering working life as typist at the age of 19 and earning £1 a week, she became a clerk with the Canadian City bankers Thorold in 1912. There she was actively involved in the promotion and selling of War Loans, becoming aware of the difficulties of this campaign, since “the millions of wage-earners of the country had never been appealed to before as potential investors”.

After almost a decade of tutelage and condescension by her employer, she and her colleague, Richard Sefton Turner, decided to launch NSCL in 1921. “Of course”, as Holmes pointed out in her 1944 autobiography, “we were an ‘outside House,’ because the Stock Exchange, like the Church – God and Mammon – refuses to admit women”. As the only woman to be heard by the Bodkin Committee in 1937, Holmes called upon any new regulation for stockbrokers not “to refuse registration to women merely because they were women” and quoted a recent survey that no woman was member of a British Stock Exchange although London’s Vice Chairman Wilkinson pointed out, “[t]here is no rule and nothing in the constitution which prevents it”. The senior stockbroker and Holmes clashed over this, Wilkinson eventually stifling the debate with a remark that revealed he was co-chairing an institution that felt no obligation what so ever towards the public: “The London Stock Exchange is a club to elect its

Fig. 2: Beatrice Gordon Holmes, frontispiece from her autobiography.

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119 Ibid., p. 103.
members. If the ladies wish to make their own club they can do it quite freely within the provision.”

Holmes’s autobiography gives an insight into the enormous variety of clients the outsiders catered for, ranging from the careful gilt-edge investor to a clergyman who deemed Australian Government Bonds too risky after lengthy and careful consultation – only to part with £20,000 with share-pushers running “some gold-brick swindle” a few months later. Then Holmes recalled “a client who had been all his life a very big operator with almost ‘professional’ judgment and acumen and reputed success”, whom she challenged on his investment philosophy:

‘Tell me frankly, if you had just put your money in Trustee securities in the first place’ (he had inherited a wad), ‘wouldn’t you have been just as well off by now?’ ‘If I had left it all in three-and-a-half per cents?’ he mused in reply. ‘Yes I should have been better off. But’ – and he leaned forward emphatically – ‘I shouldn’t have had the fun I’ve had!’

According to Holmes, investment advice was an unrewarding trade. The average client – seemingly male – demanded “the highest possible yield on his money, a large increase in capital, absolute safety, and a lot of fun and excitement” and was therefore difficult to please. To Holmes, “speculation [was] another name for enterprise” and she made no secret of the fact that the outsiders’ business was by nature more speculative. Most non-members also acted as principal on a regular basis by taking on shares that members did not frequently deal in. This was mostly the case with small public companies, which were by nature more risky and volatile.

One of Holmes’s competitors, one Victor Smith of Messrs. George Brodie & Company Ltd. elaborated on this practice in his evidence to the Bodkin Committee in order to showcase the outsiders’ benefits to both the speculating public and the Stock Exchange:

Amongst the numerous small Public Companies there are constantly to be found willing buyers and willing sellers for whom the machinery of the Stock Exchange does not cater, and we are frequently approached by potential buyers who require our services to find a seller of such shares, and important business to the satisfaction of both parties often results. […] Plenty of instances can be cited where the initial

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121 Ibid., pp. 85–6.
122 Ibid., p. 85.
123 Ibid., p. 85.
124 Ibid., p. 114.
activities of an outside Broker have commenced more active dealings in the shares amongst Members, thus generally improving the marketability of such shares.\footnote{125 Memorandum of Evidence of Mr. G. Victor Smith of Messrs. George Brodie & Company Ltd. TNA, BT 55/108.}

As mentioned, the outside broker’s principal method of marketing shares among investors was to advertise in newspapers and circularise to potential as well as existing clients. Every outside broker summoned by the Board of Trade contended that advertising was the only viable way of reaching out to members of the investing public who did not have contact to a stockbroker. Over the years, outside firms advertised in reputable newspapers like the \textit{Financial Times}, \textit{The Times} or the \textit{Daily Express}. S. R. Charlesworth, the Grimsby stockbroker, boiled down this business approach and explained to the Bodkin Committee: “There is a curious sort of investing public somewhere in the dark and you have to go out there and search for it.”\footnote{126 Oral Evidence of S. R. Charlesworth, Grimsby, 18 March 1937, TNA, BT 55/110.} One member of this curious investing public gave a client’s perspective on the matter in a 1925 reader’s letter to the \textit{FT}. The investor from Kensington bemoaned that “[m]embers of the Stock Exchange [were] rather snobbishly prohibited from directly advertising in the press”. As a result, he and his fellow punters went “where we are welcomed – that is, to the outside advertising broker, and even if I take a little more risk my experience has been quite satisfactory so far”.\footnote{127 ‘The Small Investor’, \textit{The Financial Times}, 10 December 1925.}

Since their emergence in the 1880s, outside brokers never enjoyed a good reputation. Throughout the decades, the financial establishment aimed to villainise them by deliberately blurring the lines between honest brokers and fraudulent share-pushers. In 1889, an anonymous “member of the Stock Exchange” wrote in \textit{The Times} that the “offices of outside brokers are mostly mere bucket shops or gambling hells, and should be put down with a firm hand, in the same interests as low betting clubs are suppressed”.\footnote{128 ‘Letters to the Editor: Servants Speculating On The Stock Exchange’, \textit{The Times}, 9 February 1889.} Donald Cobbett, who began his career as a broker on the London Stock Exchange in the 1930s “vividly recall[ed] that anybody share dealing who was not a member of the London or one of the provincial stock exchanges was contemptuously dismissed as bucketshop”.\footnote{129 D. Cobbett, \textit{Before the Big Bang: Tales of the Old Stock Exchange} (Horndean, Portsmouth, Hants: Milestone Publications, 1986), p. 101.} He insisted, however, that “one must make a clear distinction between the bucketeers and the respected and honest ‘outside’ stockbrokers. […] Many of the latter were both highly reputable and adequately financed.”\footnote{130 Ibid., p. 100.}
Financial journalists and solicitors shared this assessment in their oral and written evidence to the Board of Trade Committee, which acknowledged this in its final report:

We desire to state that we are satisfied that the vast majority of outside brokers are honest […] They transact lawful business and carry it on without substantial ground for complaint, and, indeed, are in regard to certain types of stocks and shares of considerable use to the public.¹³¹

The original practice of the bucket shop was to allow clients to bet on the fluctuations of share and commodity prices without actually dealing in the underlying securities or produce. In a seminal essay, David Itzkowitz has traced the emergence of this practice in the wake of the Royal Commission on the Stock Exchange in 1878, which many observers had taken as a definite acquittal of any gambling accusations hurled at the Stock Exchange.¹³² Cunning bookmakers, however, noticed that the majority of transactions on the actual stock and commodity exchanges involved no intention of delivery and therefore had the character of the bet.¹³³ Hence, they exploited the lack of regulations for stockbroking and, with help of the increasingly affordable stock ticker, popularised betting on stocks and shares as a vicarious type of financial speculation especially among the lower classes.¹³⁴ Bucket shops were an Anglo-Saxon phenomenon and the literature on the US is much more elaborate than studies on Britain.¹³⁵ On both sides of the Atlantic, as Maurice Cowing has pointed out, they acted “upon the axiom that ‘the public is always wrong’ [and] assumed they could make a steady profit from the hordes of amateur speculators”.¹³⁶ But it is important to stress that only in Britain did the term become a sweeping denigration of any broker or dealer who was not

¹³² “The testimonial of the Royal Commission to the Stock Exchange is in this way a natural and not an extraordinary result of their labours. It would have been most surprising if the chief business of the Stock Exchange had been found to be gambling and the victimising of the public, and not as it is found to be, a vast amount of buying and selling on behalf of the public, with a facility and convenience such as no other market presents.” ‘The Stock Exchange Commission’, The Spectator, 24 August 1878.
¹³⁶ Cowing, Populists, Plungers, and Progressives, p. 28.
aligned with an official exchange. A letter from the Vice-President of the New York Stock Exchange to the Chairman of the London Stock Exchange illustrates this:

The term ‘bucket-shop’ may have a narrower meaning in this country than in England. It is used here generally to connote an establishment whose proprietors purport to execute orders for customers on the stock exchange, but who in fact simply take the side of the market opposite to their customers without executing orders upon the exchange at all.\(^{137}\)

The most common practice of doing this was for bucket shops to provide so-called marginal or deferred delivery accounts: against a small deposit, clients could speculate over an extended account period of several months – as distinguished from the fortnightly settlements on the Stock Exchange. This meant, of course, that the ‘broker’ hardly ever had to actually purchase the securities dealt in as positions were usually opened and closed within this excessively long period.\(^{138}\) This practice was heavily frowned upon among the financial establishment because it blurred the carefully drawn line between organised speculation and gambling. Deferred delivery was also associated with share pushers who would manipulate the quotations to their advantage. For this reason, the majority of outside brokers summoned by the Committee stressed that they did not offer deferred delivery accounts in order to avoid any impression or accusation of fraud. They argued that this type of business would be “throwing the door wide open for all sorts of abuses”,\(^{139}\) but had to acknowledge that most firms who ran these accounts were operating in accordance with the law: “You cannot say legally they are wrong, they are not, they are acting legally right, but morally their actions are questionable. [...] I avoid any immorality I possibly can in my transactions.”\(^{140}\) It is important to note that not every firm dealing in deferred delivery accounts was of a criminal nature, since the literature often conflates share gambling with criminal share-pushing. Newman, for instance, claims that with all of these bookmakers the “end product was the same, large numbers of investors parting with their money which they would never see again”.\(^{141}\) But the editor of the *Investors’ Chronicle*, the leading financial weekly that had been spearheading a media campaign against criminal share-hawking activities, stressed in his hearing that “[t]here are ‘firms’ doing business on these

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\(^{138}\) Porter, “Speciousness is the Bucketeer’s Watchword and Outrageous Effrontery his Capital”.

\(^{139}\) Oral Evidence, Charles William Gordon, a Director of Charles W. Gordon and Company Limited, 5 February 1937, TNA, BT 55/110.

\(^{140}\) Oral Evidence of S. R. Charlesworth, Grimsby, 18 March 1937, TNA, BT 55/110.

lines [deferred delivery system] who are as honest as any reliable bookmaker”.\(^{142}\) Any gambling establishment that emulated ‘professional’ stock market activity posed a threat to the financial sector’s reputation. But these bookmakers as well as the share-pushers among them were a problem of the Stock Exchange’s own making, a result of its plutocratic outlook. Bucket shops – as well as outside brokers – attracted clients because they were much cheaper, easily accessible and allowed clients to avoid the “tiresome formalities of dealing with a member of the Stock Exchange”.\(^{143}\)

Arguably the most successful outside house that ran enormous profits with deferred delivery accounts were A. W. Cornforth & Co. of Old Broad Street. The name Cornforth stood for more than half a decade of outside stockbroking in the City of London, as a synonym for financial ruin and suicide. After serving in the Air Force during the War, Athelstane Wilson Cornforth launched the company in 1919,\(^{144}\) thereby following in the dubious steps of his father Athelstane Arthur, who had also been an outside broker between 1886 and 1910. After graduating from Cambridge, Cornforth senior had become a clergyman, but soon left the Church of England to start A. Cornforth & Co., Stock and Share Brokers, which seemed like an unnatural career move at that time, considering that religious apprehensions towards stock market finance were still strong. His business grew very successful, but in 1910, he committed suicide in New York, where he had travelled to using a false name to evade £1,696 of debt.\(^{145}\)

In 1926, Athelstane’s second-born son and A. W.’s brother, Charles, “was found dead in a gas filled room in a [London] boarding house on the day he was due to appear at the Mansion House charged with a serious criminal offense”.\(^{146}\)

\(^{142}\) Memorandum of Evidence of Mr. G. J. Holmes, 21 March 1937, TNA, BT 55/108. On efforts by financial journalists against share-pushers see Porter, D., “Speciousness is the Bucketeer’s Watchword and Outrageous Effrontery his Capital”, 105.

\(^{143}\) Porter, “Speciousness is the Bucketeer’s Watchword and Outrageous Effrontery his Capital”, p. 116.

\(^{144}\) Records created or inherited by the Air Ministry, the Royal Air Force, and related bodies, Officers’ Service Records, Cornforth, Athelstane Wilson, TNA, AIR 76/106/8.


\(^{146}\) Daily Mail, 3 November 1926; ‘Accused Man’s Suicide’, Daily Telegraph, 4 November 1926. The reports did not give any details about the “serious criminal offense”.
At that time, A. W.’s company had grown into a highly profitable enterprise and was capitalised at £250,000. On a weekly basis, the firm listed advertisements in the Financial Times and the Daily Telegraph. When explaining his business model to the Bodkin Committee in 1937, Cornforth revealed that it was built on the assumption that there was “a kind of natural tendency for people to speculate in something” and that “over a long period of time […] most speculators, whether they are speculating on the Stock Exchange or outside, lose money and [although] most speculators recognise that, they all hope they will be the exceptions”. By simply taking the opposite view to any given bet on price movements, Cornforth generated profits in the long run. Bear markets allowed him to exploit the bullish mood of his clients even more drastically: “in a big slump we would stand to make quite a considerable profit”.  

Bodkin noted that Cornforth had a “reputation of always paying” and never pleading the Gaming Act, according to which neither party in a wager could legally enforce the contract since 1845. It was a common practice among less honest bucket shop operators to make use of this legal loophole if bets had moved against a shop, thereby evading payment. One such firm that had come under the scrutiny of the Committee were F. Reid Price & Co. Ltd. Its operator, Arthur Savile, defaulted in 1940 for £70,000 and in 1945 was fined £350 for “carrying on business of dealing in securities without a [Board of Trade] licence”.  

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148 Ibid.
149 See for instance the correspondence between F. Reid Price & Co. Ltd. and the Bodkin Committee from 26 February, 2 March, 9 March, 1 April 1937, TNA 55/111. ‘Gambling In Share Margins: Unlicensed Dealers Fined’, The Times, 12 March 1945.
This brings us to the last type of fringe market operator: the outright share-pusher, manipulator and fraudster. As George Robb has pointed out, since the Victorian period, Britain “had few illusions regarding the world of finance” and financial fraud is as old as the stock market itself. But this phenomenon of confidence men seeking to manipulate the ticker tape in stock betting, to promote bogus companies or to offload worthless shares on the investing public came to bother British authorities around the turn of the century. Financial fraudsters generally thrived in bull markets and exploited their victims’ temporary penchant for unbridled speculation in view of prices on a seemingly endless rise. As Charles Kindleberger, the eminent historian of financial crises, has noted, the “propensities to swindle and be swindled run parallel to the propensity to speculate during a boom”. Comparing a 1936 bull market to the 1929 frenzy, The Times commented that the “only important feature common both to ‘booms’ is that promoters of fraudulent ‘bucket shops’ and the equally undesirable fabricators of fraudulent optimism, have as usual been quick to take advantage of the growth of the speculative spirit”.

Public outcries and calls for legislation grew louder over time, with the Lord Chief Justice, Russell of Killowen, in 1898 denouncing an “unscrupulous minority [that] was systematically undermining the commercial probity of the financial sector”. In the early 20th century, several writers and journalists began to openly attack outside brokers and bucket shops. So far unacknowledged by scholars is that this campaign was deeply embedded in the “widespread anti-Semitic prejudice in the City” and at times escalated into unabashed racial slurs of Jews in British finance.

The banker and prolific financial author, Henry Warren, for instance, published two books in 1906 and 1908 that stereotypically identified the bucket shop swindler as of Jewish origin. In the first book, Warren described an encounter with a German-Jewish outside broker in the West End, who had approached him for some journalistic work. But Warren accused the broker of being a fraudster: “I felt that I would rather sit under a Kaffir than under that little Jew broker, or dig in a trench alongside a nigger before I would work for so low class a Jew.” Warren also vilified another bucket shop keeper by the name of George Algernon Taylor as follows: “Pale of face, with a decidedly Hebrew nose, and somewhat large, Eastern eyes, which seemed full of craft, the man looks a Jew. His narrow, retreating forehead, and his heavy, fleshy

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150 Robb, White-Collar Crime in Modern England, p. 3.
153 Porter, “Speciousness is the Bucketeer’s Watchword and Outrageous Effrontery his Capital”, p. 108.
chin, do not suggest either intellect or strength.” The example of Warren furthermore illustrates that historical scholarship has not distinguished carefully enough between the contemporary usage of ‘bucket shops’ and ‘outsiders’. Warren, like so many others, deliberately conflated the two categories. Yet Dilwyn Porter, for instance, takes Warren’s accounts of outsiders and bucket shops at face value, glaringly unaware of his anti-Semitic outbursts and also of the fact that his source was convicted for libel and extortion of an outside broker.

Fig. 4: Dr. Taylor of London Wall (1908) and The Modern Bucket Shop (1906) by Henry Warren.

All this is not to suggest that criminal share pushers were not a serious problem in the City of London. In 1911, the Home Office, the Board of Trade and the Director of Public Prosecution discussed legislative action against “bucket shops”. Winston Churchill, then Home Secretary, learnt from his brother Jack, who worked in the City, about a “case of a housefull [sic] of domestic servants losing all of their savings through one of these tricks”. The Solicitor to the Corporation of the City of London also suggested that Churchill should raise the issue of “bucket shops” in the House of Commons to “warn the public against being made the dupes

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157 J. S. Webster (Board of Trade) to S. Harris (Under Secretary of State, Home Office), 22 February 1911, The Churchill Archives Centre, Cambridge, (henceforth: CHAR), 12/9/54.

of these outside Brokers [sic].” Yet, no measures were taken. As Porter has observed, this laissez-faire stance only changed after the 1929 crash and the ensuing slump had changed the political climate: “With economic liberalism under pressure, especially from the political left, it was prudent for those who believed in capitalist free enterprise to put their houses in order.” Until then, the Stock Exchange saw no need to proceed against criminal bucketeers and adhered to its “prevailing orthodoxy of ‘caveat emptor’”. Even in 1925, when share-hawking activities were ripe in the City, the Chairman of the London ‘House’ played down the problem, writing to his counterpart in New York that “the danger here [in Britain] from Bucket Shops and Share Pushers is not so intense”.

The techniques of criminal bucket shops that operated in the City of London were various and at times highly sophisticated. Gordon Cummings, a financial journalist of the Daily Herald, described them in rich detail in his written evidence to the Bodkin Committee. Cummings, who later rose to fame as a stock market guru during the postwar period as an author of best-selling investment guides, was the head of the Herald’s Investment Advice Bureau. In this capacity, he had come “in very close touch with the working man […] through the letters that we get in every day”. He witnessed a “very wide practice of investment by working people”, which was “definitely increasing”, but since “they know nothing about investments”, they were more prone to falling prey to share-pushers. Driven by this experience, Cummings began to act as decoy to many outside houses in order to separate between commercial strategies of legitimate firms and bogus schemes of bucket shops. One common method of the latter was rigged “option dealing” in which buyers were lured to buy derivatives below the market price, but fleeced when seeking to execute their right to ‘call’ or ‘put’. In 1925 the Financial Times reported an instance of a bucket shop operator who was trialled for running this kind of scheme and sentenced to “fifteen months hard labour for the fraud charges”.

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159 Sir Homewood Crawford, Solicitor to the City of London to Sir Charles Mathews, Director of Public Prosecutions, 25 February 1911, CHAR 12/9/80-82. Note that Crawford, in line with common parlance, conflates bucket shops with outside brokers and dealers.

160 Porter, “Speciousness is the Bucketeer’s Watchword and Outrageous Effrontery his Capital”, p. 120-1.

161 Michie, The London Stock Exchange, p. 264, caveat emptor being Latin for “let the buyer beware”.

162 A. C. Campbell to E. H. H. Simmons, President of the NYSE, 22 June 1925, GL, MS 14600/116.

163 See the following chapter.


165 “Options Frauds: City Bucket Shop Principal Sentenced”, Financial Times, 7 February 1925.
registered”. Furthermore, bucketeers sought to impose on credulous clients “unmarketable securities”, often from dubious “gold mining companies”. “When unfortunate holders tried to sell, however, they found it impossible to deal at the prices given in these circulars”. Finally, share-pushers also engaged in “straightforward sales” of listed securities on which they had taken a bear position, aiming to deliver after prices had fallen and coming up with excuses or simply disappearing if the market had moved against them.\(^{166}\)

Like outside brokers, share-pushers made avid use of modern advertising techniques. They printed advertisements in more or less respectable newspapers, depending on the reputation or criminal record of the operator. Perhaps the most common method of reaching out to potential victims was to circularise aggressively or to send out telegrams, “sometimes accompanied by a reply paid form, urging immediate purchase of shares recommended in the circular”. Cummings had also come across victims who had received telephone calls or even personal home visits from share-pushers, who were always “well dressed, opulent looking, and very persuasive in their manner”.\(^{167}\) Like many others who testified to the Departmental Committee, Cummings suggested that share brokers and dealers should only be allowed to conduct business if they were registered with the London, one of the Provincial Stock Exchanges or a Government department. Cummings, however, was one of the few summoned who suggested that new legislation should entail a comprehensive ban on advertising for any broker so that investors could identify delinquents by their advertising activities. In line with the General Purpose Committee, he was of the opinion that a “professional man does not advertise”.\(^{168}\)

Who was the average ‘client’ of a bucket shop or most common victim of a share-pusher? Other sources support Cummings’s view that fraudsters deliberately targeted people of modest income and with little financial knowledge. The London-based bank clerk and book author, F. J. Lewcock, also stated that

It is these small people who are tempted to part up with hard-earned £10 and similar sums to ‘obtain control’ – the favourite bucket shop phrase – over a large number of shares and so-called ‘margin’ schemes. [...] In the course of the last five years or so I have come into contact with innumerable cases where working people have been let in in this way, having spent considerable time in a social work which has involved

\(^{166}\) Written evidence by R. Gordon Cummings, 21 January 1937, TNA, BT 55/108.

\(^{167}\) Ibid.

addressing working men’s clubs and similar organizations on various aspects of finance and financial matters.169

The Bodkin Committee found that “clergymen, widows, and spinsters are perhaps more frequently victimized than other members of the public”.170 The involvement of these groups in bucket shop frauds was indeed a recurring theme. Already in 1911 “Widow’s [sic] and Clergymen […] appear to be easily duped; the latter class […] being only too anxious to endeavour to increase their very small incomes by indulging in this kind of speculation, although always ready to condemn it in the pulpit!”171 In 1936, the Labour MP for North Tottenham, Robert Morrison, called Parliament’s attention to a case of a defaulted bucket shop, whose “list of creditors included 220 women and 120 clergymen”.172 That same year a conference of legal scholars estimated that “somewhere between £5,000,000 and £6,000,000 went into the pockets of share-pushers every year”.173

The conclusion many financial observers and advisers drew from this was to warn investment newcomers against any dealings with outside brokers, deeming it too difficult for the uninitiated investor to tell apart an honest broker from a trickster. Sydney Moseley, for instance, was particularly sceptical of non-members: “I admit that there are one or two unofficial stock and share dealers who are honest. But how are you to know? In any case, I cannot see that you have anything to gain from dealing even with an honest outside broker.”174 While the authorities assumed 800 outside brokers to be operating across the country in 1937, the police only “identified a total of 177 [illegal] shops as having operated within the City of London between 1910 and 1936” according to Porter.175 Most share-pushers misled their victims into thinking they were dealing with a serious broker. Once deceived, most of them felt too embarrassed to testify against perpetrators in court, which hampered effective prosecution.176 But vice versa, many investors confused legitimate outside brokers and dealers for swindlers. This can be illustrated by a letter to the Bodkin Committee from a retired Army officer from Surrey, who had previously “suffered from the operations of Share Pushers”. He had written because he was “still in receipt of Share Pushers’ circulars” which he offered as evidence to

171 Sir Homewood Crawford, Solicitor to the City of London to Sir Charles Mathews, Director of Public Prosecutions, 25 February 1911, CHAR 12/9/80-82.
172 HC Deb 314, c. 2114, 15 July 1936.
175 Porter, “Speciousness is the Bucketeer’s Watchword and Outrageous Effrontery his Capital”, p. 104.
176 Ibid., p. 118.
the Committee. Among his list of alleged criminals, however, were the outside firms Cornforth Ltd., George Brodie & Co. and Charles W. Gordon & Co., all of which the Committee later found to be perfectly honest enterprises. Naturally, this confusion was a problem for both the investors and the outsiders. There was a fundamental difference between those non-members who provided a useful service to the wider system and refused to gamble on share prices, those who acted as honest bookmakers and those who were sheer criminals. The problem was that many members of the investing public could not tell the differences to their disadvantage, which made effective regulation such a pressing matter.

A more detailed picture of the periphery of interwar financial markets urges us to rethink the verdict of Rutterford et al. that contemporary talk about a “democratisation of investment” was merely a mirage. Based on an analysis of share registers of large public companies, the authors conclude that the “democratization of investment ownership does not appear to have increased over the later nineteenth and early twentieth centuries, despite the arguments put forward by several commentators at the time”. To be sure, democratisation in terms of a more equal distribution of listed equity capital was indeed far from becoming a socioeconomic reality. But an approach that merely samples shareholder registries of large public companies overlooks that much of the deliberately constrained market activity spilt over into other, not less relevant areas. If we take into account the Stock Exchanges’ aloofness, it becomes apparent that smaller investors could not easily invest in listed securities. Without access to a Stock Exchange broker, many investors and speculators of modest means did business with an outsider, dealing instead in smaller companies or in unlisted securities of which no registers existed. Others merely gambled on share prices in bucket shops or were fleeced by share-pushers. Treating their experiences as void or irrelevant would amount to a crude and positivistic understanding of what constitutes a market. Turning a spotlight on the fringes of financial markets does not enable us to determine more accurately Britain’s shareholder population and ownership patterns. But this perspective does bring forward strong evidence that the stock market came to occupy Britain’s public imagination on an unprecedented scale during the interwar period.

Summing up the entanglements and complexities of the interwar grey market for stocks and shares, it becomes apparent that fringe operators posed three major challenges to Britain’s

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177 Lieut-Colonel W. J. P. Hume, CMG to The Secretary, Committee of Share Pushing, 21 December 1936, TNA, 55/104.

financial system. First, legitimate and well-organised outside brokers and dealers who advertised their services to a wider audience posed serious competition to members of the organised Stock Exchanges in London as well as other metropolitan areas. Secondly, outside houses and bookmakers exposed the striking similarity between organised stock exchange activity and gambling, when they allowed punters to wager bets on the movements of share and commodity prices without dealing in the market. This unmasking put the Stock Exchange’s reputation at stake, given that stockbrokers, investors and speculators spent much of the 19th century facing off accusations that their business was in any way akin to gambling. Thirdly, the activities of a minority of criminal share-pushers among the outsiders had over time grown into a problem of significant proportion and undermined confidence in the probity of Britain’s financial sector. What legislative action did the Bodkin Committee recommend for coping with these challenges and what were the consequences of these suggestions for Britain’s financial infrastructure?

**The Prevention of Fraud (Investments) Act 1939**

The Bodkin Committee’s recommendations laid the legal groundwork for the Prevention of Fraud (Investments) Act 1939, which legal scholars regard as “the first major piece of legislation in the United Kingdom concerned specifically with the protection of the interest of the individual investor”. However, this assessment does not stand up to a source-based look behind the scenes of the making of this act. Bodkin’s team of senior financiers and solicitors devised a new regulatory framework for stockbroking and share-dealing that was very much geared in favour of institutionalised finance. This can be demonstrated by the Committee’s hearing of Robert Barclay Pearson, the Chairman of the London Stock Exchange whose recommendations were implemented almost in full. To be sure, Pearson readily acknowledged that the “the great majority” of the 800 or so outside brokers were “carrying on their business on an honourable and upright way” and that they “come in rather useful” when it came to marketing “shares which are not dealt in on the Stock Exchange”. Yet he still urged the Committee to “rule them out” regardless, claiming “that the advantage is [not] worth the disadvantage” as the facilities of the outside broker were “too often used by unscrupulous persons as a means of touting and hawking”. Under Pearson, the Stock Exchange had come

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to discover fraudulent share-pushers as a useful villain, the scale of whose threat had to be exaggerated in order to eliminate outside competition.

Pearson’s proposition of ‘ruling them out’ was to place a duty on outside brokers to register with the Board of Trade and furthermore to have them banned from engaging in any form of advertising. Pearson was unimpressed by the Committee’s observation that advertising techniques seemed to allow a broker to do “the initial work of popularising or getting known the shares which he offers”. The senior stockbroker stood by his line that “advertising serves no useful purpose to the Stockbroking profession and is a source of danger to the public”. Was Pearson’s radical stance on the matter shaped by a critical perception of the American experience, where critics held advertising responsible for enticing millions of savers into fuelling a speculative bubble that resulted in the 1929 stock market crash? The available evidence suggests otherwise. First, the London Stock Exchange was already relentless on advertising before the Great Slump as the 1925 quarrel with the Mincing Lane Exchange demonstrates. Then, the debate between Pearson and the Bodkin Committee over advertising and a potential widening of the investing public, reveals that the Stock Exchange was suspicious of a mass market in stocks and shares for other reasons. Bodkin challenged Pearson by describing how he had recently sold some shares through his broker, who was a member of the London Stock Exchange, but wondered whether “a stranger [would] have as good a chance” to be catered for in this fashion. Pearson’s reply reveals the enormous class prejudices that stood in the way of this becoming a reality:

That is the point – the stranger. If you will allow me to suggest a broker of the London Stock Exchange gets a letter from an unknown small person in the country, whether he may be a gardener or a domestic servant, or someone without any great attachments or any position, and the broker is quite willing to do that business, but the broker must, surely, find out first of all if that person is, shall we say, verified by reference. The person is unknown to the broker. […] It is quite obviously dangerous for a broker in London to deal with some quite unknown person in the country without any further reference. That, I suggest, is one difficulty.

Pearson’s hearing furthermore reveals the remarkable way in which the question of deferred delivery accounts or other practices that amounted to share gambling was negotiated. The

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181 Ibid.
Committee was very sceptical of this practice and the public outcry that it caused. It had received letters from the public that called upon Bodkin and his team to establish once and for all a solid distinction between speculation and gambling. One investor from East Devon, for instance, assuming that the Committee’s “wide terms of reference may include ethical, moral and commercial aspects”, made the following remark in a letter:

I suggest that your Committee should make a carefully considered statement on the ethics and advisibility [sic] of speculation in share values, that may be characterised as Gambling, as distinct from investment. As your Committee is independent of Lobby majorities and election results, the result of evidence and deliberations may bring out a clear line of demarkation [sic] and be definitely stated.\textsuperscript{184}

The Stock Exchange’s official line on the matter was that “[w]e hold no brief for gambling, being of the opinion that this is a vicious propensity quite apart from speculation, with which by some it is always associated”.\textsuperscript{185} Off the record, however, Chairman Pearson spoke more ambiguously on the matter and revealed a glaring discrepancy between his own views and the public communication of his institution. On the one hand he called “decidedly” for a ban on deferred delivery dealing as it led members of the public to confuse Stock Exchange dealings with betting. On the other hand he conceded that it would be impossible to conclusively distinguish between gambling and speculation:

I do not think I would venture a definition as differentiating gambling from speculation; I agree it would be very difficult; they are very much allied, due to some spirit of adventure which will be found in most of us if we were only to confess it, I think.

Banning deferred delivery accounts was to convey to the public a clear distinction between desirable speculation and outright gambling\textsuperscript{186} – even though privately, Stock Exchange representatives of the highest level held this differentiation to be void. The Prevention of Fraud Act eventually did impose on stockbrokers an obligation to register for a licence with the Board of Trade, condition of which was that they did not advertise. Honest companies like the NSCL or Gordon & Co. helped form the Association of Stock and Share Dealers, an organisation of outside brokers that aimed to “avoid certain handicaps which might arise under

\textsuperscript{184} Walter A. Welshman to J. G. Henderson, Secretary to the Committee on Share Pushing, 15 January 1937, TNA, BT 55/104.


\textsuperscript{186} For this line of argument in view of Victorian struggles over this distinction see Itzkowitz, ‘Fair Enterprise or Extravagant Speculation: Investment, Speculation, and Gambling in Victorian England’, 98: “By allowing the new speculation alone to carry the moral opprobrium that had once applied to all speculation, late Victorian society ensured that speculation in general would remain legitimate.”
the Government’s promised share-pushing Bill”. 187 The new legislation did eventually ban any form of betting on share or commodity prices, which outlawed the practices of companies like Cornforth Ltd. who had to go into “voluntary liquidation”. 188 On the one hand, the Bodkin Committee’s legal efforts did put an end to share-pushing activities although due to the outbreak of the War, the Prevention of Fraud Act was not enforced until 1944. 189 On the other hand, the law entailed regulations that effectively killed off the retail market that the outsiders were facilitating. With the new regulations the Skeltonian ambition and liberal optimism came to a halt, which had defined views on wider share ownership in the early 1920s. Ranald Michie has pointed out that the Act granted the Stock Exchange “a virtual monopoly over security trading within Britain”. 190 In line with its then Chairman, one could add that the law effectively also gave the Stock Exchange a monopoly on share gambling.

Finally, the Bodkin Committee and the ensuing legislation reflect Paul Johnson’s insight that Britain’s financial infrastructure is a “complex web of competing economic, legal, political and moral claims”. 191 His study on the ‘Victorian origins of corporate capitalism’ argues that the institutions, customs and practices of modern capitalism were largely made during the nineteenth century. Well into the twentieth century, however, a substantial component of Britain’s financial landscape was still in the making. Its securities market was challenged by a large intake of new investors, which resulted in a resurgence of financial fraud and a new struggle over the distinction between speculation and gambling. Britain’s way of dealing with these challenges was somewhat counterintuitive to a country whose elites took pride in having invented free-market capitalism. After a surge in political democratisation, its financial and legal decision makers did not seek to enfranchise as many people as possible in its economy, but deliberately took a conservative stance on popular capitalism.

188 ‘Cornforth to be Liquidated’, Financial Times, 30 December 1939. However, the late 1950s liberalisation of gambling markets under the government of Harold Macmillan legalised gambling on stock market prices through the back door. See the discussion in chapter two.
191 Johnson, Making the Market, p. 3.
The political and economic consequences of the Second World War had a profound impact on the City of London and Britain’s investing public. The UK economy witnessed a “dramatic reversal of the pre-1914 advance of securitization” and the City’s decline as the financial node of an Empire became irreversible. The London Stock Exchange lost its role as the world’s leading market for financial securities to its counterpart in New York and came under immense political scrutiny after the Labour Party won a sound majority in the General Election of July 1945. The following six years saw the establishment of a social democratic productionist regime in which the financial sector took the backseat. As part of this more regulated and interventionist economic settlement, Labour initiated a wide-ranging nationalisation programme. Key sectors such as coal, the railways and the Bank of England were brought under public ownership, which “at a stroke wiped out significant areas of popular investment”. Senior Labour politicians frequently denigrated the Stock Exchange as a glorified casino. Herbert Morrison, for instance, shortly before the 1950 general election, provoked the Stock Exchange by claiming that “most working people tolerantly regard its work as being rather in the same category as horse racing”. Labour MPs liked to employ John Maynard Keynes’s famous warning that “when the capital development of a country becomes a byproduct of the activities of a casino, the job is likely to be ill-done”. In an ongoing debate over the nation’s political economy, the left accused the financial sector of depriving domestic industry of capital at the expense of speculative frenzies. The City, in turn, held state intervention and political commitment to full employment responsible for the country’s growing lack of international competitiveness.

References:
Throughout the period, all players in the postwar economic settlement – state, labour, capital – had to recalibrate their expectations. But overall, the relationship between the City and the Labour administrations of Clement Attlee (1945–51) and Harold Wilson (1964–70), were not as bad as the anti-finance rhetoric would suggest. Likewise, relations were not as cordial at times of Conservative rule (1951–64) as one might expect. In spite of paying lip service to free enterprise, the Conservative Party leadership during this time did not dismantle, but more or less adhered to, the mixed economy of the postwar settlement for electoral reasons. As much as this resulted in postwar economic policy being “financially repressive” for savers, full employment and high wages coupled with redistributive measures resulted in an unprecedented rise of living standards. Therefore, the postwar welfare state enabled lower as well as higher income groups potentially to invest considerable amounts of their disposable income in the stock market. As the period of Austerity drew to a close, security markets recovered. Between June 1952 and July 1955 and again from February 1958 to January 1960, the Stock Exchange experienced prolonged bull markets. During these periods, the FT Index grew by 111.7 and 122.1 per cent respectively. 1959 was a particularly important year with a rise to £435 million of new issues from £255 million in 1958, prompting Labour’s Shadow Chancellor, Harold Wilson, to question whether Britain was “to counter the Soviet industrial developments with an economic system the higher manifestations of which are the take-over bid and a Stock Exchange behaving like a casino run mad?”. As Ranald Michie has noted, “affluence and taxation in particular were simultaneously widening the number of investors” and brought about the emergence of a “new investing public”.

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Thatcher coined the term in the 1980s, financial commentators would herald the coming of “popular capitalism”\textsuperscript{12} in Britain and the dawning of an “age of the small investor”.\textsuperscript{13}

This chapter focusses on Britain’s investing public in the 1950s and 1960s. During these decades, the media coverage on and for the private investor expanded significantly, political attempts were made to enhance the overall trend of wider share ownership and statistical data on ownership patterns and shareholder numbers came to be seen as important economic indicators. While the mixed record of the financial media and the advocacy of wider share ownership are dealt with in separate chapters, the quest for surveying the private investor will take centre-stage in the first section of this chapter. On the one hand, this serves the purpose of outlining the structures and extent of equity ownership as well as the socioeconomic background of private shareholders. But there is a separate story to tell about how this knowledge was acquired. The first shareholder surveys were carried out by hobby statisticians and financial journalists in the late 1940s. The 1950s saw economists and social scientists developing an interest in the subject. But it was not until the mid-1960s that Britain’s leading market for financial securities, the London Stock Exchange, bowed to pressure and commissioned the first comprehensive survey on Britain’s shareholder population. Investigating the Stock Exchange’s reluctance in this field sheds important light on the relationship between its patrician-minded members and the wider investing public.

Following this, the chapter moves away from treating share ownership as a socioeconomic phenomenon and goes on to map the highly diverse attitudes towards stock market investment among ordinary people in postwar Britain. Some contemporary surveys already tracked attitudinal shifts in this field through questionnaires and interviews with private shareholders. These are valuable sources that merit careful analysis, but a different story emerges if we peruse material in which investors speak about their motivations, attitudes and experiences \textit{on their own terms}. Therefore, our understanding of private investment will be refined by drawing from a wider range of source material: readers’ letters, private correspondence with stockbrokers and the myriad popular investment guides that flourished throughout the postwar decades. Investing, speculating or having a flutter in the stock market needs to be seen as a social as well as financial \textit{practico} and interpreted in the specific context of the social and cultural consequences of postwar ‘affluence’. A contested contemporary term, ‘affluence’ in this

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context means a new paradigm developed by contemporary historians of Britain whose analytical focus was geared more “to the domestic rather than the international” in order to shrug off the discipline’s perceived obsession with ‘declinism’. Leading the focus away from elite discourses on share ownership and instead towards the everyday knowledge and practices of the stock market can reveal rich – and at times – surprising stories about British postwar capitalism. In this way, debates over popular investment and speculation serve as a window into negotiations over the profit motive, the changing character of Christian morality and the continuing – or perhaps growing – power of economic individualism in spite of the social democratic character of postwar economic policy.

Surveying the Small Investor: Shareholder Population, Patterns of Ownership and Investment Behaviour

In the summer of 1960, HM Treasury was annoyed by the London Stock Exchange. The stock market was booming and civil servants were busy preparing a speech for the Economic Secretary, which he was due to give during a Parliamentary debate on the “Wider Ownership of Industrial Shares”. But the Treasury staff were struggling to find the appropriate data on shareholders in Britain. For such information, they had to rely on “articles in the financial Press [sic]” which were “far from complete” and the Stock Exchange was simply unable to “provide any facts about the breadth of shareholdings in companies”. The Treasury had furthermore learned “from the Bank [of England] that the Stock Exchange have come down firmly against any scheme to encourage small investors in equities”. Why was an institution whose Chairman affirmed in public that its “main aim is to maintain a fair and free market and to make its facilities known as widely as possible to anyone who may want to use them”, so opposed to the idea of wider share ownership? Why did the Stock Exchange not have at hand – and did not feel responsible for providing – reliable information on Britain’s shareholder population like in other countries?

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15 HC Deb 625, cc. 823–920, 24 June 1960. The Economic Secretary was the Conservative Anthony Barber, later Chancellor of the Exchequer under Edward Heath. For the context of the debate in which Barber represented the Government’s line against the motion of his backbencher colleague, Gresham Cooke of the Wider Share Ownership Council, see chapter four.
Part of the answer lies in the City of London’s “instinct for secrecy”\textsuperscript{18} and its anti-intellectualism. Statistical analysis of financial affairs caused suspicion in a community of bankers and stockbrokers who relied primarily on personal contacts and a “sense of smell” or “deeply entrenched habits and instinct […] a sea of experience [and] a good pinch of flair or hunch”.\textsuperscript{19} An official publication of the PR Department of the London Stock Exchange explained that becoming a jobber or broker “is helped by an instinct or flair for this rather special type of business and an ability to make quick decisions and rapid calculations”.\textsuperscript{20} The postwar City in general, and the Stock Exchange in particular, took pride in maintaining a conservative, paternalist and complacent mentality. Most stockbroking members of ‘The House’ were suspicious of the small investor and relied on their client base of wealthy individuals and financial institutions “with contact being of a personal nature, reinforced through family, educational, or other ties”.\textsuperscript{21} Subscribing to the view that the Council “must guard its members from the public, not the reverse”,\textsuperscript{22} hardly anyone in the Stock Exchange saw the need of, or felt responsible for gathering, information on investors.

To be sure the Stock Exchange did open up under the chairmanship of Sir John Braithwaite (1949–59). With an “austere cast of mind” that eschewed “speculation and dangerous gambling”, the senior stockbroker took into account the new political climate and was keen to shed the image of the Stock Exchange as a private members’ club, or worse, an upper-class betting shop.\textsuperscript{23} Under his chairmanship, the Stock Exchange finally opened a Visitors’ Gallery in 1953 – something the Royal Commission of 1877 had already urged ‘The House’ to do – and furthermore formed an in-house PR department in 1957.\textsuperscript{24} But although Braithwaite pledged “to attract a whole new class of investors”, these were more acts of political opportunism than serious attempts to reach out to the smaller clients. The case of advertising and a brief comparison with the US demonstrate this. There, in 1952, the New York Stock Exchange (NYSE) commissioned a leading advertising company to conduct a comprehensive survey about the number, age, gender and regional dispersion of US shareholders. The European pioneer in this regard was Sweden, where the Stockholm Stock Exchange initiated

\textsuperscript{18} Littlewood, \textit{The Stock Market}, p. 133.

\textsuperscript{19} On anti-intellectualism in the City see Kynaston, \textit{The City of London}, IV, pp. 199–209. Quote on central bankers requiring a “sense of smell”, ibid., p. 208, flair etc. 170–2.


\textsuperscript{21} Michie, \textit{The London Stock Exchange}, p. 203.

\textsuperscript{22} Kynaston, \textit{The City of London}, IV, p. 31.


a broad-based survey on shareholdings and ownership, which found that between 50 and 70 per cent of the shareholder population were women. On Wall Street, these measures were part of the institution’s postwar campaign to generate new clients for a market that still had not fully recovered from the 1929 crash. It seemed self-evident to the NYSE, which had been fashioning itself as ‘the people’s market’ since the interwar years, to provide stockbrokers with valuable information on their client base for advertising – which was allowed in the US. In Britain, however, few members of the London Stock Exchange were interested in retail stockbroking in the first place, but continued to harbour deep-rooted aversions against amateur involvement in the market. Accordingly, the majority of members of the Stock Exchange Council refused to lift the ban on stockbrokers’ advertising, arguing that this “could all too easily attract the wrong type of client, the outright small speculator”. The extent of which the ‘small speculator’ was indeed seen as a persona non grata in the City is further illustrated in a statement made by Lord Ritchie of Dundee, then Chairman of the Stock Exchange. When the senior stockbroker was asked about the prospect of wider share ownership in in 1960, he replied: “Nothing could be better than a large number of small investors – but nothing worse than a large number of small speculators.”

Fig. 5: Teenagers outside the London Stock Exchange visitors’ gallery, Getty Images.

Accordingly, the first efforts in surveying the shareholder population were undertaken by private stock market experts and financial journalists with naturally amateurish methods. It was the experience of nationalisation and economic planning during the first Labour administration that first led liberal financial observers to probe into the state of private investment in Britain. Dimitris Sotiropoulos and Janette Rutterford recently revisited these survey efforts in the US and the UK identifying the “number of shareholders relative to the overall population [as a] critical factor in explaining not only structures in corporate finance but also political and economic preferences, market developments, and overall economic activity and welfare economics.” Rutterford singles out A. G. Ellinger for having carried out the “first formal estimate of the number of UK shareholders”. In a series of articles the FT in 1949, Ellinger evaluated the share registers of 40 British companies and by “comparing duplication of holdings between shareholders” estimated that about 1.25 million Britons owned industrial shares and that 40 per cent of these investors were women.

But the persona of Ellinger is worth shedding some further light on. After ten years in a London broker’s office and a period editing Investment Review, he settled down as a professional investment consultant in Cambridge. There he was the head of Investment Research, a company of “Security Consultants and Portfolio Supervisors” – mostly Cambridge graduates – who kept their clients up to speed about the stock market by publishing a Monthly Investment Letter. In his famed anthropology of the City of London, novelist Paul Ferris spent a day with Arthur Ellinger and revisited his office for the 1964 BBC documentary Men and Money. Although an active share dealer who revised his portfolio “not only from month to month but from week to week and day to day”, Ellinger was somewhat of a City outsider because he promoted a semi-scientific investment strategy, which at that time was becoming known ironically as ‘chartism’. Chartists essentially claim to be able to forecast future price movements of volatile shares or commodities based on an in-depth analysis of their historical records – a concept bordering on charlatanry for most City men. For instance, the Daily Telegraph’s assistant City editor and later unit trust director, Percie Naish, could only frown upon this “curious technique of investment [...] The fact that most chart readers have had to invent their own

30 Ibid., p. 36.
special brand of gibberish with which to describe their technique gives extra force to my feeling that often they are entrapped by their own enthusiasm.” Ferris commented on this fairly detached and more speculative investment philosophy that a “day with Ellinger provided an academic, uncoloured view [of the stock market], like football seen through pools coupons”.

Yet, with a background in financial journalism, as author of several investment guides and a prominent figure in Britain’s investment community, Ellinger’s colourful persona added to the popularisation of investment in the postwar period. Together with Edward du Cann, the Conservative MP and unit trust manager, he attended annual meetings of the Association of Investment Clubs.

The early 1950s saw further modest interest in Britain’s shareholder population. In 1951, Hargreaves Parkinson, the interwar champion of the small investor and since 1945 the editor of the newly-merged Financial Times, came to more or less identical results as Ellinger. He also counted 1.25 million shareholders, but while Ellinger’s interest in the matter was more scientific, Parkinson’s intervention was of a political nature. He argued “that ownership could not be more democratic if the companies concerned were indeed nationalized” and made public ownership responsible for the lack of share ownership growth since the interwar years, when Britain was thought to have had about 1.1 million private investors.

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34 P. J. Naish, The Complete Guide to Personal Investment (London: C. Tinling, 1962), p. 131. In this regard, however, it is acknowledged “that chartism, by its very nature, tends to produce self-fulfilling prophecies. If a large number of people believe that a share’s price is about to move up and that the time is right to buy, their very act of purchasing the share will inevitably exert an upward pressure on its price, so validating their earlier predictions.” T. M. Ryan, Theory of Portfolio Selection (Basingstoke: Macmillan, 1978), p. 123.

35 Ferris, The City, p. 57.


37 H. Parkinson, Ownership of Industry (London: Eyre & Spottiswoode, 1951). By the time of the publication of his book, however, The FT editor had already died prematurely.

Between 1958 and 1960 – the FT 30 index was climbing rapidly – *The Times* published a series of articles, in which the stock market expert Gordon Cummings produced estimates of the shareholder population. These are the articles the Treasury civil servants were referring to when complaining about the lack of official data from the Stock Exchange. From a background similar to Arthur Ellinger’s, Cummings had experience in financial journalism, the private sector as well as book-writing. After a spell at the *Daily Herald’s* City desk in the 1930s – during which time he testified against bucket shops to the Board of Trade Committee

Between 1953 and 1956 he was a regular contributor to the BBC’s personal finance programme *Money Matters*, where he educated listeners about their income tax allowances, house purchase, life insurance and the facilities available to the small investor on the Stock Exchange. In 1963, he published for the first time his *Complete Guide to Investment*, which in the following three years alone sold “more than 120,000 copies”. In a review essay of investment books for beginners, a genre that “had seen a steady flow over the past year or so”, *The Economist* singled out Cummings’s book as “ideal for the absolute beginner” due to its “wide range and simple language”. Renamed *The Investor’s Guide to the Stock Market*, what was arguably Britain’s most successful investment book continued to be published until 1988.

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39 See previous chapter.
opposition to Ellinger’s chartist approach, however, Cummings promoted a very conservative strategy, guided by company fundamentals and rooted in the belief that speculation “is not for the small investor with only a few hundred pounds of hard-won savings behind him”.

Familiar with the opportunities and pitfalls of investment newcomers since the interwar period, Cummings now grappled with the question of how many shareholders there were in the UK. He analysed the share registers of Britain’s ten largest companies and found that small holdings of “£500 or below are predominant” among corporations such as Unilever, Imperial Tobacco or the Midland Bank and estimated the number of shareholders to be about three million.

By then, another trend had begun to dramatically change Britain’s financial landscape. Even before the number of direct shareholders had been established with any certainty, it was becoming apparent that pension funds and life insurance companies had shifted their clients’ savings from gilt-edged securities to equity as a hedge against inflation thereby turning these savers into indirect shareholders. The Keynesian-minded Department for Applied Economics at the University of Cambridge surveyed this structural shift that became known as the ‘Cult of the Equity’ and entailed the relative decline of the private investor. The economists found that between 1957 and 1963 the value of individual holdings in fact increased nominally and in real terms due to the prolonged bull market. But at the same time the individual investor’s share of overall listed equity declined from 61.8 per cent to 54 per cent. Another consequence was that stockbroking firms had further incentives to attract large orders from institutional clients on a fixed-commission basis of 2 per cent, thus making it even more difficult for investors of modest means looking to process smaller orders to find good investment advice.

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47 This trend troubled politicians, investors and City financiers in different ways and the wider implications of this trend are discussed in detail in chapter four.
An important aspect of the ‘Cult of the Equity’ was the rise of the unit trust industry. Unit trusts were first launched during the interwar period as mediated investment vehicles that pooled their clients’ small amounts of capital and re-invested them in a wide array of securities for a premium. This allowed smaller investors, who normally could not afford to maintain a diversified share portfolio, to spread their risk. Hence, unit trusts were advertised as a vehicle enabling the ‘small man’ to enjoy the benefits of equity investment.  

The long-serving Bank of England director, George Booth, is credited with launching the first unit trust in 1931 and people like Iain Fairbairn or the left-leaning financier William Piercy did much to pioneer this form of investment in subsequent years. Fairbairn later acknowledged that there was a paternalistic element behind the idea, explaining that they were founded because “most responsible and well-informed people in the City were on principle against equity investment for any but those experienced enough to look after themselves”. But for a long time the Stock Exchange refused to list the securities because several directors had been caught out

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manipulating the price of the units and for much of the 1950s unit trusts continued to struggle getting off the ground because of this suspicion. 52

By the late 1950s, however, Sir John Braithwaite, the Stock Exchange chairman, recognised unit trusts as a suitable means of including the ever-growing number of small investors while at the same time keeping them at bay. In the 1960s, the industry virtually exploded. While 51 unit trusts managed £200m worth of clients’ money in 1959, there were 208 companies investing £1,400m by 1969, marking a fivefold increase in real terms. 53 This growth was fuelled by enormous sums unit trust managers invested in advertising campaigns in the quality and popular press, thereby contributing to the growth of financial journalism across all outlets. 54 From a purely financial perspective, unit trusts were indeed the safest and least troublesome form of equity investment for the small investor who sought protection from inflation and long-term income. At the same time, however, as many commentators pointed out, “[i]nvesting through the medium of a management company takes the thrill out of backing one’s own judgment against that of the market”. 55 As we shall see later, the advancement of unit trusts industry and other vehicles of managed investment, meant that direct dealing in stocks and shares was increasingly practiced as a sort of hobby and source of entertainment.

By the late 1950s a new interest in the shareholder population emerged. While economists and statisticians probed into the number of investors and ownership patterns, social scientists now entered the field and sought to explore the social background of these investors. Jon Lawrence has noted that in “Britain, it was only after World War Two that social science shifted its focus from the marginalized and disadvantaged – the ‘social problem’ groups – to ‘ordinary’ or ‘average’ Britons.” 56 As part of this shift, social scientists now discovered the small investor as an object of enquiry and sought to explore ‘ordinary’ people’s attitudes towards the stock market. What was the socioeconomic position of the average investor? What motivated him or her to buy shares whilst others shied away from the stock market? What investment vehicles did investors use and what influenced their decisions? These attitudinal surveys have often

54 See chapter three.
been neglected by historians, which is a reminder that scholarship has tended to reduce the actual investors to statistics, numbers and anonymous recipients of political catch-phrases.

In 1959, the Acton Society Trust published a pioneering study in this regard that received wide attention in the daily and financial press. The Acton Society Trust was a non-profit organisation headed by Dr Rosemary Stewart that promoted research in the social sciences with a focus on industrial management. The papers of the Trust have not survived but correspondence with several politicians, academics and businessmen give some insight into the organisation. For instance, William Piercy, the centre-left pioneer of the unit trust movement gave his financial support to the Trust’s work and provided input for Wider Shareholding.\textsuperscript{57} The Times commented on Wider Shareholding that the “[d]iscussion about the small investor can at last proceed on the basis of fact”, indicating that the investor was no longer just a macroeconomic variable, but a social figure.\textsuperscript{58} The first half of the survey was based on 2,761 questionnaires that small clients of London stockbrokers had returned. The research team was well aware of the strong regional bias resulting from this. 42 per cent of returned questionnaires were from the East and South East of England including London. 20.7 per cent came from the North and 15.7 from the Midlands with the rest divided over the South West, Scotland, Wales and Ireland.\textsuperscript{59} The ‘small investor’ had been defined beforehand as someone who had “invested to date a total of £1,000 or less” and had a “maximum weekly income of £50”.\textsuperscript{60} The survey found that share ownership had climbed down the social ladder, the average small investor being “probably a member of the lower middle class, or possibly the upper working class”.\textsuperscript{61} Overall, the authors remained cautious and stressed that due to lack of material available for comparison “no claims regarding the representativeness of our sample are made”.\textsuperscript{62} Yet the research team identified important trends in popular investment, which more comprehensive surveys later would confirm. The average small investor, for instance, would almost certainly have a bank account, very likely some money in National or Post Office Savings accounts and life insurance. Keen to find out what motivated investment newcomers to enter the stock market, the researchers learned that private study, friends and family as well as the financial press were the most likely reasons. The survey also found strong evidence that

\textsuperscript{57} R. Stewart to W. Piercy, 25 June 1959; W. Piercy to R. Stewart, 26 October 1959, 2 November 1959, London School of Economics Library, collection of William Piercy (1886–1966); 1st Baron Piercy, PIERCY 15/1.
\textsuperscript{58} ‘What IS Needed To Expand Share Ownership’, The Times, 14 December 1959. See also the welcoming review in The Investors’ Chronicle, ‘Small Investor in Profile’, 18 December 1959.
\textsuperscript{60} Ibid., p. 20.
\textsuperscript{61} Ibid., p. 51.
\textsuperscript{62} Ibid., p. 21.
higher occupational grades were far more likely to consult a stockbroker before making investment decisions. The *Financial Times* singled out as a “particularly significant” finding of the survey that small investors were becoming not only “more numerous”, but also “on average, becoming smaller” in comparison to their interwar counterparts, thereby supporting Gordon Cummings’s earlier observation that small holdings were becoming evermore common among share registers of public companies.63

The Acton Society Trust also aimed to sound the potential for further expansion and to identify obstacles for wider share ownership. For this purpose, the second half of the survey examined working-class attitudes towards stocks and shares. The researchers carried out 210 interviews with workers in five different factories of companies operating employee share schemes. These first-hand statements of working-class investors were mostly brushed aside in contemporary newspaper reports and absent from the historical literature, but they made the survey a treasure house of qualitative material. They challenge us to build on Paul Johnson’s insight that a “knowledge of individual responses to material or financial problems can inform a discussion of topics that are social and collective” and serve as a reminder “that behaviour which is apparently determined by selfish economic motives can significantly affect and be affected by social and non-economic forces”.64 In this case, the interviews reveal highly diverse attitudes towards investment and speculation among the respondents. On the one hand, employee shares could be perceived as a medium of creating strong links between a business and its workforce. A 50 year-old foreman, for example, explained that he bought his shares “from a patriotic standpoint to support my own firm”. Likewise a semi-skilled worker, aged 22, “did not invest for the money or to make my job more secure but to feel that I had a stake in the company”. Another respondent found that share ownership “helps keep interest in the firm and a man sees that if he lets the firm down he lets himself down”.65

Some workers, on the other hand, held a fundamentally different notion of stock market investment. In some factories the researchers noticed “the formation of gambling groups” and one supervisor confirmed that “the *Financial Times* was commonly seen on the bench, which it had not been ‘in his younger days’”.66 A foreman, aged 41, reported that “[t]here is a work-group who are doing speculating. They are not out for dividends. They started in the last six

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66 Ibid., p. 64.
or nine months, possibly due to the selling of shares here”. One of his colleagues, a skilled worker aged 48, indeed described how “years ago” he used to do “a little Football Pools”, but now he found “the Stock market more enlightening and exciting”. Other workers admitted that “watching the fluctuations is after all a bit of fun” or reported that “a man in my shop who used to back horses told me that he had found a better method – industrial shares – and now he has got me and several others doing it too”. The experience of these workers turns a spotlight on an aspect of investment that the City establishment was keen to deny in public discourse: the striking resemblance between stock market activity and gambling. Share investment could provide entertainment and excitement, not because playing the stock market necessarily was gambling, but because it promised similar thrills of risk and reward to betting on horses, football or dog races. As we will see, this appealed not only to those working-class investors who viewed the stock market as merely another betting format, but to many middle-class investors as well.

The survey material, furthermore, suggests we need to call into question Richard Whiting’s assessment that wider share ownership “failed” in the postwar period because “shares, in fact, reinforced a lesson about short-term insecurity and instability, and this was what most workers were trying to guard against”. The experiences of the workers who did get in touch with the stock market were clearly too diverse to warrant such generalisations. Besides, the research team found that more workers stayed away from shares due to a lack of interest than because of insufficient capital. In fact, some interviewees contended that if investment was better explained and advertised, more workers would be drawn into the stock market. A “working-class man in his thirties”, for instance, opined that “share buying should be advertised and made as easy for the working classes to understand as are, say, football pools or what is running in the 2.30”. The social barriers to investment were another issue. Addressing the aloofness of the City, a charge-hand, aged 40 suggested: “Brokers should be more accessible. The first time [visiting a stockbrokers’ office] my knees were knocking. You have to move in a different circle to brave it, but I have always been a gambler and like a flutter, so carried on.” Only a minority of the interviewed workers – ten out of 210 – objected to investment on moral or political grounds: “It’s not for the working man to buy shares, to gamble. For some rich people it’s a living isn’t

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67 Ibid., pp. 50, 63–64.
69 Acton Society Trust, Wider Shareholding, p. 12.
70 Ibid., p. 78.
it?” Other respondents explained that they did “not buy ordinary shares because that is unfair profit-making. I don’t like to think that people are living on other people – buying and selling without producing”.71 These findings, albeit drawn from firms with company share schemes, suggest that class-based objections against investment may not have been as deep-rooted among working-class communities as Labour critics of the Stock Exchange asserted them to be.

Reviewing Wider Shareholding, The Economist lauded it as a “pilot survey”, but stated that “if the small investor is to become the infantryman of a property owning democracy it will have to be supplemented by a wider survey of what makes people save and invest”.72 The newly-founded Wider Share Ownership Council (WSOC), a lobby group of mainly Conservative backbenchers and City men, heeded this call and commissioned a survey on Savings and Attitudes to Share Owning.73 In the meantime, a Gallup poll on The Private Investor was published in the News Chronicle74 Both surveys stood out by making bold – and as it turned out wrong – claims about the number of shareholders in Britain having climbed to three and a half or four million respectively. Although the WSOC survey was presented prominently at the group’s annual conference, it failed to make any impact. Having received a copy from the WSOC during its annual Budget presentation, Treasury officials did “not think that this is a very good survey” and concluded with relief that it did “not fortunately give the Wider Share Ownership Committee any stick with which to beat the Treasury”.75

As Rutterford noted, “there were no more formal surveys of shareholder numbers until 1965”76, when the London Stock Exchange eventually produced reliable estimates of 1.8 million owners of industrial shares in Britain (3.3 per cent of the population).77 Three years

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71 Ibid., p. 69. Workers interviewed in later surveys believed that investment income would mean to “derive benefits from others’ exertions” or categorically stated that “people of our class don’t invest”. G. Naylor, Sharing the Profits: An Inquiry into the Habits, Attitudes and Problems of Employees’ Shareholding Schemes, With an introd. by Nancy Seear and George Copeman. Foreword by Lord Shawcross and Maurice Macmillan (London: Garnstone Pr., 1968), p. 44, 47.
74 ‘Do you know how to set about buying some shares?’, News Chronicle, 4 May 1960.
77 Ibid.; London Stock Exchange, How does Britain save?: A summary of the results of a survey conducted for the London Stock Exchange by the British Market Research Bureau Limited (London, 1966). These numbers did not include
later, a team of researchers from Imperial College, London carried out another comprehensive survey counting 2.3 million (4.1 per cent) and in addition presenting an in-depth analysis of private shareholders’ investment behaviour.\textsuperscript{78} To some extent, these numbers confounded earlier expectations of Britain becoming a share-owning democracy. Britain lagged behind US growth, where shareholder numbers sky-rocketed from 6.5 million in 1952 (4.2 per cent of population) to about 20 million in 1965 (14.6 per cent).\textsuperscript{79} Yet, by the late 1960s the UK shareholder population had still almost doubled since the War and was steadily growing. Previewing the 1966 results in \textit{The Stock Exchange Journal}, Gordon Cummings introduced Britain’s average private investor as “[a]bove average age; with a professional, managerial, or higher administrative job; educated until at least 16; tending to live more in the South than in the North; with money in other forms of investment, and possibly living in a mortgaged home”\textsuperscript{80} While middle income groups, 53 per cent of the population, were numerically the largest shareowner group with 48 per cent, higher income groups accounted for 40 per cent of all shareholders while constituting only 13 per cent of the overall population.\textsuperscript{81}

According to the survey, 57 per cent of shareholders were men and they were overrepresented in industrial shares while women held the majority of Government and Local Authority Stocks.\textsuperscript{82} Women were found to be less active traders, more risk averse and not as up to speed about market developments as their male counterparts. In this context, it is important to point out the highly gendered nature of the relationship between market masses and individual market actors.\textsuperscript{83} On the one hand, market crowds and institutions – take, for instance, the Old Lady of Threadneedle Street – have always been feminised and described with stereotypes of feminine behaviour: markets were claimed to be emotional, moody or hysterical. On the other side, we can detect with Marieke de Goede a “distinctively masculine conception of agency”\textsuperscript{84}.


\textsuperscript{80} G. Cummings, “Who are the Shareholders?”, \textit{The Stock Exchange Journal} 11 (1966), 4–5.

\textsuperscript{81} London Stock Exchange, \textit{How does Britain save?}, pp. 16–7. Socioeconomic groups were defined as “AB: higher managerial, administrative or professional, and intermediate managerial administrative or professional; C1: Supervisory or clerical, junior managerial, administrative or professional; C2: skilled manual; DE: Semi and unskilled manual, and State pensioners”, p. 7.

\textsuperscript{82} Ibid., pp. 14–5.


in financial markets. The *individual* investor or speculator was almost exclusively fashioned as a male operator, whose “emotions need to be kept in check” in order for him to stay on top of the market.85

![Book cover](image)

Fig. 8: Postwar gender roles as envisaged by B. H. Barrada, *How to Succeed as an Investor* (1966).

While women investors may have been less risk-taking, plenty of evidence suggests that they were certainly more successful investors. Let me highlight this by taking a quick look at the phenomenon of investment clubs. In the late 1950s and early 1960s, privately organized investment clubs of hobby investors mushroomed across the country. In May 1959, the newly founded National Association of Investment Clubs (NAIC) presided over 70 registered clubs, together disposing of capital of about £50,000.86 By September the following year, there were 400 investment clubs and the funds invested through them estimated at £600,000.87 Pooling their members’ money and investing it collectively, investment clubs essentially worked by the same logic as unit trusts. The difference of this non-institutional equivalent was that members could socially interact, devise common strategies and engage more actively with the intricacies of the stock market by deciding over the club’s portfolio democratically. Direct involvement, whether individually or collectively, was furthermore celebrated as a more stirring experience.

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86 ‘Growing Number of Investment Clubs’, *The Times*, 5 May 1959.
than the institutional investment vehicles that were continuing to grow: “Investing through the medium of a management company takes the thrill out of backing one’s own judgment against that of the market and, although it minimises likely losses, investing in this indirect way also minimises the gains that can be expected from a successful investment policy.”

By 1964, the NAIC published a monthly newsletter, the *Stockholder*, which kept members informed of investment opportunities and social events, as well as serving as a discussion forum for all kinds of questions surrounding the stock market. Curiously, the National Association’s annual meeting brought regular embarrassment to all-male clubs as they were repeatedly “soundly beaten by the women in a test of investing skill”. For the “interesting fact that on average all-female clubs outperform their all-male opposites” two reasons were given: women’s “chariness of anything that might be considered speculation” and their choice of investments in “companies they are familiar with from shopping”.

In regard to the Stock Exchange’s place in society, its official survey did not reflect well on the institution as it highlighted the social distance between stockbrokers and ‘ordinary’ members of the investing public. Only 32 per cent of respondents – again predominantly the upper income groups – dealt directly through a stockbroker. The majority, 53 per cent, bought stocks and shares through their bank manager. Here it is worth exploring the broker-client relationship in a brief excursion and point out the problem of workable source material in this regard. Not many archives of stockbroking firms survived the series of takeovers by merchant banks in the 1980s and 90s. Those collections that have survived are largely comprised of ledgers and account books, and rarely contain personal material or correspondence with clients. Against this backdrop, it is of great value that the private papers of Terence Rattigan, the famous dramatist of the postwar period, contain letters from his stockbroker over a period of eight years. They throw a rare light on the privileges that a close relationship with a stockbroker could bring to a ‘celebrity investor’ like Rattigan – and illustrate *ex negativo* the

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89 In 1970, the newsletter was renamed *The Shareholder and New Investor*.
informal resources as well as information networks more modest investors were excluded from.

In November 1959 – at the height of the second postwar bull market – Terence Rattigan became a client of the stockbroking firm Fielding, Newson-Smith & Co. and, under the guidance of senior partner J. D. C. Noble, built up a diversified portfolio worth £8,781.\(^95\) Already in April 1960 Rattigan must have given Noble permission to act on short-term fluctuations on his behalf, because the stockbroker sold short 792 Great Universal Stores shares at 47/3 shilling and repurchased them at 46/3 the same day, of course “free of stamp and subject to commission only”. Brokers would only deal on account for clients with sufficient capital and positions opened and closed within a fortnightly period were exempt from stamp duty. This was much to the anger of many long-term small investors, one of which complained in the Financial Times:

> At present, an ‘investor’ buying and selling stocks or shares in the same Account period, possibly without any of his own money changing hands (which is more in the nature of a gamble than an investment) is excused liability to the £2 per cent. Stamp Duty, whereas the longer-term investor, holding over a period of years and genuinely paying for his investments, has the £2 per cent. stamp duty imposed on his purchase.\(^96\)

While the time bargain carried out on Rattigan’s behalf already smacks of insider dealing, Noble’s next deal is unequivocal. He bought a significant amount of shares of an American manufacturing firm for his client after having had lunch with the company’s Chairman, who had told Noble that he “anticipates earnings [to be] $3 against 2.37$ [sic!] last year”.\(^97\) Soon broker and client were on first-name basis after Rattigan had invited Noble to the London premiere of his 1960 play, *Ross*. Later the writer gave Noble *carte blanche* over his portfolio, further highlighting that the classic broker-client relationship was one of personal proximity and mutual trust.\(^98\)

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\(^95\) Rattigan Papers. Vol. ccl (ff. 192), Western Manuscripts, Add MS 74537, The British Library (henceforth: Rattigan Papers, BL), J. D. C. Noble to Terrence Rattigan, Summary of portfolio, 26 November 1959. Fielding, Newson-Smith & Co were in fact one of the more progressive, medium-sized companies that unsuccessfully lobbied for broking firms to be allowed to advertise. Michie, *The London Stock Exchange*, p. 433.


\(^97\) Noble to Rattigan, 10 May 1960. David Kynaston emphasizes the importance of City lunches for sharing insider knowledge, Kynaston, *The City of London*, IV, pp. 198–9, 231–2, 470.

\(^98\) Noble to Rattigan, 7 June 1961; Rattigan’s private secretary to Colegrave & Co., 17 December 1963: “Mr. Rattigan will accept Mr. Noble’s advice and you can go ahead and reinvest the money without further consultation with Mr. Rattigan.” Noble had moved on to Colegrave & Co. in the meantime, but kept Rattigan as a client underlining further the personal nature of this connection.
After Labour’s election victory in October 1964, Noble increasingly began to shift his client’s capital from British to foreign companies, feeling “certain that you should have further funds abroad especially in view of the Socialist Government here”. For instance, Noble moved his client’s position from Unilever to BASF, a German competitor in the chemical industry and reiterated his advice a few months later when stating that “[w]ith the advent of the Corporation Tax in the Finance Bill […] I would prefer that you had further funds abroad.” Noble’s micro-management epitomises the view of the entire City of London. Bankers, stockbrokers and fund managers regarded British industry as uncompetitive and increasingly sought higher returns abroad on their clients’ capital. Noble lost a prime client in 1967, when Rattigan moved to Bermuda – he had come to dislike 1960s London – and divested his portfolio at £12,422 as well as £32,067 in 3.5 per cent War Loan. What this relationship helps to illustrate beyond the personal character of financial relations and the growing tensions between the City and industry, are the myriad advantages more affluent investors had over investors of more modest means. Stockbrokers were far more likely to share insider knowledge with wealthy clients and might also deal on the account for them, thereby evading transaction costs that conventional dealers had to pay.

Coming back to the Imperial College survey, it is difficult to compare its results with the one commissioned by the Stock Exchange as the former was carried out based on the share register of one anonymised ‘blue chip’ company. In regards to social background, gender, regional distribution, education and age of investors both surveys came to similar conclusions. The 1968 survey, however, is more important in view of the claims it makes about the behaviour, attitudes and motivations of the average shareholder. Were Britain’s shareholders better characterised as investors or speculators? The London Stock Exchange survey found that only 6 per cent of respondents bought stocks and shares “for short-term speculative purposes” without further elaborating on the facilities used for this sort of trading. The majority, 43 per cent, stated to aim for “capital appreciation”, i.e. capital gains and 40 per cent were “concerned to receive a steady income” when investing in the stock market. The Stock Exchange survey therefore found investors to be more passive and conservative than earlier suggested. Most respondents of the WSOC survey, for instance, had listed ‘capital gain’ before dividends as their prime motive for buying equity, meaning that they sought to profit from price differences

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99 Noble to Rattigan, 9 March 1965.
100 Noble to Rattigan, 4 August 1965.
101 Coutts & Co. to Rattigan, 5 and 7 September 1967, 11 November 1967. Coutts were Rattigan’s bankers.
102 London Stock Exchange, How does Britain save?, p. 28.
rather than buying shares for long-term income purposes.\textsuperscript{103} Over a third of respondents in the Gallup poll stated they “bought shares to take a gamble”.\textsuperscript{104}

According to the Imperial College survey, however, Britain’s shareholders were far more apathetic and risk-averse. The researchers came to the mixed conclusion that “many private shareholders are apathetic about their holdings” while nevertheless, “a substantial proportion do take an active interest in investment matters”.\textsuperscript{105} Most respondents listed “steady income” (54 per cent) and “hedge against inflation” (34 per cent) as the “main attractions” of shares.\textsuperscript{106} It found that only 11 per cent of blue chip holders listed “capital gain profits” as a motivation for equity investment and averred that “most respondents revoke the idea of shares as a hobby or a gamble”\textsuperscript{107}. Findings were frequently backed up with personal statements retrieved from interviews with shareholders such as: “Only a fool gambles with capital and you don’t do this sort of thing as a hobby. I regard investment as a very serious business.” The survey did conjure up a minority of people who did regard investment as a hobby as one respondent recounted: “I was sick in bed after a coronary for about three months. A stockbroker friend suggested that I pass away the time with a little flutter on the stock market.”\textsuperscript{108} Overall, however, the private investor was depicted as risk-averse, prudent and interested in long-term income.

However, several factors complicate the firm distinction these surveys suggest between sound investment, risky speculation and reckless gambling. First of all, the Imperial College survey had a selection bias. Shareholders of blue chip companies – who comprised the sample exclusively – are more risk-averse than investors in growth shares of small and medium sized companies, which are by nature more volatile and speculative. Then, more generally, we must deconstruct the linguistic peculiarities in Britain’s economic language and take into account that many of its terms had a persistently negative connotation. Take for instance the term ‘profit’, the linchpin of capitalist vocabulary. Bernard Hollowood, the editor of the satirical magazine \textit{Punch}, pointed out that “even dyed-in-the-wool capitalists shrink from using it blatantly” and instead “replace it with such euphemisms as margin, gain, balance, earnings, recompense and remuneration”.\textsuperscript{109} This applied more specifically to financial terms like ‘speculation’, which was still surrounded by a whiff of indecency leading even professionals to

\textsuperscript{103} Research Services Limited, \textit{Savings and Attitudes to Share Owning}, p. 3.
\textsuperscript{104} Whiting, ‘The City and democratic capitalism’, p. 105.
\textsuperscript{105} Vernon, Middleton and Harper, \textit{Who Owns the Blue Chips?}, p. 124.
\textsuperscript{106} Ibid., p. 93.
\textsuperscript{107} Ibid., p. 93. However, 27 per cent of respondents listed “capital gain profits” as a “secondary transaction”.
\textsuperscript{108} Ibid., p. 93. Ibid., p. 85.
avoid it. The 1960 City novel, *Bargains at Special Prices*, satirized “the City convention that ‘speculation’ was as unmentionable a word as ‘cancer’ in an old folk’s home” – instead, the group of shady stockbrokers, who were the main protagonists of the novel, “talked of ‘avoiding stagnation’, ‘watching trends’, ‘making your money work for you’, and so on”. Restrained language of this kind also underlay the 1966 Stock Exchange survey, which claimed that only 6 percent of British shareholders were speculators, while those 43 per cent who sought ‘capital appreciation’ were not classified as such. This interpretation strikes as odd when read against conventional City definitions, according to which “the speculator buys for capital appreciation”. But the Stock Exchange’s wariness was probably down to Labour having won the 1964 general election. Naturally it did not want to provide Harold Wilson’s government with any evidence that could be used in support of Labour’s claim that the Stock Exchange was fostering speculation. In a similar fashion, the various guide books by and for small investors would not openly encourage their readers to speculate, but to apply “intelligent anticipation” or to “launch out on the high seas of equity investment, trusting in skill and good seamanship to bring us to prosperous shores”.

Against the backdrop of this language regime, survey respondents were also likely to have been reluctant to concede to be ‘speculating’. But investors who sought capital gain were basically anticipating to buy low and sell high – and therefore could rightfully be regarded as speculators. At closer scrutiny, it becomes apparent that the “separation of investment from speculation is not easy”. Several guides for the private investor “admit[ted] that just as there may be an investment element in most speculations, there is a speculative element in most investments”. The two practices were frequently referred to as the “twin sisters of Stock Exchange activity. By nature closely related, they provide subject-matter for constant debate

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113 Barrada, *How to Succeed as an Investor*, p. 11. In line with these imperial metaphors the author declared: “The spirit of investment is the spirit of discovery and adventure.” Ibid.


by moralists, theorists, and economists.”116 The discursive struggles that unfolded in postwar Britain over the boundaries of these concepts were not just of economic, but social and cultural significance. They are indicative of changing notions of economic prudence, financial morality and the profit motive more generally. If we want to gain a more accurate picture of the stock market’s place in British postwar society, we need to complement the findings of contemporary surveys with an analysis of more open-ended material in a wider historical context.

Playing the Stock Market in ‘Affluent’ Britain

In his detailed study of black markets in war-time and Austerity Britain, Mark Roodhouse has restated the importance of the “moral dimension of exchange” for historical inquiries into market activity and convincingly dismissed “the idea that economic activity is in some subtle and fundamental way distinct from social life”.117 The following section will demonstrate that this methodological observation is just as valid for the stock market. Popular forms of investment and speculation were not just affected by changes in Britain’s political economy, but by the social and cultural transformations of the postwar period that historians subsume under the term ‘affluence’. Arguably the two most prominent strands of research under this moniker have been studies on Britain’s changing political culture and the manifold “consequences associated with the growth of postwar consumerism” for society.118 In this sense ‘affluence’ was not primarily treated as a socioeconomic condition, but conceived of as an ideological battleground for subsequent Labour and Conservative governments.119 Historians of postwar ‘affluence’ have in common that they locate the origins of social change not only on the level of party politics and economic structure, but on “the inner, small-scale workings of society itself as people went about their daily lives”.120 This approach continues to

116 F. E. Armstrong, The Book of the Stock Exchange: A Comprehensive Guide to the Theory and Practice of Stock and Share Transactions and to the Business of the Members of London and Provincial Stock Exchanges, 5th edn. (London: Pitman, 1957), pp. 151–2. See this allegory also in W. W. Duncan, Duncan on Investment and Speculation in Stocks and Shares, 2nd ed. (London: E. Wilson, 1894), p. 5: “Investment and speculation are twin sisters, and so nearly alike that it is almost impossible to discriminate between them. [...] All investments of money are more or less speculations as surely as that all speculations are investments of money.”


go along with a marked focus on consumer practices like spending, shopping, travelling or advertising, often in relation to burgeoning youth cultures.\textsuperscript{121}

As a result of this emphasis on the “consumer citizen”\textsuperscript{122}, less attention has been paid to the ways in which ordinary people actively appropriated other market practices such as investing, dealing, trading, collecting or speculating throughout this period.\textsuperscript{123} If we assume that the 1950s and 60s saw “the erosion of customary restraints on assertive individualism across British society”\textsuperscript{124}, then foregrounding this neglected, more commercial set of market practices has the prospect to enhance our understanding of this social transformation. More specifically a close examination of ordinary people’s involvement in the stock market beyond textual sources lends new support to the assumption that the 1950s and 1960s were a formative period for the kind of economic individualism that “fed the shift to neo-liberalism and free market ideology in the 1980s”.\textsuperscript{125}

In order to narrow down the rather broad concept of ‘economic individualism’, I will conceive of the realm of private investment as an arena for contested debates over the profit motive. Examining the ways in which legitimate and illegitimate ways of money-making were negotiated over time can be revelatory about the extent and limits of this concept. One such debate unfolded over the practice of ‘stagging’ in the late 1950s and early 1960s. In stock market zoology, the ‘stag’ is a short-term speculator who targets new issues by trying to subscribe to as many shares as possible, but then merely aims to re-sell allotted stock swiftly in order to gain a quick profit. For this reason, stags complicate reliable surveys on shareholder data as they are not investors in a narrower sense – much less shareholders from a legal point of view – and yet the stag is certainly a stock market participant. The term, as George Robb has made out, “was coined in the 1840s to describe those people who applied for railway shares only to sell them”. In his study of Victorian white-collar crime he has shown that “[m]any stags

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\textsuperscript{123} For a welcome shift of perspective that traces the “popularisation of antique collecting” and ordinary people rehearsing market practices in the interwar period see H. Egginton, ‘In Quest of the Antique: The Bazaar, Exchange and Mart and the Democratization of Collecting, c. 1926–1942’, Twentieth Century British History (2016), 159–185.


\textsuperscript{125} Black and Pemberton, ‘Introduction’, p. 8.
were penniless adventurers who could only secure letters of allotment or shares by using fictitious names and false addresses. Clerks at small salaries in banks or counting houses would write for shares as if they represented their employers.”

Being the third stock market animal alongside the ‘bull’ and the ‘bear’, the stag underscores the importance of ‘animal spirits’ and offers valuable insights into the emotional economy of investment. Observers contended that overall, “investment, with its element of uncertainty, stimulates the excitability arising from expectation of gain or fear of loss”. Stagging promised an even larger ‘thrill’, but could also be “a very hazardous occupation”. Success required the skills of “an amateur psychologist” because stags do not analyse the intrinsic value of a share, but essentially anticipate the market behaviour of others. During a new issues boom in the late 1950s and early 60s, stagging became a “popular pastime” and a national “town and country sport”. But while this new hobby brought pleasure and excitement to some punters, it caused enormous outrage amongst those members of the financial community who thought of themselves as ‘genuine investors’.

Fig. 9: Stags queue at London Bank branch. *Men and Money: The Stockbroker’s World* (BBC 1964).

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When journalists set out to profile the average stag during the new issue scramble, they were surprised by the diversity of people engaging in this type of speculation. A 1961 *Times* reportage found stags “grey-suited in country vicarages, tweedy in public school common rooms, bath-chaired at Bournemouth”. The following year *The Guardian* noted that the practice of stagging had “spread excessively” and “oddly enough [was] practised more by people of moderate means such as bank clerks, parsons, and suburban housewives, than by speculators in the surtax class”. Apparently there was an “increasing tendency for investors to stag new issues without the resources to back their application”, a trend that most financial observers condemned as dangerous. But proponents of ‘genuine stagging’, i.e. within the speculator’s means, not only praised it as a “cheap method of gambling” but pointed out the stag’s “important, if occasionally invidious, part in the mechanism of company launchings”. From that perspective, the stag’s speculative activity was overall taken to be conducive to an active and liquid market. One particularly emphatic laud on the stag came from Nigel Lawson, then City editor of the *Sunday Telegraph* and later Chancellor of the Exchequer under Margaret Thatcher, who argued that “there can be no doubt that on balance the new issue stag [...] is an animal to be cherished. Without him a good many issues might get off to a very sticky start indeed.”

But long-term investors began to take issue with this practice when they increasingly lost out to armies of stags in new issues. Several of them complained in the press that “the genuine investor is left out in the cold, and what should be a normal business procedure becomes a mad scramble for quick gamblers’ profits”. They described scenes of issuing houses being “besieged by groups of stags with armfuls and case-fulls [sic] of application forms in the process of shuffling their forms into piles, some of these piles being built up on the pavement outside and then handed into the receiving clerks”. Rallying behind the term ‘genuine investors’, critics decried stagging as “one of the things which bring the Stock Market into disrepute” and “which all responsible parties should cooperate to stamp out”. It is

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140 ‘Letters to the Editor’, *The Investors’ Chronicle*, 28 April 1961: “What the small investor complains of is not the balloting but the stags. It is a great scandal that the genuine investor should be held to ransom by these spivs.”
worthwhile to quote at length one ‘true investor’, who criticised stagging extensively in a reader’s letter to the FT as late as 1973. By that time, the stag’s activity had long been curbed to some extent by the introduction of a short-term capital gains tax in 1962, but the reader’s intervention highlights the continued appeal of this pastime. His letter is revelatory as it allows us to flesh out an essentially conservative critique of financial speculation that highlights a tension between private property rights and the responsibility of ownership – two elements that according to advocates of wider share ownership constituted a capitalist society:

A share certificate is not a mere commodity but a certificate of membership. A company is a living entity affecting the welfare and livelihood of a lot of people. Capital is its lifeblood, and the investor has a proper and honourable part to play in providing that capital. […] It is no bad thing for members to cultivate a sense of identity with the company and try a little loyalty, rather than behave like soccer fans who cheer wildly in the good times and revile and desert their club when it is down. […] Playing the exchange is a far more deplorable form of gambling than roulette: and stags, of course, are merely Wembley ticket touts with posher accents. Maximum gain is made the only consideration, a view which not everyone is ready to share. Naturally we all buy hoping that the company will prosper and we may sometimes have to sell, but as true investors we dislike speculators.142

It is important to point out the fine line that is being drawn here between a legitimate expectation of a fair return for providing industry with an amount of capital, however small, and, on the other hand, a condemnable intangible trade in financial securities for maximum profit. This critique had deep roots in Britain’s economic mentality and was in fact much older than the socialist critique of speculation as a parasite of physical labour. James Taylor has portrayed this “pervasive culture of antipathy to speculation in nineteenth century Britain”143 that stemmed largely from a romanticised notion of ownership and evangelical morality.144

144 This antipathy is often neglected in canonical accounts of the entangled history of capitalism and religion. R. H. Tawney, for instance, sought to refine Max Weber’s seminal theory of the affinity between the protestant work ethic and the rise of capitalism and maintained that “[t]he speculations of business men and economists on money, prices and the foreign exchanges […] contributed to the temper of single-minded concentration on pecuniary gain”. But he saw them as part of “intellectual movements, which […] had little to do with religion”. Perhaps as a result, Tawney overlooks contemporary and later religious criticism of financial capitalism. R. Tawney, Religion and the Rise of Capitalism: A Historical Study (London: Penguin Books, 1987 [1926]), p. 262. For the intellectual context of Tawney’s study see L. Goldman, Life of R. H. Tawney: Socialism and History (London:
According to the latter, stock market speculation was a “godless activity which undermined habits of hard work and thrift” because it resembled gambling in its reliance on chance.\textsuperscript{145} Gambling, on the other hand, from an evangelical point of view, “subverted the meritocratic principles of the Puritan work ethic, in which capital was earned by hard work, talent and deferred gratification”.\textsuperscript{146} We can see remnants of this Victorian aversion resurface in the postwar critique of stagging and of speculation more generally, for instance in a 1961 House of Commons’s debate on the economic situation exemplifies this. In April that year the young Conservative MP for Finchley, Margaret Thatcher, who had a strong Methodist background, urged the Inland Revenue to crack down on speculative property and share dealers. She railed against “the speculator in shares […] the person who is making a business of buying and selling shares, not to hold them for their income producing properties, but to live on the profit which he makes from the transactions”.\textsuperscript{147} What we can conclude from the postwar debate over stagging, is that, on the one hand, the profit motive was to some extent still tamed by a financial morality that stemmed primarily from a traditional understanding of shares as a form of ownership and a Protestant antipathy towards excessive speculation. According to this notion, stock trading or speculating perverted the principle of ownership and was merely a disguised form of gambling. On the other hand, however, ‘stagging’ and other forms of popular speculation carried on in spite of this public morality and, after all, no postwar government undertook deliberate action to curb the stagging of new issues.

But if “Britain had ceased to be a Christian country by 1960”,\textsuperscript{148} as Simon Green has suggested, did religious apprehensions about money-making and speculation wane with religious belief? It would seem far-fetched to assume a causal link between Britain becoming a more secular society and the growth of shareholder numbers during the postwar period.\textsuperscript{149} However, there

\textsuperscript{145} Taylor, Creating Capitalism, p. 56.


\textsuperscript{147} HC Deb 638, c. 1227, 19 April 1961.


\textsuperscript{149} Here I follow Martin Lutz, who recently intervened in the new debate on religion as a neglected factor in economic life and urged historians to move away from monocausal explanations à la Weber: “The influence of religion on the modern economy is more complex that [sic] Weber’s work ethic hypothesis suggests. Religion as
is a religious side to the history of Britain’s changing financial landscape in this period which is often overlooked. During the 1950s and 1960s, the Church of England became a pioneer of the ‘Cult of Equity’ and the country’s second largest holder of financial securities. Seminal works on the postwar City and the Stock Exchange only touch briefly upon what contemporaries described as a “remarkable transformation”, while Andrew Chandler has chronicled the Church of England’s “Age of Speculation” in his exhaustive history of the institution during the second half of the 20th century. But so far the historiography has neglected the extent to which the Church’s involvement in the stock market helped to dismantle older restraints and weaken traditional Christian suspicion of investment and speculation in the stock market.

After the War, the Church was in a dire financial position as many of its assets had lost value due to war damage and inflation. As a remedy, it merged its two previous funding bodies, Queen Anne’s Bounty and the Ecclesiastical Commissioners, into the Church Commissioners. This allowed the Commissioners to reinvest Church funds – the majority of which were in bonds and real estate – and by 1953 the Church had become Britain’s second largest holder of financial securities after the insurer Prudential. There were two key architects in this restructuring process, the First Commissioner, Sir Malcolm Trustram Eve, and his Financial Secretary, Sir Mortimer Warren, who had “advised the commissioners that they must take the revolutionary change of investing for growth, including investing in equity shares”. According to Chandler, Eve was “something of a genius”. A trained lawyer and chairman of many government commissions, he commanded the respect of the Archbishop, and the Daily Mail approvingly dubbed him the “Church’s No. 1 share buyer” or the “Man Who Gambled the Church’s Money”. His biographer points out that “Trustram Eve’s appointment had been actively sought by the archbishop of Canterbury, Geoffrey Fisher, not least for his ability to bring his experience of modern business to bear on the church’s financial affairs.”


was a chartered accountant who “understood the intricacies of the finances and investments better than any other” and, besides managing the Church’s wealth, authored a critically acclaimed investment guide.157

Writing in the *Stock Exchange Journal* in 1961, Warren explained how the Commissioners had come to own £128.1 million worth of industrial ordinary shares. In order to protect the Church’s funds from inflation, ordinary shares now amounted to 33.4 per cent of its entire assets; in contrast to 11.9 per cent in bonds and a further 10.8 in debentures, preference shares and investment trusts, meaning that more than half of the Church’s income was invested on the Stock Exchange. In this context it needs be noted that the market value of ordinary shares had increased by 70 per cent compared to book value (75.2 to 128.1 per cent). The market value of bonds, on the other hand, had dropped by 10.8 per cent due to inflation (26.8 to 23.9 per cent).158 By that time, the Commissioners were holding annual press conferences where Eve and Warren gave assurances that they were managing the Church’s portfolio conservatively, favouring long-term growth over capital appreciation and even pursuing an ethical investment policy that forbade holdings in breweries, tobacco companies, cinemas or the arms industry.159 There is furthermore evidence that Warren spurned City offers for short-term speculations due to “political expediency”.160 But the public eye was not always ready to take such a nuanced perspective and viewed with scepticism that the Church had ventured “onto the ocean of speculation”.161

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159 ‘No Beer Money’, *The Financial Times*, 6 April 1961. Lord Ritchie, the Chairman of the Stock Exchange, alluded to this policy in a joke he shared during a speech at the centenary dinner of the *Investors’ Chronicle* in 1960: “We had a client who was a very rich man […]. He was a leading light in the Nonconformist Church and a very strict teetotaller. One day we bought him a series of investments which included a parcel of Debenture Stock in the then Niger Company, and after he had held the stock for about six months he found out to his horror that one of the activities of the company was selling beer to the natives. (Laughter). Well this shook him very much, and he got on to us on the telephone, hot foot, and said would you please sell the investment at once – but not below 95. (Laughter).’ ‘Lord Ritchie’s Congratulations’, *The Investors’ Chronicle*, 17 June 1960.


161 Ibid., p. 45.
The Church’s involvement in the stock market became the object of a heated debate for the first time in June 1956. That month the Archbishop publicly criticised Chancellor Harold Macmillan’s introduction of Premium Bonds which sought to encourage savings through a regular prize draw. At the same time it was rumoured that the Commissioners had made an enormous profit in the takeover of the Trinidad Oil company, of which the Church was a major shareholder. Premium Bonds introduced elements of chance into National Savings and therefore the Church, Christian Conservative MPs and Labour alike – in accordance with traditional Protestant morality – condemned them as gambling. Against the backdrop of its investments, however, the Church’s criticism appeared hypocritical and in the ensuing debate, Macmillan deliberately blurred the line between gambling and investment in an act of political expediency. In parliament, the Conservative backbencher Charles Mott-Radclyffe assisted his Chancellor by arguing that “that the moral issue ought not to be voiced too loudly by clergy of the Church of England. […] Where their investments have been switched from gilt-edged to ordinary shares, that, too, is a gamble.” Both the Conservative MP for Louth, Cyril Osborne, who was a stockbroker by profession, and the Labour MP for Nelson and Colne, Samuel Silverman, criticised Premium bonds for promising a “something for nothing” mentality. But Macmillan shrugged off such accusations, stating sardonically that “I really do not see any great difference between the prize which they [the Church Commissioners] have

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164 *HC Deb* 554, cc. 1097–1098, 18 June 1956.
165 *HC Deb* 554, cc. 1093 and 1104.
drawn unexpectedly [from Trinidad Oil] and the prize of a man who might draw a Premium Savings Bond prize.” Later as Prime Minister, Macmillan was more candid to his Chancellor and noted that “buying equities to the ecclesiastical mind has all the fascination of gambling without its moral guilt.” A *Telegraph* reader from Queen’s Park London would have agreed with Macmillan’s assessment but did not share the Chancellor’s penchant for permissiveness. He took issue with the fact that

No pronouncement has been made by any leaders of the Church on the gradual switch of a large proportion of the funds of the Church Commissioners from gilt-edged securities to industrial equities. Many of the laity believe there is just as much an increase in the gambling element arising from this switch as there is in the switch from Orthodox government saving schemes to premium bonds.

In October 1956, it was confirmed that the Church had indeed made a capital gain of £160,000 as a result of the takeover of the Trinidad Oil Company. Eve felt this “was a most embarrassing thing for us” and spoke of an “unwanted profit” at the Commissioners’ first press conference. Somewhat ironically, it was Nicholas Davenport, the *Spectator’s* left-leaning City editor, who struck a blow for the church’s investment strategy. He argued that “the Stock Exchange need the Church Commissioners, who possess accumulated savings, just as much as the Church Commissioners need a Stock Exchange where they can put their savings to work and provide income for their beneficiaries.” Davenport highlighted the ambiguity between stock market investment and Christian ethics, musing that the “parable of the talents might well be written on the wall of the House of Mammon as well as being framed in the office of the Church Commissioners”. Subsequently, investors regularly employed the parable of the talents to legitimise investment and speculation as in line with Christian moral standards: “As the parable of the forty talents so forcefully reminds us, money hidden away is sterile. It earns nothing for its owner; it does no useful work.” Naturally, even more outright support came from the City. One senior stockbroker pointed out candidly that “surely the Commissioners should be aware by this time that when some eight years ago they switched a large proportion

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166 HC Deb 554, c. 1182.
169 ‘Church Switched £30m of Investments Last Year’, *The Daily Telegraph*, 19 October 1956; ‘Church made £160,000 on Oil Deal’, *Daily Mirror*, 19 October 1956.
of their gilt-edged holdings into equities they inevitably entered the field of speculation”. But, having “still to encounter one who has taken a capital profit with any feeling of shame”, he urged the Church Commissioners not to shun the pursuit of wealth, but to embrace it.¹⁷²

But local parishes did not necessarily share this notion. Throughout these years, Warren had to reply to letters from clergy and laity voicing concern over the church’s investments. Chandler paraphrases one clergyman who “wrote that he had been leading a course on the Church’s teaching on gambling, and had found himself asked to talk about the Church Commissioners’ ‘gambling on the Stock Exchange’”.¹⁷³ Another struggled to bring in line the Archbishop’s critique of Premium bonds with the Church’s stock market investments, wondering “whether you [Warren] could give me a little help over this question as I know little or nothing about financial speculation”.¹⁷⁴ One Richmond clergyman was less acquiescent about the Commissioners’ “investments and dealings on the Stock Exchange”, arguing that “[i]f the essence of gambling is to receive money for which no equivalent service is given, it concerns equally speculation on the Stock Exchange”.¹⁷⁵ In the “Church oligarchy”, however, there was little “soul-searching” or disagreement over the new financial strategy – the end justified the means: Eve and Warren sustainably consolidated the Church’s financial position, allowing it, for instance, to double the average clergy stipend.¹⁷⁶ But the first-hand statements from vicars and worshippers reveal that the Commissioners’ stock market activity meant predicaments for everyday parish life and must have diluted previously held beliefs in financial morality. All this had effects on the wider investing public. One of its members, Sybil Burrows from Hampshire, encapsulated the consequences of the Church’s policy for the “small punter” in the Daily Mail: “It was most gratifying to read of Sir Malcolm Trustram Eve’s brilliant gambling on the Stock Exchange on behalf of the Church. Now perhaps we small punters can carry on with our own little each-way bets without fear of criticism from the Church.”¹⁷⁷ The various ramifications of the Church’s involvement in the stock market urge us to reassess the Cult of the Equity. David Kynaston has argued that “[t]he trend would mean, among other things, that the City seemed an irrelevance in the day-to-day lives of most people”.¹⁷⁸ Certainly,

¹⁷² ‘Church Profits: Letters to the Editor’, The Daily Telegraph, 12 November 1956. The author, Marno Slorach, was a senior partner in the stockbroking firm Atchley and Heron.
¹⁷³ Chandler, The Church of England in the Twentieth Century, p. 54. Unfortunately, according to the website of the Church of England Record Centre, these letters “have been destroyed in line with standard appraisal procedure”.
¹⁷⁴ Ibid., p. 54.
the actions of private investors, small and large, became less and less relevant in a market dominated by institutions. But the Commissioners “widely publicised and widely copied” engagement in the stock market caught the public’s imagination and thereby played its part in popularising share ownership and City affairs more generally.

Britain’s gambling public overlapped with its investing public, and related debates were often entangled. This became apparent again during the preparation and implementation of the 1960 Betting and Gaming Act, when the Conservative government clashed again with the Church over this sweeping liberalisation of gambling laws. Macmillan and his ministers pushed through the legislation against criticism from the Archbishop of Canterbury and the Free Churches, both of whom branded gambling as a “social evil” that “wasted manpower and drained the economy”.

Mark Jarvis has pointed out that one of the unintended consequences of Conservative modernisation efforts was the rise of “a powerful commercial gambling market”. But very little attention has been paid to Act’s consequences for Britain’s financial landscape. The new legislation effectively legalised the bucket shop – only 21 years after these establishments had been clamped down on in an enormous legal effort. Claire Loussouarn has recently shown how the 1960s gambling reforms technically legalised the practice of betting on the price movements of financial securities without legally owning them, thus laying the foundation for Britain’s spread betting industry. As a result, she argued, “the Victorian divide between speculation and gambling eroded”.

Indeed, an overlooked, but immediate result of the Betting and Gaming Act was the establishment of so-called ‘stock market pools’. One of the first, the Mancunian firm Bulls and Bears Ltd., was formed in 1960 and none other than Matt Busby, the legendary manager of Manchester United, was a founding director. Punters could have a “modest flutter on the Stock Exchange” by picking the most successful shares over a fortnightly period. As with bucket shops during the interwar period, the Stock Exchange fretted about this betting format as it blurred the carefully drawn line between

180 Jarvis, Conservative Governments, Morality and Social Change in Affluent Britain, 1957–64, pp. 66–70.
181 Ibid., p. 73.
But the Victorian distinction between speculation and gambling did not collapse as conclusively during the 1960s as Loussouarn suggests. Shared notions of investment, speculation and gambling changed more subtly not least because linguistic reservations against profit and speculation persisted in British common parlance. A widely publicised 1962 court case forcefully reminded the British investing public that ‘stock market gambling’ in everyday use remained a term to denigrate reckless, fraudulent and indeed criminal financial conduct. That year, Ronald Houlden, a 42-year-old correspondence clerk from Kent, stood trial at the Old Bailey in London and was accused of obtaining more than £4,000 of credit by false pretences from several London stockbrokers. Houlden earned £1,000 a year, meaning that he owed four times his annual salary to various City firms. The defendant, who pleaded not guilty, stated that “[f]or the past two years [i.e. during the enormous bull market] I have been interested in the movement of shares and studying the financial columns of the newspapers.”

To the prosecution, however, it was evident that he had been “speculating and indeed gambling on the Stock Exchange”. Eventually, Houlden was sentenced to a conditional discharge of 12 months for his “fierce and futile flutter on the Stock Exchange”. The clerk explained: “I decided to buy some shares in the hope the prices would rise and that I would gain the financial benefit my friends appeared to be having.” Certainly, Houlden represents the very fringes of the stock market. But his statement nevertheless urges us to conceive of ‘affluence’ not just as a socioeconomic condition that widened the number of investors. ‘Affluence’ also encompassed a climate of non-economic factors such as social envy, group pressure or desire for status recognition that also influenced financial decisions and could lead to disastrous consequences.

But the case of Ronald Houlden is revelatory in another regard. In his History of Financial Speculation, Edward Chancellor has noted one pattern of speculative manias being that “the
leading speculators [...] are pilloried, stripped of their wealth, and imprisoned. [...] They become scapegoats for the sins of the community and are sacrificed so that normality can return." To be sure, Ronald Houlden was only a small-time villain and the postwar bull market did not result in a financial crash. Nevertheless we can see something similar play out as the “gambling clerk” was a welcome scapegoat at the end of an extraordinary bull market. The prosecution deliberately pointed out that Houlden made his losses “at a time of boom when it was almost impossible to lose money on share transactions”, thereby highlighting the extent to which certainties of financial capitalism had been suspended during that period. Scapegoating Houlden was thus part of restoring financial normality and a way of appealing to the investing public’s virtue and prudence.

Nevertheless, in the wake of rising disposable incomes, the liberalisation of gambling and the decline of traditional restraints of investment and speculation, resemblances between the stock market and the world of gambling did increasingly shine through in financial discourses. On the one hand, this affinity continued to be a source of moral outrage; either in the form of a left-wing critique of the Stock Exchange as a casino or expressed as a conservative critique of excessive speculation. On the other hand, this was the reason why the stock market fascinated, enthralled and attracted so many people. As mentioned earlier, one did not have to gamble recklessly in stocks and shares to enjoy the thrills of equity investment. While high finance was determined to demarcate itself from any gambling accusations, most investors were well aware of the similarities and drew analogies to the turf when explaining the market to a wider audience. Fledgling investors were told that “there are no ‘certainties’ on the Stock Exchange any more than at a race meeting, even if the odds are very much more in your favour”. But then again, as the same investment guide insisted, the “uncertainty is one of the fascinations of investment”. More and more it became justifiable and acceptable not only to reap the pecuniary benefits of share investment, but to indulge in “the fun of watching your own shares perform”. Popular investment guides were perfectly clear about investment having the double function of being economically prudent and entertaining at the same time. Numerous authors advertised the stock market as “a pleasant as well as a profitable pastime” or “one of

190 ‘£4,000 Lost in Boom, Court Told’, The Times, 3 April 1962.
191 Whitehouse, Investing Your Money, p. 64.
192 Ibid., p. 41.
the most fascinating hobbies in the world” that provided an “exciting daily interest”, thereby giving rise to a notion that ran counter to traditional understandings of shareholding as a form of ownership. One investor from Cheshire elaborated on this aspect in a letter to the Financial Times. Replying to a previous correspondent, who had insisted that “if one must invest, speculate or gamble, Premium Bonds are by far the best”, he argued:

Although a good return on one’s investment is an essential, it is not the only criterion; surely the amount of pleasure one gets from the medium of investment is important and explains why people have such diverse investments as stock and shares, stamp and coin collecting, property, antiques, jewellery, paintings, etc.

A large part of the fun was drawn from “the pleasure of knowing that you have played the game successfully”, which for many investors was as important as the prospect of financial gains. If “intelligent anticipation” was a euphemism for speculation, it was precisely this aspect that could “make investment such an absorbingly interesting subject, because nothing is more satisfying than to obtain reward from the successful application of one’s own common sense”. To some investors, dealing directly in stocks and shares was not primarily a means of providing for old-age or protecting their savings from inflation, but an end in itself.

We can see this gaming approach to the stock market gaining popularity in Britain by the late 1960s. For instance, in 1968 the US investment classic, The Money Game, written by the New York magazine journalist George Goodman under the pseudonym Adam Smith, also became a critically acclaimed bestseller in Britain. Goodman was an ardent admirer of John Maynard Keynes – not of the economist, but “Keynes the writer and speculator”. The book polemicized against the perceived Anglo-Saxon dogma “that money is A Very Serious Business” and built on Keynes’s aphorism that “the game of professional investment is

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196 Thrower, How to Invest for Profit in Stocks and Shares, p. 7.
197 Warren, Pounds, Shillings and Pence, p. 43. This logic applied vice versa when being on the losing end of the market as another guidebook explained: “No backer of horses expects to avoid the occasional losing run, and neither can the speculator. [...] Some of them may deal so cleverly with the hazards of racing that they can expect to make money that way. But most would have to justify their losses in terms of the fun they had making them.” Gifford and Stevens, Making Money on the Stock Exchange, p. 222.
198 Originally published in 1968 by Random House, New York it was distributed in the UK by Michael Joseph Ltd the same year and reached its fourth impression by April 1969. The Times Literary Supplement praised that after the “Stock Exchange has long been the source of esoteric jokes; with this book it marches into the public domain.” ‘Playing the Market’, TLS, 24 October 1968. The Sunday Times called it “the funniest money book of all times”, 31 October 1968. See also ‘Wall St gets down to the money game’, The Times, 1 July 1968.
intolerably boring and over-exacting to anyone who is entirely exempt from the gambling instinct; whilst he who has it must pay to this propensity the appropriate toll”. Note that Keynes spoke deliberately of ‘professional’ investment, not the investing public as a whole, assuming that “many Englishmen” still invested “for income”. But this seems to have changed by the late 1960s. The Economist’s review of The Money Game reasoned that that one side effect of the rise of institutionalised investment was that those who continued to invest directly, increasingly did so for the excitement this involved. One of the book’s “serious lessons”, according to the magazine, was that “most private investors are not interested primarily in making money (or they would have their money managed for them) but in getting some other satisfaction out of playing the market”. By that time, the stock market game had already found new, colourful representatives in Britain in a new generation of young and aspiring financiers like Tiny Rowland, James Goldsmith or Jim Slater who upended the City’s traditional financial order by the late 1960s and early 1970s. Out of this group, Slater was arguably the most illustrious proponent and his dubious career as a financial journalist and corporate raider will be discussed in more detail in the following chapter. After a three-year spell with the Sunday Telegraph as a flamboyant share-tipper, Slater had gained the attention of the investing public and from 1964, took on British companies with his asset-stripping vehicle, Slater & Walker, which he founded with his friend Peter Walker, the Conservative MP for Worcester. In a 1969 interview with the Daily Mail, he explained the essence of his investment philosophy:

Any game you play is a reflection on you, on the way you won or lost. In this game, if you’re not making money, then you’re not playing the game well. It’s the game not the chips. [...] You are pitching your judgment against the market, and it’s very pleasant to be right. [...] I eat well, I drink well. I have slightly better suits. [...] I have slightly better holidays. [...] What doesn’t change is the game. I find it completely enjoyable. I don’t think I could give it up. [...] Having made three million I shall regard myself as having played the game badly if I don’t make six million. [...] I regard it all as an

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200 Ibid., p. 9. Goodman made clear that his “use of Keynes has very little to do with Keynes the economist; it has rather to do with Keynes the writer and speculator”. Original quote: Keynes, The General Theory of Employment, Interest and Money, p. 157.
201 Ibid., p. 159. Keynes contrasted the image of the prudent average English investor with that of the more risk-taking American speculator who would “not readily purchase an investment except in the hope of capital appreciation”, ibid.
202 ’The New World of Adam Smith’, The Economist, 10 August 1968.
203 Asset stripping refers to the financial practice of buying an undervalued company with the intention of reselling its assets separately in pursuit of short-term profits.
intellectual challenge. You are really playing against yourself, as you do in golf or chess.\textsuperscript{204} We should not underestimate the fascinating appeal of this ‘game’, could even captivate those who did not take part in directly. This can be illustrated by an anecdote the 16-year old Ms Norgate from Halifax cared to share in a reader’s letter to the \textit{Financial Times} in 1971 – when the Stock Exchange was still an exclusively male private members club. The young adolescent took the trouble of writing to the high-brow paper although “as a mere female [she] could never hope to comprehend the intricacies of the stock market”. She told a story about her father, whose obsession with stocks and shares had come to afflict everyday family life. For instance, Mr Norgate had recently acquired a large stock in Northern Songs, The Beatles’ music company, prompting him to buy every single record of the band from Liverpool. For his daughter this had the benefit of acquiring a record collection which was “the envy of many of my friends”. When he plunged into shares of a big TV company afterwards, the television set was “rarely switched off” at the Norgates’ home as a result. Showing a rather acute understanding of the stock market, the daughter dreaded to “think what would happen if he bought shares in a brewery”. In the end “however”, Ms Norgate concluded, “the stock market definitely helps to brighten our lives” and she hoped that her letter would “show you the stock market is not solely a place of men, long faces and overdrafts”.\textsuperscript{205}

There is a new consensus among scholars of finance that “modern capitalism required not only Protestant techniques of self-discipline but also the Dionysian spirit of the gambling table”.\textsuperscript{206} Throughout the 19\textsuperscript{th} century, institutions like the Stock Exchange demarcated their business from gambling and reinforced this distinction in the interwar period by clamping down on bucket shops and outside brokers. Postwar affluence, however, began to dismantle this Victorian veneer of economic rationalism and capitalist sobriety. As a result of the sweeping social and cultural changes of the postwar decades, a strand of economic individualism took shape in British society that tolerated the gambling element of the stock market. For a comprehensive understanding of popular investment in postwar Britain, we must

\textsuperscript{204} V. Mulchrone, ‘When making millions is just a game!’, \textit{Daily Mail}, 1 January 1969.
\textsuperscript{205} ‘Letters to the Editors: Stock market joys’, \textit{The Financial Times}, 31 July 1971. A week later, Miss Norgate received a reply from a Mr. Mason from Birmingham who rejoiced in her anecdote, endorsing the “popular national pastime of stock market gambling and the great pleasure it gives to the Norgate and innumerable other families”. ‘Letters to the Editor: Horses for bourses’, \textit{The Financial Times}, 7 August 1971.
take into account that throughout the period, playing the stock market became a popular and socially acceptable hobby of predominantly middle-class households. In turn, the experiences of ordinary people with the stock market as a source of excitement and fascination helped to legitimise the profit motive. However, this trend was by no means all-pervasive, and the reappraisal of the free market had yet to find its expression in Britain’s political economy. But the analysis of this chapter suggests that by the dawn of the 1960s, attitudes towards profiteering, money-making and speculation had already loosened among many households, families and individuals – prior to the rise of the New Right, the arrival of monetarism and the election of Margaret Thatcher.
3. The Financial Press and the Investing Public

On Wednesday, 18 December 1957, the stockbrokers Patrick Somerset Gibbs of Sir. R. W. Carden & Co. and Albert Samuel Ashby B. Hansford & Co. were sworn and examined by the Bank Rate Tribunal. This Tribunal had been appointed on 18 September of the same year by the Home Secretary, Rab Butler, to inquire “whether there is any justification for allegations that information about the raising of Bank Rate was improperly disclosed to any person, and whether if there was any such disclosure any use was made of such information for the purpose of private gain”.\(^1\) Gibbs and Ashby were two of many stock market operators who had made substantial profits in the gilt-edged market hours before the Bank of England had announced a change in the bank rate; a sign that the information had been leaked in advance, allowing insiders to deal accordingly. In their attempt to gather evidence for financial misconduct, the Tribunal repeatedly came across the role of the financial press. When the attorney-general, Edward Milner-Holland, inquired where the stockbrokers had got their information from, they listed the various daily and weekly newspapers which members of their profession consulted. Ashby, who, like many of his colleagues, resided in the ‘stockbroker belt’ of Surrey, explained to the Tribunal how his daily train journey to London included reading the “Financial Times, the Times, the Mail and the Express and if anybody else has a Telegraph, or something like that, I borrow theirs to read the City article”. The Tribunal wanted to get a clear picture of this morning habit of City men:

“What instead of doing the crossword puzzle, you study the markets on the train?”
Ashby: “Yes.”
“And have your daily gamble?”
“Yes.”

The attorney-general was surprised to hear that “brokers, as it were, take their line from the newspapers, and not the newspapers from the brokers”. He pointed out that surely as professionals they must be “closer to the atmosphere of the market than the newspapers”. In reply, Gibbs ventured a more refined explanation of the complex interplay between the financial press and the market, arguing that “the prices are made by the great body of the investing public, and they take their immediate line more from the newspaper than from brokers”. The Tribunal kept stressing that “the newspapers play a very important part” in guiding financial speculation, and asked the senior stockbroker whether “the public are more

\(^1\) HC Deb 477, c. 1149, 14 November 1957, Bank Rate Increase (Tribunal of Inquiry).
apt to rely on the newspapers than on their brokers”. Challenged in this manner, Gibbs said he “would not be so disloyal to my own profession as that”, but conceded that any member of the investing public may have had “a chance to see his morning paper before the market opens, but they have not had a chance to speak to their broker by then”. What can this conversation between the Tribunal and two stockbrokers tell historians about the relationship between the financial press, the stock market and its participants?

Eventually, no stockbroker, jobber or financier was charged with financial misconduct after the Bank Rate Tribunal. But this anecdote illustrates a rare incidence of City elites being pressed to speak openly about the crucial role of the financial press for the markets. Two essential aspects transpire from the conversations between the investigators and the two senior stockbrokers that structure the analytical framework of this chapter. First, smaller investors ranked among the lower end of what Paul Johnson has called the “multiple layers of information and knowledge” that characterised UK stock markets since the early Victorian period, “only some of which were accessible to the public at large”. Although the inter-war years had brought new laws of investor protection, small investors of the postwar period continued to be disadvantaged in the stock market due to the prevailing practice of insider dealing – in Gibbs’s words, not every member of the investing public had the “chance to speak to their broker” in time. Well-connected stockbrokers – as the examination of the relationship between the writer Terence Rattigan and his broker has illustrated in chapter two – were by the nature of their business far more inclined to share delicate information with more affluent clients. Hence the small investor was sidelined from the tightly-knit information network that permeated the City of London. Secondly, newspapers were still important for the investor, whether small or large. What Britain’s small investors knew about prices, listed companies or take-overs, they knew largely from the financial press. But even bigger players had to acknowledge the power of certain newspapers and influential columnists, and their potential to move the market with a scathing headline or a favourable leader – otherwise they would not have read the City pages as eagerly as Ashby described. Therefore, we need to take into account

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2 Bank Rate Tribunal, Transcripts of Proceedings, Day 10, 18 December 1957, Mr. Albert Samuel Ashby; Mr. Patrick Somerset Gibbs, The National Archives, TS 58/3.
6 In a 1959 survey on attitudes towards share ownership, 42 per cent of interviewed investors listed newspapers for having convinced them “that it is a good idea to buy shares”. Only 18 per cent sought advice of a stockbroker. Acton Society Trust, Wider Shareholding (London: The Society, 1959), p. 27, 30.
that newspapers do not merely mirror, reflect or disseminate information about an “ontological, available, objectively accessible reality”, in this case of the market.\(^7\) Instead, by judging company performances, evaluating market behaviour and advising the investing public, financial journalism can create its own reality with consequences for the market and its participants.

Chapter one discussed the enormous expansion of the financial press from the late Victorian into the interwar period, resulting in the emergence of what Dilwyn Porter has called a new or popular financial journalism.\(^8\) In the postwar decades both the broadsheet and tabloid branches of this trade expanded even further. Again this trend was accompanied by a large intake of new investors once Britain entered an age of mass affluence and left austerity behind, as detailed in chapter two. Traditionally, as Wayne Parsons has argued, the financial press had confidently seen “its role in defining a capitalist language and culture: free markets, individualism, profit and speculation”.\(^9\) But this endeavour became increasingly difficult now that postwar politics had come to embrace planning, nationalisation and demand management as new economic orthodoxies. Political leaders of all parties expressed doubts over speculative finance, corporate capitalism and the profit motive. This historical setting is the vantage point for the following analysis of the entangled relationship between the financial press and the multiple audiences that constituted the investing public. In order to account for this complexity, I will scrutinise three different formats and practices of financial journalism that addressed different types of readerships. I will first focus on the educational agenda of Harold Wincott, editor of the *Investors’ Chronicle* and influential columnist for the *Financial Times*. Wincott was a leading figure of the New Right and a vocal advocate of wider share ownership and popular capitalism. He tirelessly explained the inner workings of the stock exchange to a wider audience, always highlighting the relevance of finance within a broader economic, political and social context. The second section examines the common journalistic practice of share-tipping. While journalists like Wincott sought – through careful education – to turn their readers into self-reliant decision-makers, tipsters aimed to attract readers by giving them immediate investment advice. I will contrast the 1960s share-tipping column of the notorious

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financial guru, Jim Slater, with Wincott’s more didactical approach. This serves to highlight the emergence of a more speculative approach to investment, which I argue is an early indicator of financialization in Britain. When using this term, I follow Jürgen Kocka, who defines financialization as “[t]he tendency to detach economic action from social contexts, the concentration on goals of profit and growth coupled with a simultaneous indifference to other goals” and a growing predominance of “the autotelic character of capitalism”. The extent to which broader ‘masses’ were encouraged to participate in the financialization of public culture – or warned of its dangers – is thematised in a concluding section that deals explicitly with the popularisation of financial knowledge in the tabloid press.

Harold Wincott educates the investing public

Postwar contemporaries already dubbed the stark increase in press coverage of financial affairs as the “most explosive expansion in British journalism since the end of the war”. This enormous growth affected all segments of journalism: up-, mid- and downmarket papers. An important driver behind this expansion was a new flow of advertising revenue, which resulted from financial institutions expanding rapidly in the wake of rising wages and living standards in the mid-1950s. Stockbrokers continued to be banned from advertising by the Stock Exchange Council. But savings banks, building societies, pension funds, life insurances and unit trusts eagerly competed for prime advertising space in their battle over the disposable incomes of increasingly affluent savers and investors. Though institutional shareholdings were soon to outweigh private investment in financial securities, a steadily increasing amount of Britain’s small savers ventured some of their capital directly into industrial shares. City pages keeping small investors up to speed on the latest stock market developments were a growth sector at this time. The new interest in City and stock market affairs was a development somewhat contrary to the interventionist character of the postwar economic settlement.


Hence, in many ways, financial journalism was a free-market bastion against the mixed economy. Many financial journalists and City editors were openly hostile towards the welfare state and nationalisation. Consequently, economic and financial journalists like Samuel Brittan, Peter Jay, William Rees-Mogg and Patrick Hutber, who rose to fame in the 1970s, have been credited with playing a crucial role in the New Right’s economic counter revolution.13

But arguably the most vocal and influential voice in this journalistic resistance during the postwar decades was Harold Wincott. Often overlooked by scholars, perhaps because of his early death in 1969 at the age of 62, contemporaries regarded him as the “doyen of financial journalists”.14 Having started his career as a statistician for a stockbroking firm, Wincott soon switched to journalism and in 1930 became a sub editor with the Financial News, the leading paper promoting the benefits of popular capitalism at that time.15 Eight years later, he was made editor of the Investors’ Chronicle, Britain’s most important investment journal, “from which platform he emerged as probably the leading financial journalist of the day”.16 During his time at the Financial News, Wincott became a close associate of Oscar Hobson and Paul Bareau, two other high-profile proponents of “the new breed of columnists who could broaden coverage beyond straightforward market reporting to more general economic analysis”.17 After the War, in 1955, the three helped setting up the Institute of Economic Affairs (IEA), the libertarian think-tank and melting pot for disillusioned capitalists, gathering around the Austrian economist, Friedrich August von Hayek.18 Their journalistic contribution to defending free-market capitalism against the perceived socialist threat included authoring popular books that sought to explain to a wider audience the City’s key role for British industry and its central place in a capitalist society.19

Harold Wincott’s political stance defies simple definition. He was right of centre, but harboured deeply anti-paternalistic instincts and was at times progressive. As an editor he set

an example with his meritocratic work ethic and was one of the first in his profession to promote female journalists. His obituary in *The Times*, for instance, noted that “Margot Naylor, the first woman financial journalist and now on the *Daily Mail*, started under him. In those days he [Wincott] had to resist the sort of pressure exerted by some City chairmen who sent him invitations for ‘you or one of your young gentlemen.’” Wincott’s staunch belief in economic individualism, which he regarded as “a fundamental part of the British character”, qualified him as one of the most prolific apologists of the postwar Stock Exchange. He regarded a private stock market as vital to the national interest and deemed it “impossible to run a free market without speculation”. Accordingly, he supported the re-introduction of option dealing in 1958 against resistance from the Bank of England. However, at the same time he relentlessly criticised what he regarded as deficiencies in the London Stock Exchange, especially in comparison to its sister institution on Wall Street. For example, in the wake of a speculative frenzy in 1956, he called for the establishment of a British equivalent to the US Security and Exchange Commission, the supervisory body established as a response to the Wall Street crash of 1929. Such an agency was to curb “undesirable speculation”, which – in his “old-fashioned, sound-money” attitude – he defined as “speculation which involved you in greater sums than you could meet from your own resources if the speculation comes unstuck.” In a catchy analogy for the Stock Exchange he once noted that “any efficient sewage system has a nasty smell about it!” and argued that only an independent watchdog could moderate such an offensive odour. As late as 1966 he wrote critically “that the London Stock Exchange hasn’t erected very reliable signposts over an extended period”. He was also suspicious of the self-styled amateurism of the City establishment and pushed for the professionalization of stock market affairs. In this regard, he helped found the Society of Investment Analysts in

26 H. Wincott, ‘The Economic Scene’, *The Investors’ Chronicle*, 4 March 1960. Sewage analogies were quite commonly applied when explaining and vindicating the Stock Exchange. In the 1870s, Charles Branch, a senior stockbroker had stated that “the Stock Exchange is a channel, not a filter [and] it argues no fault in the construction of an aqueduct that the water it conveys is often dirty”. Quote after Kynaston, *The City of London*, IV, p. 31.
27 Ibid., p. 173.
1955, when “investment analysis was in its infancy in this country and few stockbrokers and merchant bankers had research departments”.28

Hence, we can understand Wincott and his work by comparing him to those US financial reformers of the Progressive Era, which Cedric Cowing portrayed in his *Social History of Stock and Commodity Speculation*. Like Wincott many of these reformers were journalists and “sought to eliminate fraud and unethical dealers, educate the investing public, and rally the broker fraternity to pride in their calling”.29 Another similarity was that Wincott and the financial reforms “also liked to include among their recommendations the restriction of exchange speculation to classes occupationally and financially qualified”.30 But perhaps even more important for understanding Wincott and his lasting legacy is the sincere admiration he had for West Germany and the ordoliberalism underpinning its postwar economic miracle, the *Wirtschaftswunder*. Towards the late 1950s he compared Britain unfavourably with the Federal Republic’s economic performance in several articles. He especially flagged up the country’s apparent thriftiness, which was in perfect line with his own idolatry of thrift as a cardinal economic virtue. Skeptical about the economic consequences of postwar affluence at home, he praised West Germany for having “one of the lowest consumption ratios and the highest investment ratio in recent years of a group of six European countries and the US and Canada”.31 By popularising this “mounting evidence of the dynamism of the Western European economies” in an increasingly alarmist fashion, Wincott played an active part in bringing about the “initial postwar declinist ‘moment’ [that] came at the end of the 1950s and early 1960s”.32 The resulting obsession with Britain’s relative economic decline became a central theme in the New Right’s political agenda and so did Wincott’s idolisation of the West German economy. In the 1970s, leading Thatcherites like Keith Joseph and Geoffrey Howe argued that if Britain was to reverse decline, it would have to follow the German example of a social market economy.33

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30 Ibid., p. 105.
In 1963, Wincott was knighted for, as a London stockbroker phrased it in his congratulatory letter, “the extra curricular duties that you have undertaken to disseminate financial knowledge to the uninitiated as well as the initiated”. Likewise, members of the business community praised Wincott’s efforts “over the years to raise the standard of financial integrity in the country and to educate and enlighten investors of all categories”. The list of people who congratulated Wincott on his knighthood is illustrative of his standing among his peers and reveal him as an authoritative figure in the City and Westminster establishment. Patrick Sergeant, the long-time City editor of the *Daily Mail*, labelled him a “great credit to our craft” and expressed his delight “that the best of us has been chosen for dignifying in this way”. Among others who heaped praise on Wincott were the Chancellor of the Exchequer, the Chairman of the London Stock Exchange, several other financiers and Conservative politicians such as the unit trust manager Edward du Cann; Leslie O’Brien, later governor of the Bank of England, outed himself as a Harold Wincott “fan”.

Arguably the first and foremost reason why Harold Wincott became “the City’s conscience” was his weekly column for the *Financial Times*. It was launched in 1950 – the programmatic title

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34 Victor Brooks of Kitcat & Aitken to H. Wincott, 10 June 1963, Harold Wincott Foundation, Archive at the University of Buckingham (hereafter HEW), Item 25: Letters of Congratulations on C.B.E.
35 Francis Andrew of Unilever to H. Wincott, 10 June 1963, HEW, Item 25.
36 P. Sergeant to H. Wincott, 10 June 1963, HEW, Item 25.
of the first article was ‘Rediscovering Capitalism’ – and continued until his death in 1969.\(^{39}\)

From this platform Wincott intervened in virtually every major financial, monetary and political debate of the postwar era, heavily criticising the interventionist direction of both Labour and Conservative economic policy. In the resulting clashes, Wincott’s polemic was his strength, but at times he overstepped the mark. There was public outcry, for instance, in 1951 when he called Hugh Gaitskell ‘Herr Finanzminister’ and again in 1964 when he attacked the tax policy of Nicholas Kaldor, the Cambridge economist and Labour’s special economic adviser, saying there had been “Nothing like it since Mein Kampf”.\(^{40}\) But normally Wincott blended anti-socialist bite with a genuine effort to highlight the intersections between industry and the City, as an article on the tax plans of Harold Wilson’s Labour government exemplifies.

But I would like to see a much better job done to counteract the insidious propaganda of the spotty ones [a metaphor Wincott used for Labour’s far left]. I would like it to be made plain to every holder of a with-profit life policy, to every contributor to a company pension scheme, to every vicar and curate whose increased stipends spring from the Church Commissioners’ decision in 1948 to buy equities, to every widow the Public Trustee looks after, to every unit-trust investor and investment club member, what the result would have been over the last 20 years if these Socialist ideas had been implemented.\(^{41}\)

As a rule, Wincott never told his readers which shares to buy, since he did not see it as a financial journalist’s purpose to show readers how to make money. Instead, he strove after the Victorian ideal of the “press as an educational agent”, which entailed “a wide elite optimism in England’s institutions”,\(^{42}\) and wanted his readers make their own political and financial decisions. His articles were educational in ambition and even more so in tone as they often took the form of imaginary conversations between the author and his fictional son.\(^{43}\) This earned Wincott the reputation of having developed a new, vernacular and less technical language for the stock market and financial affairs. Alan Jenkins’s 1974 *Stock Exchange Story* lauds Wincott for having “first showed how to educate people in finance and business and


\(^{41}\) H. Wincott, ‘How to Counteract the Spotty Ones’, *The Financial Times*, 31 August 1965.


\(^{43}\) See H. Wincott, ‘Investmanship’, *The Financial Times*, 21 October 1952, for example. Here the father explains to his son the risks and benefits of investment at times of inflation and budget deficits.
investment by means of satire”. At least one of his personal friends was clearly inspired by this pedagogical approach when he told Wincott that he bought “small holdings in different companies” for his “three children (now aged 16½, 14½, 12½) to develop their already existing interest in shares”. But not everyone was a fan of Wincott’s style. Nicholas Davenport, for example, City editor of The Spectator, “could not stand his conversational articles which began ‘Hello Son’ – ‘Hello Dad’”. Yet even Davenport credited Wincott for having “won journalistic fame as the simple, honest guy who stood up against the nonsense of socialism in the City”.

Wincott’s personal papers, though piecemeal, allow for a good impression of his professional life, particularly of how he wrote his articles. Needless to say, Wincott was himself an avid investor and speculator who discussed his broad portfolio with his stockbroker once a week and kept meticulous notes on shares. But more importantly, his private correspondences reveal that Wincott, who never left a letter unanswered, indeed drew much inspiration from his readers. For instance, they frequently provided him with “ammunition” for his ongoing personal feud with Nicholas Kaldor. Other issues concerned the supposed inefficiency of the nationalised industries or a “Campaign Against Capital Gains Tax”, initiated by a reader from Luton who feared “the further subjugation of the middle-class [sic] in aid of communism”.

The thrust of these correspondences is revelatory in various ways. It shows that taxation of investment income was regarded as an attack on self-ascribed middle-class values of thrift and deferred gratification. This unrest needs to be seen in the context of the late 1950s “middle-class revolt”, the growing discontent of traditional Tory voters with the party leadership’s dirigisme during the 1950s and 60s as identified by Ewen Green. But the relationship between Wincott and his readers also puts into perspective more elitist readings of the financial press that overstate its function of merely interpreting “the views and values of a more limited and narrower elite”, an analysis which downplays a newspaper’s “ability to change the attitudes and opinions of its readers”. Instead, these findings provide empirical evidence for David

45 Frank W. [na] to H. Wincott, 8 September 1967, Item 24: Correspondence of Harold Wincott.
47 HEW, Item 20: Harold Wincott’s Address Book.
Kynaston’s claim that Wincott’s FT column “acquired a devoted following – especially among small investors, whose steadfast champion he was”.52 In a relationship of mutual inspiration, Wincott mattered to his readers and they mattered to him.

Early on Wincott discovered wider share ownership as his pet issue. The idea of making Britain a share-owning democracy appealed to him as an educational agenda for liberal capitalism. As early as 1951, he argued the case for wider share ownership as an alternative to nationalisation and stated that only a broader spread of ownership in industry could “secure the type of real property-owning democracy which is surely the only answer to the otherwise inexorable drift towards the totalitarian state”.53 It is not surprising that this radical stance echoed the core message of Friedrich Hayek’s *Road to Serfdom* given Wincott’s role in setting up the IEA.54 We do not know whether the Austrian economist, who had famously argued in 1944 that any middle way between capitalism and socialism would end in totalitarianism, had a close relationship with Wincott. In the vein of the IEA, Wincott called for comprehensive tax cuts on investment income, but nevertheless remained sceptical of the government’s capacity to bring about popular capitalism. For example, he considered the wider share ownership proposals laid out in the 1959 pamphlet *Everyman a Capitalist* by Conservative MP Toby Low as to “too paternalistic”, because they resembled Labour’s ‘revisionist’ considerations for a state-sponsored unit trust.55 Instead, in the wake of rising shareholder numbers following the late 1950s bull market, he saw the most promising approach in “educating this unknown body of new and potential investors about the merits, and possible snags, of share ownership”.56

As part of this endeavour, Wincott reshaped the *Investors’ Chronicle* before stepping down as editor in 1959 (he continued to advise the journal until his death). In 1955, due to the “remarkable revival of interest in Stock Exchange investment by personal investors in the last

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53 H. Wincott, ‘Learning to Be an Investor’, *The Financial Times*, 23 January 1951. For a case study in support of his argument, Wincott drew on the example of Sweden, where the Stockholm Stock Exchange had initiated a national survey on share ownership. After having found that 50-70 per cent of Swedish shareholders were women, the Stock Exchange launched public lectures and courses about the workings of the financial system. These offers turned out to be immensely popular among female investors with “more than 300 women” showing up on one occasion.
two or three years” he published for the first time Beginners’ please, the Chronicle’s popular investment guide, which reached its fifth edition in 1975. Mirroring Wincott’s hard-money principles and adulation of thrift, each edition was dedicated “to the small investors of Britain, the men and women who have proved they can be trusted to save”.57 In these books, as well as in the eponymous new column in the print edition of the IC, Wincott sought to correct what he felt was the prevailing image of the Stock Exchange: “a place where wealthy capitalists with top-hats and cigars speculate and gamble, making large fortunes without performing any useful service to the community.”58 Wincott knew, however, that in order for this to happen, ‘the House’ had to retreat from its paternalistic attitudes. He acknowledged that “certain members” wished to “persuade the lower income groups to save direct through the Stock Exchange”. But he was equally aware of those stockbrokers who “have long ago decided that the small investor is an uneconomic proposition, is more trouble than he’s worth”.59 It was the latter group which he held responsible for “the failure of the House to move with the times, to get away from the concept that it is still a private club”. Like many of his colleagues, Wincott desperately urged the Stock Exchange to abolish restrictive practices and “re-establish contact with the individual investor”.60 He proposed to end fixed commissions, which made the handling of smaller deals unprofitable, and to lift the Council’s ban on advertising for broker members. Last but not least, Wincott insisted on the opening of a long-promised visitors’ gallery in the Stock Exchange.61

During his lifetime, many of Harold Wincott’s efforts were in vain. Britain did not have a financial supervisory body until 1985, when the Securities and Investments Board was established. Furthermore, the Stock Exchange did not allow its members to advertise until 1973, and upheld its fixed commissions of two per cent until they were abolished by the Big Bang deregulations of 1986.62 The London Stock Exchange’s persistent conservatism massively hampered the establishment of a US-style retail market for stocks and shares that

58 Ibid., p. xi.
arguably would have further boosted not only popular investment, but also speculation.\textsuperscript{63} Wincott’s campaigning against restrictive practices in the City needs to be seen in the wider context of his declinism. Like his companions at the IEA and leading Thatcherites after him, he shunned structural explanations of Britain’s waning political and economic clout, favouring technical and cultural interpretations instead. Wincott had long viewed Britain to be suffering from the alleged fact that “share investment in this country has come to be regarded as a spivish business”.\textsuperscript{64} For him, the reasons for national decline were “many and deep-rooted” and the City was part of the problem:

Too much protection, too many restrictive practices all round, insufficient incentives, overfull employment, governments which are too timorous to do what they know must be done, mediocre standards in reporting on the results of investment, and above all, I suspect, our besetting sin of thinking profits and dividends to be immoral.\textsuperscript{65}

For Wincott, the solution lay in creating the right tax incentives for thrift and financial risk-taking, in exposing the City of London to international competition and in preaching the moral benefits of capitalism. While many of his assessments and recommendations were specific to the historical moment, the public awareness he created for these themes is arguably his most lasting legacy for the decades following his untimely death in 1969.

Several later Thatcherites like Alan Walters, Chief Economic Adviser from 1981 to 1983, as well as leading financial journalists like Samuel Brittan and Peter Jay, who played a crucial part in making economic liberalism the mainstream of British politics again, cited Wincott as an important source of influence.\textsuperscript{66} At the FT, to this day Martin Wolf upholds the tradition of the respected financial columnist: male, careful in approach providing a comprehensive view on market developments rather than tipping money-making shares to his readers. In the year of Wincott’s death, the IEA created a Foundation in his name with the financial support of friends, benefactors and readers.\textsuperscript{67} Until today, the Wincott Foundation presents an annual Award “for outstanding achievement in economic and financial journalism”\textsuperscript{68} – Brittan was the first awardee in 1970; Jay followed in 1973. The Foundation also hosts an annual Wincott Lecture, the first of which in 1970 already made a significant impact: Chicago-based economist

\textsuperscript{67} ‘Wincott Foundation’, \textit{The Times}, 22 April 1969.
\textsuperscript{68} Quote from the website of the Wincott Foundation, \texttt{http://www.wincott.co.uk/about.html}, accessed 19 August 2016.
Milton Friedman gave a paper on the ‘Counter-Revolution in Monetary Policy’ and acquainted Britain’s political and financial establishment with the theory of monetarism. In his seminal study of the intellectual network behind the Economic Counter Revolution of neoliberalism, Richard Cockett states that “the 1970 Wincott Lecture was very important in the dissemination of monetarism to a wider audience, as were Friedman’s frequent subsequent [sic] IEA publications”. He also points out that the audience “included, amongst others, James Callaghan, the former Labour Chancellor and the politician who, as Prime Minister, would put the control of the money supply at the top of the political agenda in 1976”.69 Harold Wincott did not live to see the resurgence of economic liberalism that unfolded over the course of the 1970s and which many on the now emergent New Right pursued as an agenda of moral rejuvenation.70 But his posthumous influence throughout the following decades should not be underestimated.

‘Capitalist’: Jim Slater’s “new approach to investment”

Not all readers followed the financial press because they sought to have stock market activity explained to them in a wider political and economic context as provided by the likes of Harold Wincott, Oscar Hobson or Paul Bareau. Other newspapers – the Daily Telegraph, the Daily Express and the Daily Mail in particular – ran regular tipping columns whose authors gave specific investment advice on what they regarded as money-making shares. Patrick Sergeant, the veteran City editor of the Mail and his rival, Frederic Ellis of the Express, for instance, developed a reputation as sound advisors of the investing public over the decades.71 Due to their day-to-day contact with market operators and company bosses, financial journalists had privileged access to sensitive information; a position which they could exploit for their own pecuniary benefit. In the words of Paul Bareau:

"His criticism or commendation can move markets. He is, therefore, always in a position in which he could profit by speculative operations based on the views he expounds."72

Tips can be categorised into two ideal types. One kind claims to have evaluated the ‘fundamentals’ of a particular company, meaning its workforce, efficiency, products, market

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72 Bareau, Financial Journalism, p. 160.
position etc. The tipster regards these as sound, the stock as undervalued and advises buying for long-term investment. The other type of tip is based on some kind of insider information, which could be a new issue of shares, an imminent take-over or an anticipation of what other investors may think about a share, which can be just as important as its fundamentals. Tips of this sort – often highlighting the ‘technical position’ of a stock – promise short-term gains in timed buying and selling. Either way, a journalist could easily profit from buying stock before tipping it and selling shares once the tip – now a self-fulfilling prophecy – had generated enough buyers. Sergeant, for instance, entertained the former approach and explicitly warned of the latter kind, urging his readers to treat any tip with utmost care: “Do remember that where there’s a tip there’s a tap, and the greedy small investor usually pays for the tap”. It was an open secret that, in Sergeant’s words, the “City has always lived by inside information, and still does, however hard the insiders protest to the contrary”. Hence, when it came to acting on insider information, the odds were stacked heavily against the small investor as a popular book on the Stock Exchange explained in 1966:

You must remember that if you, an outsider, start speculating, as opposed to investing, the odds are fairly heavily against you. To begin with, by the time the tip reaches you, it is probably already too late; then, as you are not on the spot you cannot take advantage of a momentary rise to ‘get out’.

And although investors were advised to “be on guard against being tempted by the ‘straight from the horse’s mouth’ tip” and told that financial columnists were “neither more nor less reliable than racehorse tipsters”, share-tipping remained a common journalistic practice. Between 1963 and 1965, however, the scene was dominated by one particularly flamboyant share-tipper, who wrote a monthly column for the newly-founded Sunday Telegraph under the pseudonym ‘Capitalist’. The paper’s City editor who hired Capitalist at that time was Nigel Lawson, later Chancellor of the Exchequer under Margaret Thatcher. By then, only few people on the newspaper’s staff knew that ‘Capitalist’ was a young chartered accountant by the name

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73 Quote after Porter, ‘Where there’s a tip there’s a tap’, p. 92.
of Jim Slater, who would later rise to fame as a pioneer of investment banking and a notorious asset stripper of postwar British industry.

Jim Slater played a key role in the transformations that swept Britain’s industrial and financial landscape during the 1960s and 1970s. David Kynaston, though critical of his methods, acknowledges that “he already had something special about him” before his City career. Slater was born in 1929, raised in Wembley by modest parents and later qualified as a chartered accountant. By the early 1960s he had already secured a top position at British Leyland, the car manufacturing conglomerate. In 1964, however, – while still writing ‘Capitalist’ – he left industry behind and founded Slater Walker Securities (SWS) together with his business partner, the self-made millionaire Peter Walker. At that time, Walker was the Conservative MP for Worcester and had previously worked in the unit trust industry together with fellow MP, Edward du Cann. Slater and Walker’s arcane asset stripping vehicle soon began to shake up Britain’s financial and industrial establishment in a series of takeover battles. By the early 1970s SWS was valued at £200 million and Slater’s former employer Nigel Lawson reckoned that “most people feared having their companies taken over by it more than they feared nationalization”.

In public perception, Jim Slater became the most prominent face of a generation of ‘corporate raiders’ that represented the transition from the Old, ‘gentlemanly’ to the New meritocratic City of London. Other representatives included Tiny Rowland of the mining company Lonrho – whom Edward Heath as Prime Minister deemed to embody “the unpleasant and unacceptable face of capitalism” – and billionaire merchant banker, James Goldsmith. Public opinion on these financiers was tremendously polarised. Large parts of the financial press celebrated them as the rescuers of Britain’s industrial base, suggesting their entrepreneurial ruthlessness would end the alleged persistence of anti-industrial mentalities in the City and largely family-owned corporations. Critics, on the other hand, condemned Slater’s pursuit of

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79 Ibid., pp. 350–3.
82 For this terminology and a detailed account of the changes it denotes see the chapter ‘Old City, New City’ in Kynaston, *The City of London*, IV, pp. 117–234.
84 The argument of anti-industrialism among British elites still holds sway in the financial press. It was recently employed by the *Financial Times* to explain Westminster politicians’ apparent indifference towards the consequences of Britain’s departure from the European Union for domestic business. See ‘The fatal divide for business in Brexit Britain’, *The Financial Times*, 13 July 2017.
money-making as an apparent end in itself, and his failure to acknowledge broader industrial or even social considerations. Slater, Rowland and Goldsmith had close ties to each other. They frequently convened at the Clermont Club in Mayfair, a luxurious gambling club and hotspot for right-wing entrepreneurs founded in 1960 by the extravagant bookmaker John Aspinall, shortly after the Macmillan governments had liberalised gambling laws. Aspinall took pride in hosting what he referred to as ‘risk-takers’ and was convinced that gambling spirit and financial expansion went hand in hand. In a 1971 interview he characterised his clientele and its activities as follows:

Some people actually seek risk and they put themselves at risk voluntarily and I think that is a spirit that is to be admired; I think it’s the spirit that built the prosperity that everybody in this country is enjoying today; [it] was created by adventurers, by merchant adventurers, by pirates if you like.

To be sure, Slater denied that he was ever an active member of the ‘Clermont Set’ and claimed to prefer chess or bridge over roulette and card tables. But as we shall see later on, Slater was not always too particular about the truth. Either way, his affinity to gaming is crucial for understanding his approach to investment, which involved frequent dealing, invariably placed shareholder return over long-term business strategy and to which Slater simply referred as “the game”.

Early in 1963, Jim Slater approached Nigel Lawson and suggested he should write a monthly tipster column. Slater had recently “discovered the joy – and profit – in share dealing, a hobby he developed while incapacitated with the debilitating effects of a virus”. Lawson was impressed by Slater’s proven ability to outperform the market by rooting out undervalued shares in smaller companies. However, this was exactly the reason why the Sunday Telegraph was hesitant about engaging Slater as an external contributor. Lawson was well aware that any

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85 For a contemporary account in awe of Slater see G. McKnight, The Fortunemakers (London: Michael Joseph, 1972); See on the other hand R. Spiegelberg, The City: Power Without Accountability (London: Blond & Briggs, 1973), p. 172, arguing that Slater’s values were “established essentially by the City, for the City, in the City”.
88 Slater recalled in 2006: “People say I was a member of the ‘Clermont Set’ but it’s not true. I was never a frequent visitor. In fact I think I only visited the club about five times. I wasn’t heavily into gambling and didn’t play at the tables. I enjoyed a game of bridge because more skill is needed.” ‘An era was born in Berkeley Square’, Daily Telegraph, 26 August 2006.
89 V. Mulchrone, ‘When making millions is just a game!’, Daily Mail, 1 January 1969.
tipster’s leeway for moving the market was enhanced when it came to smaller companies that
had fewer shareholders and were therefore more volatile. Were Slater to take advantage of this,
he could well place the paper’s reputation at stake. Therefore, the new arrival “agreed orally
with Nigel Lawson that I would not, for example, invest a few days before the articles or sell
a few days afterwards” as Slater’s biographer has him stating for the record.91

And so on 3 March 1963 ‘Capitalist’ made his debut, promising a “highly successful new
approach to investment”.92 Before examining this approach, Slater’s chosen pseudonym
deserves brief scrutiny. Clearly, it encapsulated the columnist’s resentment of the postwar
economic settlement. More specifically, it was a jibe against the interventionist revival in
Conservative economic policy led by Chancellor Selwyn Lloyd in the early 1960s, which
included, for instance, the introduction of a short-term Capital Gains Tax in 1962.93 But what
type of capitalism did ‘Capitalist’ stand for? Like Harold Wincott, who urged Britons to
‘rediscover capitalism’, Slater regarded the social democratic order of nationalised industries
and interventionist policies as fundamentally wrong. Furthermore, Wincott and Slater were in
tune in so far as they harboured strong free-market instincts and were convinced that Britain’s
reticence towards the profit motive spelt economic disaster. However, upon closer inspection,
they differed substantially in what they regarded as legitimate means of achieving their

93 On this background see J. Tomlinson, ‘Managing the economy, managing the people: Britain c. 1931-70’,
common purpose. This is demonstrated, for instance, by how Slater earned his first £20,000 playing the markets with enormous leverage, the details of which he explained in a 1973 interview with *Accountancy Age*:

I saved about £2,000, and I didn’t start investing till I was 32. […] I borrowed £8,000, so I had £10,000 to invest; and then the £10,000 became £20,000, I repaid the £8,000 which left me with £12,000.94

These early dealings earned Slater the status of a ‘guru’ in the investment community where “the strength of his share-dealing acumen” became object of many legends.95 Wincott was also convinced that new incentives for financial risk-taking were needed to reverse Britain’s alleged decline and regarded speculation as essential for a functioning market. But trading with borrowed money was exactly the type of speculation which he labelled as “undesirable” and wished to ban with the aid of a supervisory body. Both columnists fashioned themselves as champions of the small investor. Yet they addressed Britain’s investing public very differently. Wincott wished to see speculation delegated to a professionalised body of market operators and envisaged the ‘genuine’ investor, the small shareholder as an economic citizen who was enfranchised in British industry via his or her investments. The veteran journalist also included the potential investor in his audience whom he wished to convince of the benefits of a ‘property-owning democracy’. Slater’s ‘New Approach to Investment’, on the other hand, sought to turn shareholders into share dealers, investors into speculators and was only concerned with making profits.

At outset, ‘Capitalist’ laid down nine principles regarding the dividend yield, earnings ratio and liquidity of companies that were to govern his investment decisions. Besides these rather technical aspects, a ground rule was that “the company should not be family controlled”. Arguing against the nascent efficient-market or random walk hypothesis,96 Slater stated that “the market is not perfect: if it were there would be no point in buying one share rather than another”. Shares worthy of consideration for Capitalist’s portfolio were to be found “among the smaller and lesser known companies”. This and the fact that capital was not to be spread over a larger number of shares, led the tipster to concede that there was “an extra element of risk in my system”. There is a striking resemblance between Capitalist’s approach to investment and Slater’s practice of asset stripping which he commenced few years later. The columnist

94 Raw, *Slater Walker*, p. 75.
declared that “capital gain and not income is the real object of the exercise”. 97 This meant that investors were advised not to buy shares with the intent of generating a long-term income, which contemporaries referred to as ‘genuine investment’. Least of all should they identify with the company, its workforce or become emotionally attached to it. Instead, Capitalist and his followers were solely interested in the profits that could be made from buying and selling shares at the right moment. In this column, as in his later dealings, Slater detached financial securities from their underlying businesses and thereby severed the link between finance and industry that Wincott made such an effort getting across. Hence, we can regard the ‘Capitalist’ column as an early indicator of financialization in Britain.

‘Capitalist’ was off to a flying start. Within three months the column boasted “an overall capital appreciation of roughly 30 p.c.” 98 By its first birthday, the portfolio had appreciated by 48 per cent. 99 Its success made ‘Capitalist’ tremendously popular. Charles Raw, the chronicler of Slater Walker Securities and himself a former financial journalist, gives an estimate of the column’s impact. During his spell as City editor of the Guardian, Raw perused the share registers of the companies Slater tipped and singled out Clear Hooter, a small manufacturing company from Birmingham with about 250 employees. An employee of Clear Hooter remembered Slater tipping the company at a time when it had “only had about 900 shareholders and the publicity resulted in an increase to around 2,000”. 100 This enormous influence over companies and stock prices earned Capitalist a ‘challenger’ shortly after the column’s first-year anniversary. The reader claimed he could outperform Capitalist with a different selection of stocks – he lost eventually. 101 But the challenger rightfully lamented that Capitalist’s tips had the character of a self-fulfilling prophecy, which made it impossible for small investors to get anywhere near the column’s success:

It should be pointed out that to some extent your performance is self-generated. In cases where you select shares in narrow markets the price on Monday morning is very often above the price you quote. [...] Another point is that when you do follow your admirable policy of cutting losses, your recommendation to sell a share may cause a downward movement so that once again readers do not benefit at the price you quote. Therefore, readers who have followed your good advice to date have been unable to achieve anything like the performance you publish. 102

100 Raw, Slater Walker, p. 80.
101 Capitalist, ‘Not so much a bear, more a wiser bull’, The Sunday Telegraph, 10 January 1965.
This circumstance of Slater’s column is revelatory in two regards. It highlights from a small investor’s perspective that the function of the financial press reached beyond merely representing or mirroring market information. Share-tipping is one instance in which the financial press creates its own reality, thereby making the market – rarely to the benefit of small investors. As it turned out, Slater did break his agreement with Lawson and used ‘Capitalist’ for his personal gain. Tracking down Slater’s name on share registers, Charles Raw was able to prove that he had indeed – in spite of all assertions – “on a number of occasions either bought shortly before tipping, or sold shortly afterwards”.

However, the case of ‘Capitalist’, whose last column was printed in February 1965, transcends the story of an ordinary share tipster, even that of a fraudulent one. Jim Slater was a progenitor of a new type of financial capitalism. First as share-tipster and later as asset stripper, he anticipated many of the changes that reshaped international finance during the 1970s and 1980s: the growing self-reference of financial activity; its disengagement from broader social context and the emergence of a fast-paced, quixotic trading culture. His first public appearance as ‘Capitalist’ makes him a progenitor of financialization in Britain and urges us to take seriously the media history of this complex phenomenon. Britain’s small investors were the main audience in this narrative and Slater started off by introducing them to his self-referential game of anticipating price movements and spotting market anomalies. For Britain, Slater epitomises the rise of the financial trader more than anybody else. In a 1971 television interview, he was presented as a “new breed of person in British industry” that does not “deal with any one thing other than money”. Slater agreed: “That is in a sense our product. We are concerned with making money. That is what we are trying to do. I regard my prime job, if I can put it that way, as a responsibility to my shareholders to provide for them an increasing return per annum on their capital employed. And this to my mind is what it’s all about.”

Strictly speaking, however, he was not a trader but a manipulator. He may have promoted a highly speculative approach to investment. But neither was he a speculator in the proper meaning of the term, because he did not take on the risks that genuine speculators carry. Instead he frequently offloaded risk to buyers he had generated himself.

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103 Raw, Slater Walker, p. 95.
104 ‘Capitalist and his successor’, The Sunday Telegraph, 7 February 1965.
105 For a recent account that regards this trading culture as a key component of financialization see J. Kay, Other People’s Money: Masters of the Universe or Servants of the People? (London: Profile Books, 2015).
106 Mayfair Set, Slater interview at 23:46.
107 Raw, Slater Walker, p. 98.
What do Wincott and Slater reveal about the postwar history of British capitalism? Although fellow advocates of free markets, they represent contrasting trajectories of financial capitalism that we need to take into account if we want to get a better understanding of its history. Slater is often depicted as “the epitome of new business and new City”, but Wincott’s case complicates this narrative since he was equally at war with the paternalist and patrician elements of the Old City. Unlike Slater, however, Wincott worked towards a regulatory framework that envisaged the Stock Exchange as a private institution, yet fettered by a public watchdog and mandated to build a share-owning democracy by serving the interest of investors small and large. Slater, by contrast, had no stake in this moderated form of democratic capitalism. Contrasting the two highlights the temporary availability of more tamed and regulated avenues towards financialization. Wincott exemplifies that not only critics, but also proponents of capitalism made the case for a stronger institutional framework, capable of enforcing a clear set of rules in a bid to spread the benefits of a free-market economy more equally. Paying close attention to these variants allows us to highlight the contingent elements of capitalism’s history. Wincott is still widely regarded as an ancestor of British neoliberalism. But there is a significant divergence between his vision of a nation of shareholders and the type of predatory capitalism that Slater promoted first as ‘Capitalist’ and later pursued as a corporate raider. We shall later discuss the paradox that although the Thatcher governments had intended to realise Wincott’s vision of a share-owning democracy, the 1980s came to be more closely associated with Slater’s buccaneering, rapacious variant of capitalism.

Midmarket and popular financial journalism: Frederick Ellis and Patrick Sergeant

Harold Wincott was arguably the most prominent postwar voice in Britain in favour of a popular, free-market capitalism as an economically, socially and morally desirable order. But it is difficult to ascertain the extent to which his message reverberated beyond his readership that comprised London-based members of the financial and political establishment and the experienced investors that followed the FT and the Investors’ Chronicle. This type of initiated, urban and market-attuned milieu is likely to have overlapped with the armchair speculators that followed Slater’s ‘Capitalist’. But who then catered for the less-moneyed members of the investing public and explained the benefits and pitfalls of stock market investment to lower middle- and working-class audiences? Although the new financial journalism of the late

Victorian and inter-war period had helped fuel the expansion of share ownership, the “development of a distinctive midmarket pattern of financial journalism only really took place in the 1950s”\(^\text{110}\). In this emerging market, the *Daily Express* and the *Daily Mail* were the two most active newspapers. They competed fiercely over largely provincial established middle- and lower middle-class readers and the associated advertising revenue, with the *Express* also being more successful at reaching out to working-class readers\(^\text{111}\). Both papers’ communication agendas with regard to these income groups can be perhaps best understood with Thomas Frank’s concept of ‘market populism’, the notion that “markets were a friend of the little guy; markets brought down the pompous and the snooty; markets gave us what we wanted; markets looked out for our interests”\(^\text{112}\). Accordingly, the core message of Britain’s popular financial press was that a free-market economy served ordinary peoples’ interests better than the interventionist and welfare-based politics of postwar governments. A similar type of market populism was even peddled by the *Daily Mirror*, the left-leaning tabloid. Its City editor, Derek Dale, likewise sought “to translate the jargon of the City into language that all will understand” and declared at the height of the postwar bull market that “there has been a revolution in the savings habits of Britain. No longer is The City the exclusive domain of Big Money”\(^\text{113}\). For the sake of the argument, however, the following analysis will focus on the financial journalism of the *Daily Mail* and the *Daily Express*. I will readdress the *Daily Mirror*’s role in popularising share ownership in chapter five, when discussing Margaret Thatcher’s ‘popular capitalism’ of the 1980s.

While market populism was the common thread of tabloid City journalism, these papers also revealed crucial differences. For instance, the *Mail* and the *Express* took different stances when negotiating the morality of financial practices and the inclusion as well as the exclusion of lower income classes in and from the stock market. Contrasting the two papers, and their respective City editors, reveals diverse and to some extent opposing approaches to investment. This was partly due to differences in style and personality of these two editors. To be sure, following Adrian Bingham, historians should not treat the popular press as a “convenient and

\(^{110}\) Tunstall, *Newspaper Power*, p. 358; Porter, ‘Where there’s a tip there’s a tap’.


unproblematic window into society” that “accurately and unfailingly reflected the ‘reality’ of social attitudes”.114 Ranald Michie has called for an equally careful approach to media sources when assessing the public perception of investors: “These [sources] allow conclusions to be drawn about how investors and their actions were being judged […]. This testimony should not be taken as an accurate representation of the behaviour of investors.”115 In a similar fashion, the personal finance pages of the tabloid press merely convey representations of the stock market, investors and economic mentalities. But as chapter two has demonstrated, members of the investing public could share a common socioeconomic background, yet still harbour opposing and very complex attitudes towards investment. The following analysis will demonstrate that while newspapers competed over readers of more or less the same income bracket, they also reflected the fine divisions between traditional and more permissive attitudes towards stock market investment. Accordingly, the diversity of the cultural norms and moral assumptions underpinning the media discourse surrounding popular investment is indicative of an investing public that was more complex than scholars have acknowledged so far.

In 1948, Frederick Ellis became the new City editor of the Daily Express, which shortly before the war had superseded the Daily Mail as the best-selling midmarket daily.116 With paper rationing still effective and finance on the political back-foot, Ellis would only write two or three City articles per week, their main theme being the consequences of Labour’s nationalisation programme for Britain’s economic landscape (an “assault on free enterprise”).117 In the 1950s, however, the paper’s financial page grew proportionately with the incomes and living standards of its readers. By 1955, Ellis presided over a separate, daily City page, which appeared towards the back of the paper, usually right next to the summary of the races in the sports section. Throughout the 1950s and 1960s, Ellis “pioneered popular financial journalism”, as his adversary at the Daily Mail, Patrick Sergeant, would later acknowledge.118 The Express City office received thousands of readers’ letters per year and in exchange provided financial advice on housing, insurance, car purchase as well as the stock market. Over the years,

Ellis established a reputation as a reliable share tipper who received information “straight from the horse’s mouth” as his “racing colleagues would say”. But sound advice went along with misjudgements, for instance when Ellis strongly advised his readers against buying shares in Northern Songs, the Beatles’ highly profitable record company, noting that “Show Biz is a mercurial one and today’s stars are often tomorrow’s memories”.

In the same year Ellis started at the Express, Patrick Sergeant decided to quit the firm of stockbrokers he had joined a year earlier, in order to embark on what he deemed a more promising career in financial journalism. Like Harold Wincott before him, Sergeant seemed convinced that writing about the City held better prospects than actually working in the markets. He joined the News Chronicle in 1948, where the eminent Oscar Hobson took him under his wing. But Sergeant moved on to the Daily Mail in 1953 and became its City editor in 1960 with the clear object of challenging the Express's pole position in midmarket investment advice. The soaring advertising income from the now booming unit trust industry – especially that of the Unicorn Trust run by Sergeant’s personal friend, Edward du Cann – allowed the editor to expand coverage and establish Money Mail, a weekly personal finance supplement.

In his new position, Sergeant developed an approach very different from that of his earlier mentor Hobson. First, he quenched the postwar investing public’s rekindled thirst for share tips, a trend that Hobson viewed “with alarm, regarding it as one of the ‘less creditable’ development of postwar journalism”. Second, Sergeant dedicated his work to the credo of Lord Northcliffe, the founder of the Daily Mail, who had revolutionized Britain’s press landscape with the notion “that newspapers should captivate readers, amusing and entertaining rather than merely informing them”. Accordingly Sergeant, who throughout his career enjoyed a reputation as a “bon vivant”, held that his role as City editor was, in turn, “to entertain, to inform and to advise” his readers.

Ellis and Sergeant shared the strong anti-socialist sentiment that was all-pervasive in the postwar City and financial journalism. Both fashioned themselves as champions of the small
investor and conjured up the social goal of a share-owning democracy in which members of all social backgrounds were to have a stake British industry. But unlike the City editors of the established newspapers, the popular financial journalists focussed more on conveying practical investment knowledge to “those of limited experience and relatively modest means” rather than explaining the workings of City institutions in a wider economic, industrial and political context. This included clear warnings that shares were not for everyone. Sergeant’s ground rule was to “put a year’s pay in the bank before you buy an Ordinary share”. He warned workers of employee share schemes – since they would lose job and capital if their company went bust – and advised investing in unit trusts instead, thereby keeping his advertisers happy. Nevertheless both *Express* and *Mail* criticised that many of those who did have the financial capacity to invest in shares directly, were not encouraged to do so – neither by the government nor by the Stock Exchange. Both wished, for instance, to see the government abolish the stamp duty and stockbrokers to be allowed to advertise by the Stock Exchange Council.

Fig. 13: Patrick Sergeant in his *Daily Mail* City office, *Men and Money: The Golden Eggheads* (BBC, 1964). However, Sergeant and Ellis revealed substantial differences when challenging the City establishment and these approaches are revelatory of their general attitudes to investment. On the one hand, Sergeant would criticise companies, but entertain excellent personal relationships with their bosses and the wider City elite. For instance, he reported annually from Ascot,

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127 Porter, ‘Where there’s a tip there’s a tap’, p. 74.
tipping shares based on information he obtained over lunch with the captains of industry. Ellis, on the other hand, was known for his “style of attacking company bosses” and regularly had an axe to grind with members of the financial elite. The most prominent figure in the editor’s firing line was Sir John Braithwaite, the strait-laced Chairman of the Stock Exchange (1949–59), whom he listed among “the men who have the brakes hard on against the expansion of investment by the little fellow”. Sir John had pledged in 1956 to attract “a new whole class of investors”, but Ellis keenly disavowed this as a meaningless phrase by reproducing the experience of one of his readers in dealing with the Chairman’s stockbroking firm, Foster & Braithwaite:

One of our readers, a gentleman from Worthing, wrote to Foster and Braithwaite asking if they would sell some I. and R. Morley shares he holds. And what did Foster and Braithwaite reply to this small investor? Why that ‘We regret, however, that before we accept a new client, we require an introduction from clients already known to us.’ […] The letter was dictated by ‘J. D. C. B.’ – son of Sir John Braithwaite. Well, I will tell Sir John that this is no way to attract the ‘cloth cap’ investor that he is so keen on in his speeches.

The episode reveals Ellis as the financial journalist at war with anything in the City that smacked of class-snobbery. In this instance his anger was fuelled further by the Chairman’s son remarking that the firm’s name was mentioned in the Express “without our knowledge or approval”. The Stock Exchange Council in fact reprimanded newspapers for unapproved mentions of members until a “minor relaxation in the rules in 1965”. But the episode further illustrates how little the Stock Exchange had opened up to the wider investing public since the interwar period, in spite of the chairman’s progressive statements in the press. Having fretted about the “stranger” during the interwar years, the bête noire of the postwar Stock Exchange was now the cloth cap investor. The 1964 BBC documentary Men and Money includes a revelatory interview with a senior stockbroker recounting doing business with this new class

131 Tunstall, Newspaper Power, p. 359.
132 F. Ellis, ‘Cut cost of ‘cloth-cap’ share deals’, Daily Express, 9 March 1959; the other man was the Chancellor, Derrick Heathcoat-Amory. For Braithwaite’s mindset of “hard work & self-denial” and his “austere cast of mind” that included “eschewing speculation” and “dangerous gambling” see J. Slinn, ‘Braithwaite, Sir John Bevan (1884–1973)’, ODNB, 2004.
135 Ibid.
of investors. In one instance, the broker had ordered £200 worth of shares for the client and was astonished by what happened next.

He literally turned up the next afternoon although payment wasn’t due for about 15 days and he turned up with a cloth cap literally – we hear a lot about the cloth cap investor – he literally had a cloth cap on and out he doled his £200 for us [...] We get some quite funny ones coming into the office – and they know nothing, absolutely nothing and this is a problem as far as we are concerned because the chaps must be protected against themselves, this is frightfully important. [...] They must first of all have some sort of security like a little money in perhaps the Post Office, savings bank, some cash which they can draw on if they’re out of work, if anything goes wrong.¹³⁷

Fig. 14: A ‘cloth-cap investor’ on the cover of *The Shareholder and New Investor*, November 1976.

This paternalism was an anathema to Ellis. In his audacious, confrontational manner he railed against “share gamblers” and “Stock Exchange spivs” with “shiny toppers” who “get fat” on takeover deals.¹³⁸ But it is important to point out that for Ellis, it was not financial capitalism as a system that was harmful to the interests of the “ordinary chap”, but rather a small, conservative elite at the top of its institutions – not to mention interventionist governments – that constrained the market from benefiting the “little fellow”. Sensitive to the class-based inequality in the stock market, Ellis claimed to advocate the interests of the “cloth-cap” or “genuine” investors who launched moralised attacks on speculative exuberances like the stagging of new issues during the postwar bull markets.¹³⁹ Sergeant, on the other hand, avoided

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¹³⁸ F. Ellis, ‘Store investors get quit option’, *Daily Express*, 30 July 1951.
moral judgements and nonchalantly envisaged his readership as the “world’s best savers and biggest gamblers”. Accordingly he tailored his advice not only to the needs of the ordinary private investor, whose shareholdings were to provide for his or her old age, but also to the small speculator and “punter” – those who “want the fun of watching your own shares perform”.

These images and selective replication of readers’ experiences are indicative of the two papers’ subtle differences regarding their conceptions of and attitudes towards stock market investment. The opposing conceptions become even clearer if we discuss them by means of a specific example. When the Conservative Chancellor, Selwyn Lloyd, considered the introduction of a short-term capital gains tax in 1961, the idea provoked an enormous outcry in the City and the financial press. The tax aimed at capital gains realized within a period of six months and was eventually introduced in 1962 “as a way of dealing with resentment against speculators in the take-over and property booms”. While Sergeant uttered his disbelief that “a Conservative Government could possibly approve an impost so penal, so unfair, and so likely effectively to prevent the City becoming the financial centre of Europe”, Ellis revealingly took a different line. He repeatedly assuaged concerns against the tax, arguing that “[t]o the ordinary investor who is seeking to protect his capital against the ravages of inflation or to save for his old age a capital gains tax is something that holds no dangers”. He mocked Braithwaite’s successor at the Stock Exchange, Lord Ritchie of Dundee, for frantically distributing 4,000 leaflets against the “coming tax on share gamblers” in the City and concluded: “This column always supports investors. But the capital gains tax is not to be aimed at investors. Its target will be gamblers.”

At the core of Ellis’s and Sergeant’s opposition on the matter of capital gains lay fundamentally different notions of the meaning of share ownership. At the Express, Ellis promoted a conservative concept that bears witness to the traditional reservations towards financial speculation as well as to the moral anxieties surrounding the stock market’s affinity to gambling that still held sway in the postwar decades. According to this notion, industrial shares were not to be regarded an object of trading, but held as a certificate that represented co-ownership in

142 Kynaston, The City of London, IV, pp. 289–92. See also the discussion in the following chapter.
a business. Time was an important factor when determining legitimate and illegitimate ways of financial profit-making. Ellis regarded “genuine investment in British industry” as a long-term commitment to the nation’s economy and accordingly flagged up the income-producing qualities of shares for retirement planning or their benefit of providing a hedge against inflation. Short-term speculation, on the other hand, was decried as indecent “share gambling” and therefore constituted the opposite end of moral yardstick that the Express applied to financial practices. Of course, neither could Ellis justifiably determine what was to be regarded as short- and long-term, but he agreed with the government’s benchmark by pointing out that “the genuine investor does not fear the Capital Gains Tax for he does not often sell under six months”.\footnote{146}{F. Ellis, ‘Brokers hit by gains tax plan to quit’, \emph{Daily Express}, 12 November 1962.} Evidently, the categories of short-term and long-term as well as speculation and investment are largely arbitrary. But Ellis’s conservative definition comes to the fore more clearly when held against that of Jim Slater, who argued in the early 1970s “that any share he held for as long as three, four or six months was a long-term investment to him”.\footnote{147}{Raw, \textit{Slater Walker}, p. 94.} In fact, Slater stretched conventional notions of ‘long-term’ even further when stating that “any share not bought and sold within a two-week Stock Exchange account could be said to be long-term investment”.\footnote{148}{Ibid., p. 94.}

Nothing demonstrates more clearly the extent to which the \textit{Daily Mail} departed from the Express’s conservative notion than Patrick Sergeant’s admiration for Jim Slater and his investment philosophy. We do not know what Frederick Ellis thought of Slater; he left the Express City office in 1968, enjoyed another three years as the paper’s New York correspondent for and died in 1979. But Sergeant began to actively promote Slater in 1968, when he strongly advised his readers to invest in Slater Walker’s newly set up Invan unit trust, which naturally was “more speculative than most” since their managers believed in “changing their holdings often”.\footnote{149}{P. Sergeant, ‘Go-Go with Shore’, \textit{Daily Mail}, 5 April 1968.} In 1971 and 1973, the Mail City editor picked Slater and Walker as his “share of the year” in his annual pre-Christmas tipping column.\footnote{150}{P. Sergeant, ‘Oh, sunny Jim!’, \textit{Daily Mail}, 21 December 1970; P. Sergeant, ‘Now face the future with Pearl – and Jim Slater!’, \textit{Daily Mail}, 19 December 1972.} Even when he later advised against one of Slater Walker’s takeovers – that of Samuel Hill, the prospect of which had ruinous consequences for Slater – Sergeant stated that he admired “them as brilliant traders” and made clear that he held “foolish the present fashion that damns people who make money but praises
those who make things”. Whereas Ellis advocated the concept of share ownership or shareholding in its literal sense, Sergeant essentially promoted share dealing. He made this conviction very clear in an article he wrote after having discussed the state of UK shares over lunch with Jim Slater: “Shares are for buying and selling, not putting away in the old oak chest. There is no such thing as a permanent investment.” More importantly for the context of the early 1970s, Sergeant recited Slater’s assessment that “our shares are between too high and much too high”, which is why the financier’s “advice to small investors [was] to weed out shares”. Sergeant’s piece, “one of those rare articles that truly made the financial weather”, triggered an enormous wave of selling among small investors, heralding the 1973–74 bear market and once again testifying to Slater’s – and Sergeant’s – potential to move the market.

Historians seeking to explain why economic liberalism became fashionable again in Britain during the 1970s, should take into account that for more than two decades, millions of midmarket newspaper readers had been increasingly exposed to the asserted benefits of free-market capitalism and were actively encouraged to appropriate a popular financial knowledge. In a recent assessment of the entangled relationship between party politics, the financial press and City institutions, Amy Edwards has contended that the “newspapers and financial journalists of the popular press, no matter their political allegiances, had an important function regarding the progress of popular capitalism. They helped make the language of the Conservative Party more visible, more profuse and perhaps, even, more believable.” She stresses the primacy of political elites in making neo-liberalism, by furthermore arguing that “Thatcher developed a concept of citizenship which was intrinsically linked to the consumption of capital. And it was this narrative of consumption, present in popular capitalism, which was appropriated by the financial press and financial institutions selling their wares”. The prominent and ambiguous role popular financial journalism played in 1980s popular capitalism will be addressed in chapter five. But the findings of this chapter already urge us to reconsider such arguments that play down the agency of financial journalism and underestimate its wider trajectory – one that transcends political attempts to widen share ownership. When it comes to popular capitalism, Britain’s financial press was not an echo chamber of Westminster politics – it set the tone of the agenda. Before Conservative politician

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155 Ibid., pp. 224–5.
Noel Skelton promoted the dispersal of industrial shares in his 1920s concept of a property-owning democracy, financial journalists were heralding the ‘democratisation of investment’. In the same way, financial journalists during the 1980s did not appropriate the language of Thatcherism, much less the language of consumption. Instead, the Thatcherite rhetoric of thrift, profits and risk-taking drew from the language financial journalists had been speaking for decades – or had been brought into the Conservative Party by former City editors like Nigel Lawson.

However we should be wary of an all-too homogenous interpretation of the popular financial press. This chapter has suggested a more nuanced reading by paying close attention to the diverse, at times opposing, notions of stock market investment expressed in the *Daily Mail* and the *Daily Express*. Ironically, the *Express*, viewed as having come to terms more easily with postwar affluence than the *Daily Mail*, upheld traditional stigmas surrounding unfettered speculation in its City coverage. Yet the two prominent tabloids – as well as the *Daily Mirror* – shared a market populism that couched stock market investment in powerful terms and metaphors of freedom, democracy and empowerment. Owing to its simplicity and straightforwardness, this narrative is likely to have had a more compelling appeal to largely middle-class and increasingly affluent working-class audiences than its more technocratic counter-arguments of demand management, planning and Keynesian fine-tuning.

Dilwyn Porter has pointed out the financial journalists’ “crucial role in the promotion of popular capitalism” throughout the twentieth century showing how these cultural actors were as – if not more – important in diffusing ideas about investment as top-level politicians’. Peter Mandler has urged us to “evaluate not only the meanings of a text but also its relations to other texts, its significance in wider discursive fields, its ‘throw’, its dissemination and influence”.

Many intellectual histories of neoliberalism emphasise the power of political discourse and the role of academics of the ‘neoliberal thought collective’ in shaping ideas about the free market.

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157 For this line of argument see A. Burgin, ‘Age of Certainty: Galbraith, Friedman, and the Public Life of Economic Ideas’, *History of Political Economy* 45 (2014), 191–219; S. Brandes, „Free to Choose“: Die Popularisierung des Neoliberalismus in Milton Friedmans Fernsehserie (1980/90), *Zeithistorische Forschungen* 12 (2015), 526–33. Comparing Friedman’s TV show *Free to Choose* with Galbraith’s *Age of Uncertainty*, which sought to popularise their neoliberal and Keynesian ideas respectively, Burgin and Brandes argue that Friedman was much more successful because of his “populist persona” and “the force of the market metaphor”, whilst “Galbraith never found a way to distill his views in simple and broadly applicable terms”. Burgin, *Age of Certainty*, p. 216.
158 Porter, Where there’s a tip there’s a tap’, p. 92.
But the columns of Harold Wincott, Jim Slater, Patrick Sergeant and Frederick Ellis arguably did more to shift British public opinion towards individualism and free-market capitalism than Hayek’s *Road to Serfdom*.

4. **The Politics of Wider Share Ownership**

This chapter traces political efforts to widen share ownership in Britain throughout the twentieth century and offers a new avenue towards the history of popular capitalism by casting off Thatcherism as its teleological endpoint. Several historians have so far touched upon this issue, predominantly to in the context of Thatcherite endeavours to make Britain a ‘property-owning democracy’ by privatising council houses and nationalised industries.\(^1\) One strand of research stresses the deeper roots of wider ownership in twentieth-century Conservatism. Ewen Green, Ben Jackson and Matthew Francis see a line of continuity from the interwar Unionist MP Noel Skelton through Anthony Eden to Margaret Thatcher and construe the rising prominence of personal ownership in British politics as a fundamental transformation that culminated in the 1980s.\(^2\) Somewhat opposed to this, Richard Vinen and Brian Harrison – as well as David Parker’s two-volume *Official History of Privatisation* – have flagged up short-term contexts and pragmatic motivations in the emergence of Thatcherite policies.\(^3\) They argue that denationalisation, privatisation and the accompanying trope of ‘popular capitalism’ were born out of specific social and economic contexts of the 1980s. According to this reading, wider share ownership was merely a convenient, but effectless side effect of cutting public expenditure and transferring state monopolies into the private sector that had little impact.

The following analysis demonstrates that the question of whether ordinary people should own stocks and shares has a longer political trajectory that transcends the history of the Thatcher period. Tracing the diverse set of proponents and opponents of this idea throughout the postwar decades can refine our understanding of the relationship between state and individual that underpinned the postwar economic settlement. Although it was viewed as socially and economically beneficial across parties, no postwar government took legislative action in favour of popular share ownership, which was seen as difficult to reconcile with the mixed economy.

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But the reluctance in this field must also be seen in the context of the paternalist attitudes that governed the political establishment and the financial elites in the City of London. Eventually, the economic hardship of the 1970s brought a noticeable shift in attitudes towards mass participation in the stock market. Conservative politicians, journalists and businessmen of the increasingly influential New Right advocated a return to economic individualism that was motivated by a perceived decline of allegedly middle-class, bourgeois or ‘Victorian’ values. This particular reading of modern British history shaped Thatcherite plans in opposition for a new fiscal order in which tax incentives for equity investment would “allow more direct personal engagement with capitalist enterprise”. Popular investment and speculation were expected to provide the risk capital and entrepreneurial spirit deemed necessary for an economic recovery. Eager to foster a ‘share-owning democracy’, the Thatcher governments from 1979 implemented many of these reforms.

The first section of this chapter focusses on negotiations over wider share ownership in the context of the postwar economy and highlights the constraints on the movement emanating from an economic paternalism prevalent in politics and the financial sector. In a second step I will draw attention to the various interest groups, politicians, journalists and entrepreneurs that promoted the agenda of wider share ownership as a way of legitimizing capitalism more broadly throughout the postwar decades. As part of a broader push for a return to economic liberalism, the private investor was expected to solve many of Britain’s growing economic problems, resulting in watershed legislation on equity participation by Jim Callaghan’s Labour government in 1978. The final section discusses the implementation of incentives for private equity participation by Thatcher’s Conservative governments from 1979 onwards in relation to the politics of financial deregulation pursued simultaneously. Throughout the decades, policymakers and advocates of wider share ownership realized that stock market investment lent itself not only to an exercise in bourgeois values of thrift and deferred gratification, but could also foster speculation and gambling. The line between prudent saving and speculative risk-taking sometimes proved difficult to draw and crossing it demanded careful communication. Paying close attention to these boundaries allows us to flesh out the tension

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between moralising and more adventurous aspects of popular investment, which later also characterised the popular capitalism of the Thatcher years.

The wider share ownership movement

Britain’s postwar era began with a political earthquake. Labour won a large majority in the general election held in July 1945 and the party launched a full-scale programme of nationalisation. In the following six years of government, Labour won the argument that key industries and services such as coal, steel and the railways should be managed in the public interest by civil servants no longer saddled with the need to keep share-holders in line. Labour’s corporatist regime and expansion of welfare provision required higher taxes on corporate profits and dividends. As we have seen in chapter two, Labour assumed a widespread resentment against high finance and the profit motive across British society – not always accurately – and sought to tap into this mood with public attacks on high finance. During the 1959 election campaign, the party claimed that 8 years of Conservative reign had given “the ‘expense account’ man an easy run, and [let] the spiv and the speculator off scot free”. In the run-up to Labour’s return to power, party leader Harold Wilson denounced “share-pushers take-over bidders, land and property speculators” in the City of London. The Conservatives Party’s conclusion from six years of opposition (1945-51) was to acknowledge the apparent public acceptance of Labour’s postwar economic settlement. In the following years, the party’s libertarian strand had to carry the blame for the 1945 election disaster. Staunch libertarians like the party Chairman and former stockbroker, Ralph Assheton, stood down and a young generation of progressively-minded Tories like Anthony Eden, Rab Butler and Harold Macmillan gained the upper hand within the party. Having made their first political steps in the 1920s, these ‘One-nation Conservatives’ concurred with Labour’s agenda in so far as they gave priority to full-employment and good industrial relations over monetary stability, the traditional creed of Britain’s political economy. To be sure, Conservatives continued to be a party of private enterprise, but remained cautious to avoid any impressions

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of a return to the unfettered capitalism of the interwar period. In the run-up to the 1951 election, Harold Macmillan – by then already very influential on Conservative policy – noted an episode in his diary that illustrates Tory reluctance in this field, especially in view of the City.

But he [Churchill] raised one most important question of policy. He felt concerned about the stock exchange boom and the general feeling which might be created, and exploited, by the Socialists that the Conservative party was that of business and profits and dividends. Something must be done (from the political point of view) to counter this.9

Eden and Macmillan, the next two Prime Ministers, had been personal friends of the Scottish Unionist MP, Noel Skelton, who had been an influential ‘middle way’ thinker in the 1920s. Philip Williamson has noted that “[Skelton’s] ideas appealed strongly to a loose group of younger, idealistic Conservatives in the 1924 parliament […] who supported the progressive elements in Baldwin’s Conservative government against what they regarded as the party’s reactionary business members.”10 Chapter one has shown how Skelton made his mark as an astute political observer when he published a series of essays entitled ‘Constructive Conservatism’ in the Spectator in 1923.11 A gifted writer, he used this platform to unfold his vision of making Britain a ‘property-owning democracy’, the core of which concept was the spread of industrial shares. At a time when financial observers proclaimed the ‘democratisation of investment’ in Britain, Skelton advocated co-partnership, the participation of workers and employees in industry via share ownership, as a suitable means of bridging the gap between capital and labour. Assessing the throw of Skelton’s ideas in a recent article, Amy Edwards stated that

Whilst it is true that widening share ownership became a mainstay of Conservative policy-making in the 1980s, it is important not to overemphasise the novelty of the Party’s concern with share ownership. The broadening of share holding [sic] had formed a central part of the ‘property-owning democracy’ in its original articulation by Unionist MP Noel Skelton in 1923, who saw co-partnership and profit-sharing as a way to distribute property more widely and improve industrial relations.12

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For Skelton’s influence on Eden, Macmillan and Alec Douglas-Home, Macmillan’s successor, see also Francis, ‘A Crusade to Enfranchise the Many’, 277.
Conservatives were indeed occupied with wider share ownership prior to Thatcher and this chapter will carefully examine the party’s ambiguous relationship with the issue throughout the twentieth century. However, we should be wary of drawing an all-too direct line of continuity from Skelton to Thatcher. For one reason, it was not the Conservative, but the Liberal Party which first took up Skelton’s ideas and made co-partnership a key social policy in its 1928 manifesto Britain’s Industrial Future. The Liberal manifesto wished to see an expansion of employee share schemes, “because it helps to bring about a wider diffusion of ownership” and would mean “a real advance towards that goal of Liberalism in which everybody will be a capitalist”.13 This strand continued to shape Liberal policies throughout the postwar period, when the party complained “that the ownership of industry, like the ownership of property in general, was in the hands of a tiny minority”.14 Under Jo Grimond’s charismatic leadership (1956–67), the Liberals remained a prominent political voice in favour of a society of small shareholders, championing wider share ownership and industrial co-partnership as a road towards a more participatory and less paternalist political economy.15 But, as we shall see later, Britain’s third party had to wait until 1978 for an opportunity to see parts of its long-championed ideal turned into legislation.

The Conservative Party did not incorporate Skeltonian ideas of wider share ownership until its 1947 Industrial Charter, which is widely held as an attempt to come to terms with the postwar economic order of nationalisation, planning and social welfare.16 Written chiefly by the new head of the Conservative Research Department, Rab Butler, the manifesto lauded “schemes of profit-sharing or employee-shareholding”, but stressed that “[s]uch schemes do not by themselves necessarily create good industrial relations; they follow from them”.17 This position of welcoming a capital-owning democracy on the one hand, but not actively encouraging it on the other, was to encapsulate the Conservative Party’s awkward relationship with wider share ownership during its time in office, 1951–64. After returning to power in 1951, first Winston Churchill and then his successor Eden, expressed support for employee share schemes.

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Already, in opposition, Deputy Leader Anthony Eden had revived Skelton’s call for a property-owning democracy and sought to rally the party behind this term as a Conservative, yet participatory and inclusive alternative to socialism.\textsuperscript{18} His biographer, D.R. Thorpe, notes among Eden’s domestic achievements as Prime Minister (1955–57) the “improvement of industrial relations, through share ownership, employee participation, and profit sharing”.\textsuperscript{19} But any legislation was deemed “extremely complex and technical” and the room for tax cuts “very limited indeed” with the result that both Churchill and Eden stuck to the passive line spelt out in the \textit{Industrial Charter}.\textsuperscript{20}

Towards the end of the 1950s, the party leadership’s adherence to economic ‘dirigisme’ caused a “middle-class revolt”, with the Conservative grass roots becoming concerned that a disengagement from free-market principles would alienate the party’s electoral base.\textsuperscript{21} In this vein, Tory backbenchers began to advocate wider share ownership both as a bulwark against socialism and a counter project to nationalisation. In November 1958 the Conservative MP for Halifax, Maurice Macmillan – the Prime Minister’s eldest son – brought into life the Wider Share Ownership Council (WSOC), a group consisting of “joint stock and merchant bankers, stockbrokers, unit trust and investment trust directors, well-known industrialists, trade union officials, back-bench members of Parliament and others, of every shade, of political opinion interested in spreading the ownership of industrial shares”.\textsuperscript{22} This illustrious list included Stock Exchange members such as Anthony Hornby, of leading brokers Cazenove & Co, or the legendary jobber Esmond Durlacher.\textsuperscript{23} Even Siegmund Warburg, the pioneering merchant banker, was a member of the WSOC. However, these memberships should not be mistaken as an indicator for a broad alliance in the City in favour of wider share ownership. As discussed earlier, influential firms like Cazenove had long inhibited any motions from fellow Stock

\textsuperscript{21} Quote after Green, \textit{Thatcher}, p. 58; in more detail Green, ‘The Conservative Party, the state and the electorate, 1945–64’. See also the discussion in the previous chapter.
Exchange members who sought to liberalise advertising laws and make commissions more flexible in order to reach out to potential retail investors.

The political membership of the Council is more noteworthy. Although the Council was dominated by Conservatives such as him and the later party chairman and Unit trust manager, Edward du Cann, the Council could boast a cross-party membership throughout the 1960s and 1970s. The Liberal MP for Bolton, Arthur Holt, and Labour’s “expert on financial matters”, Harold Lever, both served as vice chairmen at points. Lever was known for his “commercial acumen”, but unpopular within the party’s left wing because of “his reputation for great wealth and his right-wing views on policy”. He would later, in the spirit of the WSOC, publicly oppose Callaghan’s 1965 budget for its inclusion of a comprehensive capital gains tax. Besides Lever, many Labour ‘revisionists’ like Douglas Jay and Hugh Gaitskell, who were sceptical of full-scale nationalisation and “concerned about the consequences of such an approach for flexibility and dynamism”, considered wider equity ownership to have an egalitarian potential. Ben Jackson has examined how, together with the social-liberal economist James Meade, they pondered the idea of a state-run unit trust – a plan that never materialised.

The WSOC lobbied for tax cuts on dividends and capital gains deriving from investment income, and called for the abolition of the two per cent stamp duty on share transactions. Vigorously, it challenged what Clare Munro calls the Fabian consensus, the British tax system’s unequal treatment of ‘earned’ and ‘unearned’ income, with a bias towards the former as being morally superior. This differentiation had been introduced in 1907 by the Liberal Chancellor David Lloyd-George, “on the grounds that [income from investments] was ‘unearned’ by active exertion, imposing a parasitical drain of rents and interest payments on enterprising members of society”. As Martin Daunton has remarked and this chapter will discuss further,
notions of entrepreneurialism and how the tax system could reward risk-taking remained highly contested over time. While Munro is right to point out the Fabian origin of the differentiation, I question whether it is helpful to speak of a consensus, given that it was stridently attacked by the financial press, Tory backbenchers and libertarian think tanks.\footnote{Munro, “The Fiscal Politics of Savings and Share Ownership in Britain, 1970–1980”, 758: “The notion that income accruing to one person might have been earned in part by another had been adopted by the Fabians to promote state control, but gained traction during the first half of the twentieth century, especially in relation to income arising from investments. Wide acceptance of this moral judgement underpinned the differential income tax rules that prevailed until the 1980s.”}

When the stock market underwent its second postwar bull market in the late 1950s, the WSOC sought to capitalize on this momentum. Fuelled by full employment, economic growth and rising wages, the boom in stocks and shares resulted in a large intake of small investors and a growth in employee share schemes as laid out in chapter two. These trends caused anxiety and criticism on the left. The trade unionist Labour Research Department published a Poor Man’s Guide to the Stock Exchange, warning that working-class share ownership threatened “to undermine trade union solidarity by making the workers feel that they have a stake in the success of capitalism”.\footnote{F. Simmery, The Poor Man’s Guide to the Stock Exchange (London: Labour Research Department, 1959), p. 55.} In Parliament, the Labour MP for Coventry North, Maurice Edelman, deplored the “encouragement which is given to the ordinary man in the street to take part in the gamble for quick wealth through speculation”. Translating the Fabian condemnation of ‘unearned’ income into a populist language, he conjured up the “emergence of the ‘gamblers’ State’ as a successor to the Welfare State” and saw “two nations in Britain – that which creates wealth and that which seeks to speculate in the product of that labour”.\footnote{HC Deb 625, c. 832, 24 June 1960.} In light of the late 1950s share fever, the Chancellor of the Exchequer, Peter Thorneycroft, pointed out to his Prime Minister, Harold Macmillan, that “[w]e must now decide whether to take a positive line on this, or whether we should deliberately leave these various schemes to evolve on their own.” Macmillan agreed to set up a working group at the Treasury in order “to study the whole question urgently”.\footnote{P. Thorneycroft to H. Macmillan, 21 November 1958, TNA, PREM 11/2669.}

This ‘Committee on Wider Ownership of Shares in Industry’ began its work in January 1959. Parallel to the Treasury committee, the Conservative Political Centre (CPC) set up a taskforce on wider share ownership chaired by Sir Toby Low, the MP for Blackpool North. Low had been appointed minister of state at the Board of Trade under Churchill, but “in January 1957 left office at his own request to seek better-paid work in the City”.\footnote{J. Ure, ‘Low, Austin Richard William [Toby], first Baron Aldington (1914–2000)’, ODNB.} He remained an MP and
was a founding member of the WSOC. Low was supposed to become the group’s chairman instead of Maurice Macmillan, but stepped back as he was appointed deputy chairman shortly afterwards. Nevertheless he oversaw the policy work of CPC taskforce, which in April 1959 resulted in the publication of a pamphlet carrying the telling title *Everyman a Capitalist.*

Wishing Britain to become a “share-owning democracy”, the authors stressed that they were “concerned here with investment and not with speculation”. The Low group called for wide-ranging tax incentives for equity investment in order to “promote a wider understanding of the working of the free enterprise system” and to “tap a new source of saving for industry”. The late 1950s prominence of wider share ownership among free-market liberals as a way of boosting Britain’s investment rate coincided with the growing awareness that Britain lagged behind its European competitors in this regard. We have already seen how declinist commentators like Harold Wincott advocated popular capitalism as a means of tackling Britain’s proclivity for over-consumption and its relatively low economic growth. In 1961, the high finance Tory and WSOC member, William Clark, picked up on this in another early proposal for wider share ownership published by the Junior Carlton Club. Like Wincott, he compared Britain’s investment rate of 19 per cent unfavourably against Germany’s 29.1 per cent, yielding 1.6 and 4.3 per cent of economic growth respectively. Clark argued that “capital investment is a key factor in economic growth” and “that we are spending too much of our income on expendable goods and not enough on investment in modernising Britain”.

Broadly, those views [of the pamphlet] are based on the belief that there is a need for more voluntary savings both to combat inflation and to aid growth through investment, and that there is an unused capacity to save and invest which has not yet been tapped. I believe that on the whole people spend what they do not save rather

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36 ‘Call for Incentive to Buy Shares: Sir Toby Low’s Aim of “Everyman a Capitalist”’, *The Times*, 14 April 1959; see also Green, *Thatcher*, p. 88.
38 Ibid., p. 9.
39 “The initial post-war declinist ‘moment’ came at the end of the 1950s and early 1960s. A combination of general angst caused by the Suez debacle and the decline of Empire, political positioning by the opposition Labour Party and mounting evidence of the dynamism of the Western European economies, combined to create a ‘What’s Wrong with Britain’ furore that led to a culture of declinism that has persisted, albeit with considerable waxing and waning, ever since.” J. Tomlinson, ‘Thrice denied: ‘declinism’ as a recurrent theme in British history in the long twentieth century’, *Twentieth Century British History* 20 (2009), 227–51.
41 Ibid., pp. 5–6.
than save what they do not spend. Therefore, to increase saving and to encourage investment, new incentives are needed: on the lines of making legal company thrift plans, tax relief for income from small savings invested directly in industry on the same lines as now obtains for income from National Savings, and the same concessions for all retained savings as for assurance and deferred annuities.\(^{12}\)

The wider share ownership movement sought to reverse the moral charge of ‘speculation’ by contrasting sound investment with frivolous consumption – something the Labour left was also uneasy with.\(^{43}\) Distinctions familiar from matters of saving and spending were translated into the world of investment. In this regard, Martin Daunton has pointed out that the “cultural distinction between visceral, immediate gratification and prudential deferred gratification in consumption and saving is reflected in the debate over speculation as unregulated emotion and greed, and investment as rational, calculating, and careful.”\(^{44}\) Advocates even suggested channelling funds ‘wasted’ on gambling – another Labour anxiety – into industry via the stock market.\(^{45}\) *Everyman a Capitalist*, for instance, suggested that “investment in industry may actually attract money from the pools”.\(^{46}\) In 1956, John Braithwaite, the Chairman of the London Stock Exchange had already stated that “[i]f only some of the hundreds of million that are poured down the drain each year in betting on horses, dogs, and football could be attracted into investment in British industry, what a fine start could be made.”\(^{47}\) But the argument also revealed a certain concession that gambling and stock market activity were essentially not too different from each other, as William Clark’s more elaborate remarks on the matter illustrate:

> There is basically no reason to suppose that someone who can understand the complications of the Pools or of racing ‘form’ cannot distinguish between a good company and a bad one. [...] We are aware of the argument that small savings should not be put to too much risk. But nor should the investment be too dull. It would be a

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\(^{12}\) *HC Deb* 634, c. 90, 6 February 1961.


\(^{45}\) On Labour’s ambiguous relationship with gambling see G. McClymont, ‘Socialism, Puritanism, Hedonism: The Parliamentary Labour Party’s Attitude to Gambling, 1923–31’, *Twentieth Century British History* 19 (2008), 288–313. On further considerations to divert gambling funds into the stock market see Whiting, ‘The City and democratic capitalism’, p. 101: “What convinced Labour people that wider share ownership was practicable were the sums regularly spent on the main forms of working-class gambling. Joel Barnett, a friend of Lever’s, recommended ‘the transfer of funds from bingo halls and betting shops to better forms of investment in unit trusts, which would provide both a gain to the holders and a gain for the country.’”

\(^{46}\) Low, *Everyman a Capitalist*, p. 9.

\(^{47}\) ‘Wider Holdings Of Stocks’, *The Times*, 16 March 1956.
great advantage if some of the huge sums now devoted to betting could be diverted to investment in industry.⁴⁸

These suggestions did not seem to strike a chord with the party leadership or the higher civil service. Rab Butler commented that the Low Report was “rather negative and unhelpful”.⁴⁹

The Treasury working group on wider share ownership provided a very restrained outlook on the matter, possibly because it was chaired by William Armstrong, at that time already an aspiring Treasury Secretary. Armstrong was one of the most influential civil servants of the postwar era and adhered to “the dominant Keynesian policy framework of the period”.⁵⁰ He went on to become Permanent Secretary to the Treasury in 1962 and Head of Home Civil Service in 1968 and would later incur the wrath of Tory libertarians for orchestrating Edward Heath’s interventionist policy ‘U-turn’ in 1971–2.⁵¹ Echoing the position already laid down in the Industrial Charter, Armstrong concluded early on that although “a widening of the ownership of industrial shares was desirable on general social grounds, this ought to be regarded as a gradual and long-term development. Rapid change was neither to be expected nor desirable.”⁵² Two months later, the Prime Minister’s office received the Treasury committee’s final report. This cautious paper came to define the line of future governments on wider share ownership. The apprehensions spelt out in the report testify to the economic paternalism prevalent in postwar Whitehall politics and reveal the nervousness of the Tory leadership to unpick elements of the corporatist postwar settlement.⁵³

The report was a detailed assessment of the facilities for share investment available to the small saver. They ranged from direct dealing on the Stock Exchange – “expensive and inaccessible” – over the mediated form of unit trusts to the increasingly popular format of investment clubs, which were “popular in America [and] spreading gradually in the United Kingdom”, and eventually employee share schemes. The problem with the latter was that “all eggs are in one basket”, meaning that workers would not only lose their job, but also their capital should their companies go out of business. In spite of viewing a wider spread of private capital ownership as socially desirable, the government had to consider economic as well as moral arguments

⁴⁹ Butler scribbled this assessment on a minute from Chancellor Heathcoat Amory to the Prime Minister, 24 March 1959, TNA, FO 1109/321.
⁵² Committee on the Wider Ownership of Shares in Industry, 1st meeting, 19 January 1959, TNA, T 277/802.
against pursuing any such policies. First and foremost, the Treasury report saw equity investment as too risky for the average saver whose priority was deemed to be “liquidity with no risk of capital loss”. The report furthermore mirrored policymakers’ distrust of market mechanisms. An increase in popular investment was deemed to inevitably come at the expense of National Savings. Such a shift away from conventional savings to equity was considered to “reduce the area over which the Government can influence the total volume of credit and therefore the general level of economic activity”. Statements like this mirror the strong belief in the state’s entrepreneurial qualities prevalent in Whitehall at that time and which Thatcher’s government declared war on when obtaining office in 1979. The government was advised only to remove such obstacles in the way of ordinary investors which were “not involving serious revenue loss”. Giving way, for example, to the WSOC’s calls for tax concessions on investments was out of the question for a government relying on a constant flow of revenue for demand management.54

In addition, ministers urged Macmillan to consider religious opposition against the spread of share ownership. Early on, the Lord President of the Council, Lord Hailsham, a devout Christian, wrote to the Prime Minister:

> We must be extremely careful that any policy we proposed does not incur the wrath of the Churches, some of whose zealots regard any form of purchase of shares as a form of gambling. This is of course rubbish, but operating on the Stock Exchange can be a form of gambling and I see no particular reason why we should encourage it unless we have this danger fully in mind.55

On this, Macmillan merely noted: “We must await the report. But I do not share your apprehensions.” We have seen in chapter two in connection with the Church’s increased involvement in the stock market how Macmillan as Chancellor had already laughed off religious protest when he introduced Premium Bonds in his 1956 budget. He followed the same line when he presided over the sweeping liberalisations of gambling markets as Prime Minister in the late 1950s.56 On wider share ownership, he took a similar stance: the state should not object on moral or religious grounds, if people wanted to take a flutter, be it in dogs and horses or stocks and shares. They should not, however, take higher economic risks if the government could be made responsible for financial losses. Last but not least,

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56 M. Jarvis, Conservative Governments, Morality and Social Change in Affluent Britain, 1957–64 (Manchester: Manchester University Press, 2005), pp. 65–85
encouraging the electorate to invest in stocks and shares was a delicate matter of timing. The report pointed out that a rise in the market was the worst possible moment for encouraging people to buy shares:

The risk of capital loss is, of course, aggravated, if the wage-earner makes his investment at a time when share prices are high. In the nature of things equities tend to gain in popularity after a rise in prices rather than before it and this makes it particularly important that investors should have access to sound advice and should have some understanding of the risks that are involved.

Two apprehensions were at play here. On the one hand, if voters felt politically encouraged to buy potentially overpriced shares and then burnt their fingers, this would backfire electorally. This mirrors Clare Munro’s assessment that there were “fundamental difficulties with active promotion of equity ownership” and that Tory policy makers were well aware that “an ill-timed marketing campaign could result in financial losses by the investing public and consequent electoral ignominy”.57 On the other hand, the financial crash of 1929 was still a bogeyman in British postwar politics. Financial observers had pointed out the danger of a repeat of 1929 should the mid-1950s’ bull market develop into another “share-buying craze”.58 Harold Wincott, whose articles were circulated in 10 Downing Street, picked up on this widely spread anxiety in a review of John Kenneth Galbraith’s seminal account, *The Great Crash, 1929*.59 Wincott did not think that “there’s the slightest chance of a repetition of 1929 in our lifetime”, but his optimism, somewhat contradictory, was based on the awareness that “the fear is still prevalent in men’s minds that such a slump can recur”. It is likely that this resonated with politicians like Macmillan, who had experienced at first hand the devastating social consequences of the Great Slump in his Stockton constituency during the 1930s. As share prices rose further in January 1960, the new Chancellor Derick Heathcoat-Amory circulated among Treasury staff a letter from J. R. Cuthbertson, Head of the Economic Intelligence Department at the merchant bank of Lazard Brothers. The senior banker was concerned about the “current Stock Exchange boom” and warned the Chancellor against applying the proposals laid out in Toby Low’s pamphlet, *Everyman a Capitalist*:

It seems to me that it would be inviting disaster to initiate such a scheme at a time when stock market prices are heading straight for lunatic levels. One would be risking putting a lot of small people with very limited financial means into the concluding phase of a South Seas’ [sic] bubble. […] One would not wish to see the small investor,

59 Candidus [i.e. H. Wincott], ‘Can 1929 Come Again?’, *The Investors’ Chronicle*, 5 November 1955.
particularly the working man, given such a fear of equity investment that several decades will pass before he can once again be induced to consider it. The 1929 crash on Wall Street had just that effect.\(^6\)

We have already seen in chapter two how several months later, in June 1960, the Treasury learned from the Bank of England, “that the Stock Exchange have come down firmly against any scheme to encourage small investors in equities.”\(^6\) However, we should not mistake the resulting inactivity as evidence in support of the popular argument “which claims that the City and its representatives have been able to determine and dictate the economic policies of the British State to the benefit of international financial and commercial interests at the expense of domestic industry”.\(^6\) On the contrary, the Stock Exchange had very little impact on government policy during the postwar period, as the debate surrounding the introduction of a short-term capital gains tax by the Conservative Chancellor Selwyn Lloyd will show. According to Ranald Michie, “[i]n areas that really mattered to the Stock Exchange, such as taxation, there is little evidence to suggest that it made any difference whether Labour or the Conservatives were in power.”\(^6\)

What we can conclude from this episode is that financial elites shared with Whitehall officials concerns regarding a large intake of new investors. The more specific context of this back-channel communication between the Treasury and the Stock Exchange was the preparation of a House of Commons debate on “Wider Ownership of Industrial Shares”. The Economic Secretary, Anthony Barber – who would later ignite the ‘Barber boom’ with his expansionist budget during Heath’s U-turn – had poured cold water over a motion proposed by Gresham Cooke, the Conservative MP for Twickenham and WSOC member. Barber’s intervention illustrates vividly how the Treasury sought to keep a lid on wider share ownership proposals. Cooke’s original motion read:

That this House, believing that economic stability, political freedom, and social justice require a wider spread in the personal ownership of the industrial wealth of the country, calls upon Her Majesty’s Government to take action: both to remove obstacles which may prevent the small saver investing in industrial shares, and to encourage the small investor to invest in equities by measures similar to those already taken to further encourage investment in National Savings; and, as a first step, to consider reducing the

\(^{60}\) J. R. Cuthbertson to D. Heathcoat-Amory, 5 January 1960, TNA, T 233/1851.

\(^{61}\) J. F. Barrow to J. I. Mck. Rhodes, 10 June 1960, TNA, T 326/88.


Stamp Duty on all share transfers, and amending the Income Tax Act 1952 so as to permit Company Thrift Plans for investment, part in National Savings part in industrial shares, to be set up.

After Barber’s amendments, the motion merely “[…] called upon Her Majesty’s Government to consider whether any action can be taken to remove obstacles which may deter the small saver from investing in industry and to encourage him to make such investments”.64

In spite of this setback, the WSOC established a “tradition of access” to the Treasury over the course of the decade.65 Before each budget, the Chancellor or the Economic Secretary would meet a Council delegation at the Treasury and listen to policy proposals. Members made specific proposals that “[d]iscrimination against securities as forms of property subject to capital gains tax should be ended” and called for a “less unfavourable treatment of the fruit of investment”.66 The latter point referred to “the present unequal treatment of so-called ‘unearned’ as compared with ‘earned’ income”,67 which middle-class taxpayers had long regarded as “a tax on thrift and self-reliance”.68 In addition to that, the WSOC wished to extend personal allowances on capital income, cut or abolish stamp duty and exempt unit trusts from corporation tax. As a way of spreading the investment habit among working-class communities, the Council even “suggested that it would be a good idea to inspire the working man to have a gamble on shares, instead of on the pools”.69

But minor achievements like the halving of stamp duty in 1963, raised to two per cent by Labour in 1947, were outweighed by bitter pills the Council had to swallow. In his 1962 budget, Selwyn Lloyd introduced a short-term capital gains tax in a bid to “counter criticism of the Conservatives as the party of speculators and shady financiers”.70 The tax was both a concession to union opinion and “a way of dealing with resentment against speculators in the take-over and property booms”,71 which had gripped the City in the wake of the Aluminium War 1959. The London Stock Exchange was outraged when it heard about Lloyd’s intentions and its Chairman, Lord Ritchie of Dundee, used the WSOC’s annual conference for launching

64 Gresham Cooke to P. M. Hewlett, 26 April 1960, TNA, T 326/88. HC Deb 625, c. 823, 24 June 1960; J. F. Barrow to E. W. Maude, 2 May 1960, TNA, T 326/88.
68 Daunton, Just Taxes, p. 116.
69 WSOC Deputation to Chancellor of the Exchequer, minutes of meeting, 29 January 1964, TNA, T 326/285.
70 Ibid., p. 260.
71 Ibid., p. 261.
a scathing critique of the Conservative government. The senior stockbroker argued that “the City ha[d] not reached its pre-eminence by taxation and restriction” and lamented that “the subject of investment, the subject of freedom of markets, the subject of the importance of the stock market to the country, to industry, and to us all is constantly bedevilled by the Government”.

Harold Wilson’s Labour governments (1964–70) took further action against capital gains by introducing a long-term tax in 1965, designed by the Cambridge economist Nicholas Kaldor. Even when the WSOC had a “friend at court” – from 1967 to 1969, Deputy Chairman Harold Lever was Financial Secretary to the Treasury – its efforts were in vain. In 1969, the Chief Secretary, John Diamond, felt obliged to point out to the Council’s deputation that “a lesson could perhaps be drawn from the fact that the Council found themselves compelled to repeat their representations year after year.” The Treasury’s view on the WSOC’s ideas is perhaps best encapsulated by a scribbled remark by an unidentifiable civil servant regarding a proposal on Incentive Share Schemes by the Council’s Honorary Secretary, George Copeman: “If any employer offered me this thing as an incentive I’d go and work elsewhere.”

In June 1970, the Conservatives returned to power after party leader Edward Heath seemed to have re-embraced economic liberalism, with the manifesto promising to foster a ‘capital-owning democracy’. This, of course, spelt hope for the wider share ownership movement. Heath’s new Chancellor was Iain Macleod, who in 1965 had criticised the emergence of the ‘nanny state’. When the shadow cabinet met for its seminal conference at Selsdon Park Hotel in January 1970 – the birth of the party’s new free-market agenda – Macleod even proposed “to abolish the difference between earned and investment income and treat all income in exactly the same way”. As part of reintroducing free market policies, he showed interest in a WSOC proposal for an equity-linked Save As You Earn (SAYE) scheme, which the Treasury described as “the best starter there is for fulfilling the Conservative Party Manifesto pledge”. But only a month after his appointment, Macleod died of a heart attack.

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74 M. Macmillan to H. Lever, 14 February 1969, TNA, T 326/917.
75 Minutes of meeting with WSOC deputation at Treasury, 13 March 1967, TNA, T 326/917.
77 After refusing to serve under Macmillan’s successor, Alec Douglas-Home, Macleod was the editor of *The Spectator* for two years. Here he wrote a weekly column under the pseudonym ‘Quoodle’, firing “salvos in the direction of what I call the Nanny State.” *The Spectator*, 3 December 1965.
79 C. D. Butler to Inland Revenue, Equity-linked version of SAYE, 18 September 1970, TNA, T 326/1275.
and was succeeded by Anthony Barber. It will remain unknown whether Macleod would have thwarted the Tory leadership’s renunciation of its free-market agenda during the winter of 1971–2. But in view of drastically increasing unemployment levels, Heath’s government introduced wide-ranging interventionist policies and Barber’s expansionist budget. At any rate, in the course of this ‘U-turn’, the equity-linked SAYE scheme was dismissed because the Treasury suddenly had “very strong objections on principle to the proposed tax concessions”. The text did point out “that officials should given [sic] further study to the kind of scheme which might be introduced if a change in economics warranted this, including the question of a time-scale”. But in conclusion, as Clare Munro has pointed out, “the Conservative leadership was not yet ready to move away from the Fabian approach to investment income.”

Thinking the Unthinkable: Conservative opposition plans for “grass-roots capitalism”

After two narrow election defeats to his nemesis Harold Wilson in February and October 1974, Heath was replaced in February 1975 as Leader of the Opposition by Margaret Thatcher, who had been the Secretary of State for Education and Science under Heath. Thatcher, a proponent of the right wing and party grass roots, was not seen as a long-term solution. Yet her election revealed the waning belief in postwar economic wisdoms of planning, nationalisation, high taxes and public expenditure. As the second half of the 1970s witnessed a global comeback of economic liberalism and a growing belief in the social benefits of the profit motive, Thatcher radically refashioned her party’s policies along these lines. Under her leadership the Conservatives took up many of the radical free-market alternatives offered by those who had been ‘thinking the unthinkable’ in the past decades – mainly outside the party. Think tanks like the Centre for Policy Studies (CPS) or the neoliberal Institute of Economic Affairs (IEA) gained key influence on Tory policy. While the CPS had been founded by Thatcher and two of her closest allies, Keith Joseph and Alfred Sherman, in 1974, the IEA

81 C. W. Fogarty, Memorandum on Wider Share Ownership Council proposals for an equity-linked contractual savings scheme, 10 May 1972, TNA, T 326/1605. (My emphasis.)
had been championing the case of wider share ownership since the early 1960s.85 These think tanks and their ‘academic’ influence were important for the rise of what later became labelled ‘Thatcherism’. But Neil Rollings has recently urged historians of neoliberalism to “throw light on individuals other than the academic economists commonly seen as lying at the heart of neoliberal ideas”.86 In this vein, I will highlight how throughout the 1970s the case for wider share ownership was taken up and advocated by a diverse group of politicians, businessmen and journalists.

It is important to base the analysis on this broader movement for wider share ownership – in which the WSOC was one player – and not to conflate issues of popular share ownership with the 1980s. This loosely connected movement did not only lay the intellectual foundation for Margaret Thatcher’s privatisation programme of the 1980s. Thinking in radical alternatives, it also put forward the spread of individual capital ownership as a major tool against what the Selsdon Manifesto had decried as “the paternalism of the Welfare state”.87 Early pioneers of this movement outside the WSOC were the Sunday Times journalist, Richard Kellett; head of the Conservative Political Centre and influential Tory right-winger, Russell Lewis; as well as his political idol, Enoch Powell, then the libertarian New Right’s leading figure. Their visions of dispersed, individual and direct capital ownership inspired Thatcherite conceptions of a capital-owning democracy.

Amy Edwards has recently suggested that 1980s popular capitalism brought about the emergence of a new economic regime, which she describes as financial consumerism: “the convergence of the practices, mentalities and subjectivities of consumption with the mechanisms, service providers and investors of financial products”.88 To be sure, in the 1980s, due to the process of disintermediation, large financial conglomerates came in more direct contact with individual savers and investors, thereby applying more aggressive marketing techniques than ever before in Britain. But the moniker of ‘financial consumerism’ risks muddling the fundamental distinction between the employment of capital for the sake of its accumulation, as is the case in saving, investing or speculating, and the act of consuming goods, resources or experiences for instant gratification. Furthermore, the concept of financial

consumerism obscures the specific historical backdrop of this key Thatcherite project, which was in many ways directed against consumerism.

In order to explain the wider trajectory of Conservative plans for wider share ownership in the 1970s and 1980s we must take into account the New Right’s obsession with Britain’s alleged national and industrial decline. Scholars widely agree that this provided an important motivational background for Thatcher, with Jim Tomlinson labelling her the one of the “most important declinist politicians of the twentieth century”.

Thatcherites denied structural explanations that Britain’s economic and political clout was waning as a consequence of two world wars, resulting in US dominance and decolonization. Instead, the New Right largely subscribed to a pseudo-cultural interpretation of decline. A key tenet in this reading was the assumption that Britain’s elites had long adhered to traditional aristocratic ideals of rural nostalgia and anti-industrialism, as a result of which Britain’s captains of industry, politicians, academics and financiers lacked the industrial ‘spirit’ of their bourgeois European counterparts, leading to the country’s long-term economic demise.

Taking this questionable interpretation of history further, Thatcherites claimed that the postwar expansion of the welfare state, inflation and consumerism had further eroded bourgeois or, in Thatcher’s parlance, ‘Victorian’ values of thrift, hard work, self-help and enterprise. Large sections of the right-wing press and libertarian think tanks shared this assessment and deliberately peddled fears over the corrosion of purportedly middle-class values of long-term financial prudence, thrift, and independence. This zeitgeist was famously pinned down by Patrick Hutber in his 1976 book Decline and fall of the middle class. Hutber was Nigel Lawson’s successor as the Sunday Telegraph’s City editor, closely associated with the IEA and “especially close” to Margaret Thatcher. He singled out “thrift” or the “readiness to postpone satisfaction”, which he saw “deeply imbued with the Puritan ethic”, as the most characteristic middle-class virtue that had

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89 Tomlinson, ‘Thrice denied’, 235. The other one was Joseph Chamberlain.
91 Green, Thatcher, pp. 55–7.
92 Quote after his obituary ‘Champion of the middle classes’, Sunday Telegraph, 6 January 1980; on Hutber’s connection with the IEA see Jackson, ‘The think-tank archipelago’, p. 48, 55, 57. Ironically Hutber was the only City editor who was explicitly sceptical of wider share ownership and adhered to the City’s paternalist view on the matter. He was of the opinion that “direct equity investment carries risk and requires time and skill to make it remotely successful. Very few men in the street have the time or the skill.” P. Hutber, ‘Why Barber can’t give much away… The case for Narrower Share Ownership’, Sunday Telegraph, 7 March 1971.
come under threat from taxation and inflation. After Thatcher’s election victory in 1979, the New Right’s declinism was given an academic veneer by Martin Wiener’s 1981 book *English Culture and the Decline of the Industrial Spirit*. The American historian’s account impressed Thatcher’s chief ideologue Keith Joseph so much that he allegedly “distributed copies of Mr Wiener’s book to every member of the cabinet”.  

The following analysis will show that this notion also shaped thinking and policy design on wider share ownership and popular capitalism as a means to reverse decline and alleged middle-class corruption. Florence Sutcliffe-Braithwaite recently demonstrated how the Conservative refashioning of social policy during the 1970s was underpinned by an “individualism which allowed Thatcher and her allies to reject paternalism, and reconcile a free economy and traditional values.” Rendering Britain’s economic dismay as a cultural and moral crisis allowed Thatcherites to present the rejuvenation of ‘industrial’, ‘Victorian’ or ‘bourgeois’ values and changes in the tax system as a promising way of reversing decline. Hence, we can conceive of the quest for wider share ownership as a social as well as economic project that pursued “the re-establishment of an economic and legal framework, and a cultural ethos which rewarded proper bourgeois behaviour”. As the following chapter will discuss in more detail, this does not mean to view the politics of privatisation and deregulation of the Thatcher years as a successful restoration of Victorian values in Britain.

In a 1962 essay for the IEA, the *Sunday Times* City correspondent Richard Kellett delivered a comprehensive analysis of the economic and social function of individual share-owners. An economics graduate from Oxford, Richard Kellett was member of the Conservative Bow Group, the intellectual melting pot for young Tories, where he gained a reputation as an expert on taxes. To borrow Hayekian terminology, Kellett was only a small ‘second-hand dealer of ideas’ and never a kingpin in politics, journalism or the world of think tanks, but he occupied the intersections of these three realms, publishing widely on financial and economic affairs.

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96 Ibid., p. 516.

His notion of private share ownership encapsulated the IEA’s radical marriage of Hayekian individualism and economic liberalism that came to influence the Conservative Party’s neoliberal overhauls under Thatcher. Kellett’s declinist assumption was that Britain had long suffered from a still widely held belief that investment was “anti-social and objectionable”. As a cause of this perception he identified a “fifty-year record of radical attacks” on the shareholder, ranging “from Lloyd George in 1906 [sic] with his discrimination against ‘unearned’ income, to Cripps with his stamp duty in 1946, to Mr Selwyn Lloyd with his long-expected expedient of a capital gains tax”.98 But surveying the market position of Britain’s small investors in the early 1960s, Kellett also identified restrictive practices in the City of London as part of the problem. He accused the London Stock Exchange’s conservative outlook of hampering the development of a share-owning democracy along the lines of the United States, where shareholder numbers had sky-rocketed since the mid-1950s. Like many financial journalists, Kellett argued that because the London Stock Exchange refused to lift the ban on advertising for stockbrokers, “[t]here is nothing comparable here to the American or Continental networks of brokers’ offices spread widely across the country”.99 But Kellett’s main object of criticism was the unequal treatment of ‘earned’ and ‘unearned’ income, which he slammed as an incentive to indulge in consumption instead of postponing gratification by providing capital for industry. This was completely in line with the IEA’s wider agenda of promoting thrift as a cardinal economic virtue:

Behind all borrowings and lendings – at home or abroad – lies the basic, simple fact: someone is going without immediate consumption, someone is saving to finance someone else, somewhere else, to build up more productive equipment.100

Last but not least, Kellett pointed out that “tax reliefs for savings through pension funds or life insurance policies” had caused a rapid institutionalisation of British stock markets – a trend worrying many advocates of wider share ownership.101 For this reason, he deplored not only the growth of pension funds and insurance companies, but also that of unit trusts. As discussed in chapter two, unit trusts were experiencing enormous growth at that time and were advertised

98 Kellett, Ordinary Shares for Ordinary Savers, p. 9. Lloyd George introduced differentiation in his 1907 budget.
99 Ibid., pp. 20–1.
101 Kellett, Ordinary Shares for Ordinary Savers, p. 30. See also a WSOC’s internal strategy paper on this issue: London School of Economics Library, London, Wider Share Ownership Council Collection (hereafter, LSE, WSOC), Box 9, ‘How to halt the trend towards institutional dominance of the stock market’ (undated, c. 1979).
as a vehicle to enable the ‘small man’ to enjoy the benefits of equity ownership. But Kellett and other IEA libertarians like Enoch Powell, criticised unit trusts as an oblique and anonymous affair, depriving the unit holder of economic insights. In another IEA pamphlet, Powell bemoaned that with a unit trust

The investor is not brought into touch as a shareholder with the fortunes or management of firms; and he has no concern with or knowledge of the problems and prospects of the businesses or industries whose securities underlie the units and he has no responsibility or voice (beyond the selection of his trust) in the direction of the purchase of securities.102

In the same vein, Kellett claimed that these “anonymous trusts […] cannot by their nature appeal to people who want to invest directly in real companies and products”103. In order to reverse the growth of institutional investment, Kellett and Powell suggested to extend the “small army of people who put savings not into bonds or building societies but into industrial shares”.104 In accordance with the WSOC’s agenda, the IEA papers called on politicians to cut taxes and urged the City and the Stock Exchange to open up to the investing public. Going even further than Tory backbenchers with their emphasis on employee share ownership schemes, Kellett fashioned the small investor as an indispensable risk-bearer in a free economy governed by dispersed market power. Providing evidence from industrial leaders, he demonstrated that institutional investors were traditionally risk-averse and tended to invest conservatively in large ‘blue chip’ corporations, hence depriving smaller, but more dynamic start-up companies of crucial venture capital. In contrast to this, the private investor functioned as a type of capitalist ‘truffle pig’ that invested in companies “at an early stage”, hence injecting “valuable risk capital” and a “spirit of adventure” into the market.105 In this sense, small investors were – without labelling them as such – rendered small speculators since shares of small and medium enterprises are commonly prone to violent fluctuations, thereby giving the investment a more than average risk. It is revelatory to note the similarities between Kellett’s notion of the small investor and the classical definition of a speculator put forward by the eminent financial journalist Charles Duguid (1864–1923) in his popular guide to the stock exchange:

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102 Powell, _Saving in a Free Society_, p. 106. For this line of argument see also Daunton, ‘Creating a Dynamic Society’, p. 45.
104 Ibid., p. 9.
105 Ibid., p. 45.
The speculator, less conservative, risks money the loss of which he is perfectly well able to afford, in the furtherance of experiments in commerce and industry, be it the trial of a patent or the opening up of a mine. He expects a big return should the experiment prove successful, but is prepared to face the loss should it turn out otherwise. He hopes to enrich himself, and without his aid commerce and industry would make none of those rapid strides which are for the welfare of the world, for speculation is the handmaid of enterprise.\textsuperscript{106}

Kellett was concerned with bridging both the gap between capital and labour as well as “between the City and small savers”.\textsuperscript{107} He was fairly optimistic about this, invoking the sociologist and proponent of the embourgeoisement hypothesis Ferdynand Zweig, who had famously contended that “[p]eople who once thought of themselves as exclusively working-class are taking on middle-class habits, are starting to save, and are being more ambitious with their savings”.\textsuperscript{108} By invoking Zweig, “Thatcherites’ most favoured sociologist in the 1970s”, Kellett anticipated wider share ownership as a tool for embourgeoisement, a concept leading Thatcherites like Keith Joseph later referred to as “the object of our lifetime”.\textsuperscript{109}

Another second-hand dealer of ideas and pioneer of wider share ownership – and, as we shall see, of privatisation – with close links with the IEA as well as the Conservative Party was Russell Lewis. After an early career in stockbroking and standing unsuccessfully as a Conservative candidate for Parliament in 1959, the Cambridge-educated economist became a leading figure of the Bow Group.\textsuperscript{110} There he worked closely with Cambridge contemporaries John Biffen and Geoffrey Howe, all of which became followers of Enoch Powell.\textsuperscript{111} After serving as director of the Conservative Political Centre (1966–75) and president of the Selsdon Group (1973–75), he switched to journalism, became a leader-writer at the Daily Mail and also Margaret Thatcher’s first biographer.\textsuperscript{112} During Thatcher’s first term, he maintained close ties to Alan Walters, her Chief Economic Advisor, whom he met for occasional lunches.\textsuperscript{113}

Lewis was a free-market enthusiast, inspired by a deep belief in the “economic value of the market” and in “its efficiency in the right overall conditions in guiding the everyday business of our lives”. In 1954, he made his mark by urging a party rhetorically committed to building a ‘property-owning democracy’ to create the “fiscal concessions” for small investors. 17 years after outside and provincial brokers failed to make the case to the Board of Trade Committee on Share-Pushing, Lewis called upon his fellow Tories to compel the Stock Exchange to launch a large-scale advertising campaign – again in vain. A rampant critic of the mixed economy, Lewis called for a “radical Toryism to attach itself to the task of simplifying government” and to restructure the nationalised industries along “commercial principles”. Together with the Tory MP for Guildford, David Howell, whom he had known from at least 1968 through several IEA seminars, Lewis linked the policy of denationalisation with the long-term goal of wider share ownership. Howell, in 1969, identified telecommunications as the “number one growth industry in the coming decade” and marked the telephone system as a target of denationalisation – fifteen years before the privatisation of British Telecom under Thatcher. This would “give the industry back to the people” thereby realising such “ambitious social goals like wider share ownership”. Echoing the New Right’s admiration for Western Germany’s economy, both Howell and Lewis invoked the example of the denationalisation of Volkswagen in 1960 as a role model for a “social market economy [Soziale Marktwirtschaft] and modern popular capitalism”.

Pondering for the first time in a 1968 Telegraph article on ‘How to Denationalise’, Lewis struck an even more emphatic tone, envisaging that “shares for the people” could create a “vested interest” against nationalisation. Having in mind “the same principle as Henry VIII did when denationalising the monasteries”, Lewis suggested to dole out to voters free shares in privatised industries – a proposition also floated by Milton Friedman, but dismissed in the 1980s by

115 Ibid., p. 20–21, 30.  
117 Cockett, Thinking the Unthinkable, pp. 193–5.  
119 Quote After D. Howell, ‘Which way now for democrats?’, The Daily Telegraph, 9 March 1977. Lewis devoted a sub-chapter to ‘The German example’ of Volkswagen in ‘How to Denationalise’, pp. 85–7. See also a 1976 speech, Lewis gave at the Selsdon Group Seminar: “In fact denationalization is perfectly practicable, and there are many examples of it being carried out. [...] The most encouraging example however is that of Volkswagen which was sold in 1960 to a million and a half shareholders. That is the example for Conservatives.” Cockett, Thinking the Unthinkable, pp. 215–6.  
Chancellor Geoffrey Howe during the early stages of privatisation. The resulting “popular capitalism” would not only “have the merit of educating large numbers of citizens in the workings of the capitalist system”. It would furthermore add “a little spice to economic life [and] should appeal to the British sporting instinct”. Conceding that the idea of free shares might jar with the “puritanical streak in the national character”, Lewis was nevertheless optimistic that a “mass market would arise devoted to transactions in ordinary shares for ordinary people”. This idea of an ‘exciting’, ‘sporting’ popular capitalism resonated with the vision of a market society governed by adventurist small speculators envisaged earlier by Lewis’s fellow Bow Grouper, Richard Kellett. These remarks further demonstrate that throughout the postwar decades, protagonists of the wider share ownership movement negotiated themes of investment and gambling alongside each other and were furthermore aware of the potential “exuberance of emotions” inherent to stock market activity. This uneasy coexistence of moralistic and swashbuckling elements in the quest for wider share ownership was to characterise the Thatcher years. As we shall see in the next chapter, the public flotations of private state assets in the 1980s lent themselves more to a popular gambling spirit than to an exercise in Victorian values, prompting the ‘wet’ minister Richard Needham to comment that the “British have always been followers of horse-racing who like to put a few shillings on a winner – privatisation was putting a few bob on a sure winner”.

However, in spite of the overlapping rhetoric, it would be simplistic to draw a direct line of continuity between the ideas the likes of Howell, Lewis and Kellett entertained since the 1960s and the policies the Thatcher governments eventually implemented in the 1980s to bring about popular capitalism. Tracing backwards Thatcher’s politics and rhetoric in government inevitably conjures up evidence in support of seemingly linear arguments. If we pay attention to the various circumstantial factors and to the evolutionary character of wider share ownership as well as privatisation plans, the contingent element in the development of Thatcherite policy comes to the fore. First of all, Howell and Lewis were aware of the utopian character of their ideas. Indeed they were sceptical whether the stock market could actually absorb the flotation of large state assets – concerns still prevalent among privatising ministers.

122 Ibid., p. 84.
123 Ibid., p. 85.
and City seniors in the 1980s. Then there was confusion over terminology. In 1970 Howell introduced the term ‘privatisation’ into the British debate, although not in the context of selling state assets. Pointing out, however, that the term was “hideously clumsy” and that “something better must be invented”, Howell used it when discussing his proposals of implementing modern management techniques into government. This means that although the two libertarian right-wingers had spelt out what became the predominant method of privatisation during the Thatcher years, denationalisation and wider share ownership were still widely treated as separate issues, deemed having to be achieved by different means.

This is illustrated further if we look at the structure of the various policy groups Thatcher set up during opposition. The taskforce on the Nationalised Industries, for example, was chaired by Nicholas Ridley, one of Thatcher’s earliest political allies. In 1976, the group compiled a detailed assessment of “possible treatment[s]” for nationalised industries that listed Telecommunications and Gas – the two most successful privatisations of the Thatcher period – to have “no potential for denationalisation by selling shares”. Even the notorious 1977 “Ridley Report” remained undecided whether denationalised industries should “issue their own equity shares, convertible shares, or loan stock to the public”. On the other hand, Howell – by now Thatcher’s speech writer and right-hand man on taxation – chaired the policy group on wider share ownership which he set up with Keith Joseph’s approval in October 1975. ‘Wider Share Ownership’ was a sub-group of the ‘Taxation’ unit, also led by Howell, which ranked third after ‘Economic Reconstruction’ and ‘Public Sector’ in the Shadow Cabinet. This testifies to both the influence of Howell on the policy-making process and to wider share ownership having priority over denationalisation.

Between 1975 and 1978 – when he passed the chairmanship of the group on to MP Peter Hordern – Howell and his group devised plans for a new regime of capital taxation designed

131 Conservative Research Department, List of Policy Groups, 12 December 1975, HWLL, 2/4/1/1.
to foster “popular”, “grass-roots” and “mass capitalism”.\(^{132}\) Anticipating the language of Margaret Thatcher’s ‘capital-owning democracy’ of the 1980s, Howell and his colleagues suggested to abolish capital gains tax, stamp duty and the investment income surcharge to create incentives for direct equity investment and employee share schemes.\(^{133}\) These measures were to encourage the private investor to provide capital for small and medium enterprises, which were regarded as “critical to the nation’s economic success” and the spearhead of an economic recovery.\(^{134}\) As Adrian Williamson and Martin Daunton have pointed out, wider share ownership at this stage was less about employee share schemes and more about encouraging the private investor to invest in small businesses.\(^{135}\) Thatcherites argued that the “real rate of return on capital is pathetically low”\(^{136}\) and envisaged comprehensive tax cuts as a means of providing start-ups with necessary venture capital and of changing popular attitudes towards risk-taking. Again, what amounted to mass speculation – ordinary savers putting up capital at an over-average ratio of profit and loss – had to be couched in less problematic terms. Hence, people were to be encouraged to participate in a “fertile climate […] where initiative will be rewarded and where proper incentives for risk-taking, skill and hard work will exist”.\(^{137}\)

In the development of the group’s policies, Howell relied heavily on private sector input, mirroring what Eric Evans described as Thatcher’s attempt of “transferring the business ethic into the heart of government administration”.\(^{138}\) One important figure in this regard was the libertarian tax-lobbyist Barry Bracewell-Milnes, Economic Advisor to the Institute of Directors and libertarian tax-lobbyist. After obtaining a PhD at King’s College, Cambridge, Bracewell-Milnes advised the Federation of British Industries, the business lobby group which merged into the Confederation of British Industry (CBI) in 1965.\(^{139}\) First as head of the CBI’s Economic Division and from 1968 as its Economic Director, he campaigned vigorously

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\(^{133}\) Minutes of the Second Meeting of the Wider Share Ownership Group, 24 November 1975, LSE, WSOC, Box 9. The group’s first meeting on 21 October was not minuted.


\(^{139}\) Rollings, ‘Cracks in the Post-War Keynesian Settlement?’, 652–3.
against the “various taxes levied on capital and investment income”. In 1973, the staunch monetarist was forced to resign from his post after refusing to withdraw his radical suggestions on cutting capital taxation from the CBI’s annual Budget recommendation. Celebrated as a martyr, he joined the Mont Pelerin Society, the neoliberal think tank founded by Hayek. He became the New Right’s key man on tax issues and popularised the claim that the British tax system was unfairly biased in favour spending to the disadvantage of saving and investment. This reputation within the neoliberal movement earned him an invitation by Conservative MPs David Howell and Peter Hordern to sit on their Wider Share Ownership Committee, which is not be confused with the lobby group, the Wider Share Ownership Council. In a series of publications Bracewell-Milnes set forth detailed steps towards a neoliberal tax regime and introduced the idea of tapering out the Capital Gains Tax to Howell’s policy taskforce. More broadly, he stressed that private ownership in all its dimensions was “the Conservative Party’s most powerful weapon” that “has scarcely been exploited at all.”

While Howell had pioneered wider share ownership and privatisation on the Conservative agenda, Hordern was the ‘City man’ of this committee. A self-proclaimed “Thatcherite before Thatcher”, Hordern was known as a “traditional monetarist” and a “sustained opponent of public service bureaucrats”. He became a member of the London Stock Exchange in 1954 and was one of the few stockbrokers in the Commons when elected MP for Horsham in 1964. Other committee members were the entrepreneur and later Tory MP, Nigel Vinson, who was also the founder director of the CPS, as well as George Copeman, Deputy Chairman of the WSOC and pioneer of employee share schemes. Besides incentivising private stock market investment, these members were also concerned about the “increasing share of the Stock Market taken up by the institutions” – by 1975 institutional shareholdings had overtaken their private counterparts – and sought ways of reversing this trend to the benefit of individual

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143 Barry Bracewell-Milnes, Ownership and taxation, WSOC meeting [i.e. Howell’s policy group], 30 September 1976, THCR 2/6/1/36.
144 See Hordern’s undated autobiographical sketch: http://www.aahorsham.co.uk/content/peterhordern (accessed 7 April 2016) and his entry in Andrew Roth, Parliamentary Profiles, (London: Parliamentary Services Ltd, 1983), 379–380.
145 HORDERN, Rt Hon. Sir Peter (Maudslay), Who’s Who 2016.
146 Minutes of the Second Meeting of the Wider Share Ownership Committee, 24 November 1975, LSE, WSOC, Box 9. The Committee’s first meeting on 21 October was not minuted.
investors.\textsuperscript{147} As Howell reported to the party leadership in July 1975, the group set out to seek ways of “de-institutionalising savings in order to put the private investor in a better position vis á vis the pension funds and insurance companies”.\textsuperscript{148} In this regard, the group suggested to abolish the unequal tax treatment of direct investment as opposed to contractual savings and investments via pension schemes or insurances – an idea also put forward at that time by many stockbroking firms looking to attract private clients’ business.\textsuperscript{149} These tax breaks dated back to Gladstonian times and were seen as “a powerful incentive for people to abandon direct investment in the stock market” – but unlike the investment income surcharge and in spite of serious consideration they were not abolished by the Thatcher government.\textsuperscript{150}

The internal policy debate over capital taxation and wider share ownership could not disguise a clash of two Thatcherite dogmas. The Howell-Hordern groups’ stated aim was to “help people become more self reliant [sic], thrifty and genuinely independent”. There was, however, a tension between creating the desired change among people’s attitudes towards spending and saving on the one hand and the prime Conservative objective of tackling paternalist attitudes in the state apparatus on the other hand. The Committee paid lip service to the Thatcherite creed of widening individual “choice” in the market. But its primary concern was a “fundamental point” Hordern stressed in a report about the Committee’s work to the Shadow Chancellor, Geoffrey Howe. This point helps understand measures like the sharp increase of value added tax from 8 to 15 per cent, which the Thatcher government introduced in 1979 as an early measure to curb consumption:

Some would say, rather than complicating life still further […] let the taxpayer choose whether he should invest or spend, as, after all, it is his money which we are considering. However, this is not the view of the group. […] There seems to us to be a strong case for pressing a positive bias towards savings rather than personal consumption.\textsuperscript{151}

\textsuperscript{147} Peter Hordern, Memorandum to the Wider Share Ownership Committee, 18 April 1978, LSE, WSOC, Box 12. In 1975, individuals held 37.5 per cent of UK listed shares while insurance companies held 15.9, pension funds 16.8, unit trusts 4.1 and “other financial institutions” 10.5 per cent (total 47.3). See the table on beneficial ownership of UK shares 1963-1997 in Office for National Statistics, \textit{Share Ownership: A Report on the Ownership of Shares at 31st December 1997} (London: The Stationery Office, 1997), p. 8.

\textsuperscript{148} D. Howell, Policy Group on Taxation: Chairman’s Interim Report to the Shadow Cabinet, 23 July 1975, HWLL 2/4/1/1.

\textsuperscript{149} See the discussion in chapter five. On Conservative considerations in this regard see Daunton, ‘Creating a Dynamic Society’, pp. 37–9.


\textsuperscript{151} P. Hordern to G. Howe, 22 June 1978, LSE, WSOC, Box 13.
More broadly, this correspondence highlights the ambiguous character of Thatcherite individualism, something that Aled Davies, David Freeman and Hugh Pemberton have very recently identified as a key tension of Conservative policymaking requiring further research. Based on a systematic analysis of Thatcher’s pension reforms, they come to the conclusion that “there was no coherent or fixed Thatcherite concept of the individual.”¹⁵² The findings on wider share ownership support the argument that Thatcherite policies had no predefined understanding of individuals as “capitalists or consumers”, whether individuals were “rational or irrational” or whether incentives should turn them into “risk-taking entrepreneurs or prudent savers.”¹⁵³

The Committee’s more immediate impact on Conservative policy is demonstrated in the 1977 policy paper, *The Right Approach*, authored by leading Tory strategists Geoffrey Howe, Keith Joseph, James Prior – and David Howell. Written in the light of growing economic unrest and the IMF crisis which saw the Callaghan government borrowing $3.9 billion in exchange for budget cuts, the opposition quasi-manifesto was the blueprint for some of Thatcher’s later economic policies. Besides its main concern, tackling inflation, it argued that the “dearth of private risk capital [...] is at the root of many of the small business sector’s problems”¹⁵⁴. The pamphlet called for a comprehensive reform of capital taxes in favour of the private investor to “see the habit of personal capital cumulation [...] much more deeply ingrained in our society”.¹⁵⁵ As Clare Munro has argued, the *The Right Approach* “included more emphasis on active rather than passive investment”.¹⁵⁶ Hence, we can take this strategy paper as evidence for a genuine concern among Tory policy makers about the growing institutionalisation of equity markets.

[O]ccupational pension rights and savings through life assurance schemes already offer the majority of households in Britain the chance during working life to acquire a proper stake (albeit at one remove) in the ownership of the wealth of the community. But we would like to promote more direct form of personal ownership as well.¹⁵⁷

¹⁵² A. Davies, J. Freeman and H. Pemberton, “Everyman a Capitalist’ or ‘Free to Choose’: Exploring the Tensions within Thatcherite Individualism’, *The Historical Journal* (2017, in print). I am grateful to Aled Davies for letting me access the manuscript ahead of publication.

¹⁵³ Ibid.


¹⁵⁵ Ibid., p. 34.


The new Conservative remedy against both private capital monopolisation and state collectivism was a radical economic individualism that entailed the firm belief small businesses revitalised by private risk capital were to be the engine of an economic recovery. However, as Richard Stevens points out, *The Right Approach* did not include specific arrangements for denationalisation, bearing witness to the gulf between this policy and the task of widening share ownership.\(^{158}\)

The wider share ownership movement could celebrate an unexpected success even before the Conservatives returned to power in May 1979. In order to pass the Finance Act 1978, James Callaghan’s minority Labour government was compelled to make concessions to the Liberal Party. The Liberals made tax benefits for employee share schemes a condition of their support for the bill, a policy for which they drew on the WSOC for advice, in particular on George Copeman’s experience in this field.\(^{159}\) After the passing of the Act, which included Approved Profit-Sharing, the Treasury acknowledged that Copeman’s advice was “taken fully into account in the preparation of the consultative document on profit sharing.”\(^{160}\) Copeman’s suggestions, in turn, were based on an internal green paper by the Howell Committee, highlighting the irony of this “landmark shift towards share incentives”\(^{161}\): at the behest of the Liberal Party and based on policies predominantly designed by Tories, a Labour government introduced the first active encouragement of wider share ownership of the postwar years.

**Incentivising private investment in government**

This cross-party consensus on share incentives, paved the way for further steps taken from 1979 onwards. Now, Thatcher and Howe led a government that no longer regarded wider share ownership as impracticable, too risky, and potentially unpopular, but as a key policy for reshaping economy and society. Just as in 1970, the aim of building a capital-owning democracy loomed large in the Conservative Party’s 1979 manifesto.\(^{162}\) This time, however, staunchly monetarist ministers were determined to go ahead. The earliest strategies on economic policy of the newly elected government envisaged incentives for widening share ownership, particularly investment in small businesses as an important policy of supply-side economics. These sources also testify to Thatcher’s new style of politics and her ministers’


\(^{159}\) Minutes of the Meeting of the Industrial Sub-Committee, 19 May 1978; Minutes of the Meeting of the Executive Committee, 14 June 1978, LSE, WSOC, Box 3.

\(^{160}\) J. Barnett to G. Copeman, 4 October 1978, LSE, WSOC, Box 9.


\(^{162}\) Green, *Thatcher*, p. 97.
ambition to involve the “Government’s friends in the press, the IEA and selected businessmen” when communicating their economic strategy to the electorate.163

Naturally, David Howell and Keith Joseph, Secretary of State for Industry in Thatcher’s first cabinet, were particularly active in putting forward “specific ideas” about how the government could achieve a “really wide spread of the ownership of industry”.164 Branding the “polarisation of the stock market” as an impediment to emerging companies’ growth, Joseph proposed substantial “[t]ax relief for individuals investing in small firm’s equity”.165 As ways of achieving this, Thatcher’s most trusted adviser suggested to “redress [the] tax balance as between direct personal and institutional investment” and to “eliminate [the] distinction between earned and unearned income” – but only the latter became effective in 1984.166 Howe’s 1979 budget, passed only weeks after the election, addressed this issue straight away by raising the threshold for the investment income surcharge to “£5,000 for everyone; the rate above that level will remain at 15 per cent”.167 Howe’s successor, Nigel Lawson, abolished the investment income surcharge completely in his 1984 budget, effectively ending the Fabian tax discrimination against ‘unearned’ income that had been governing the British tax system since 1907. While Howe’s step reduced the tax burden for smaller investors in particular, the complete abolition of the surcharge, which became effective in 1985, was criticised as a tax gift to large financial institutions.168 Lawson’s 1984 budget also halved stamp duty on share transactions in order “to contribute further to the creation of a property-owning and share-owning democracy, in which more decisions are made by individuals rather than by institutions”.169 Further legislations that bore the hallmarks of Howell’s and Joseph’s economic individualism were the Business Start-Up scheme of March 1981, which was further developed into the Business Expansion Scheme by Howe in his 1983 budget.170 The Finance Acts of 1980 and 1984 – with the Savings-related Share Option Plan and Approved Share Options

164 D. Howell to G. Howe, 1 August 1979, TNA, PREM 19/25.
165 Acceleration of Enterprise: Note by the Secretary of State for Industry (Keith Joseph), 29 June 1979, TNA, PREM 19/25.
169 N. Lawson, Budget Speech, 13 March 1984, MTF 109501. Stamp duty had first been raised to two per cent by Labour in 1947, halved by the Conservatives in 1961 and re-doubled in 1974 by the Labour Chancellor Dennis Healey.
170 Daunton, ‘Creating a Dynamic Society’, p. 45.
respectively – built on the tax breaks for employee share-schemes first introduced in 1978. Internally as well as in public, these policies were motivated by the perception that the “private investor has declined in importance as a source of finance for small firms”. In his Commons speech on the Business Start-Up Scheme, Howe laid out the underlying logic of the legislation as follows:

One of the biggest problems faced by people thinking of starting their own business is the difficulty of attracting sufficient risk capital to finance it during its critical early years. [...] The individual private investor has for many years had little encouragement to help fill that gap in the capital market. [...] I am, therefore, introducing an entirely new tax incentive to attract individual investors to back new enterprises.

It would be difficult to assess to what extent the new tax incentives on equity investment actually encouraged private individuals to enter the stock market, especially since these policies soon came to be flanked by privatisation, first gradually, then on a large scale. However, if Howe and Lawson did lure private investors into the stock market, they did not come to the rescue of small and medium enterprises. As Ewen Green has pointed out, “in spite of their avowed intention to foster the interests and growth of small business, the policies of the administrations of the 1980s did not wholly favour small enterprise [...] during Thatcher’s premiership more small businesses went bankrupt each year than were created and survived.”

Thatcher’s first government took small, incremental steps of denationalising, starting with the public sale of British Aerospace in 1981. Cable and Wireless, Amersham International and Associated British Ports were further minor companies which went on sale before the landslide election victory in June 1983. After the successful flotation of British Telecom in November 1984, which turned 1.5 million Britons into shareholders, privatisation became Thatcherism’s most dynamic policy. The social and cultural ramifications of this will be examined in more detail in the following chapter. In many ways, privatisation marked a departure from long-term efforts to encourage wider share ownership and to disperse market power. Denationalisation was originally designed to cut back state expenditure, widen consumer choice, raise short-term revenue and weaken the unions. Only later it became linked to wider share ownership after the first flotations attracted sufficient buyers. Once Tory ministers could boast an enormous rise in shareholder numbers, privatisation seemed a much

171 Acceleration of Enterprise: Note by the Secretary of State for Industry (Keith Joseph), 29 June 1979, TNA, PREM 19/25.
172 HC Deb 1000, 10 March 1981 cc. 781-2.
173 Green, Thatcher, p. 73.
174 For the first four years of privatisation see Parker, The Official History of Privatisation, I, pp. 113–65.
more spectacular method for widening share ownership than devising complex incentives for funneling small investors’ capital into start-up businesses, or even educating the public about the complexities of the stock market. Privatisation also meant a formidable business opportunity for large investment banks which, by government request, designed the public flotations of state giants, often merely turning public into private monopolies. Thatcher’s right-hand man in the privatisation process was John Moore. Having worked as a retail stockbroker in Chicago, the Financial Secretary to the Treasury seemed the perfect candidate to “build upon our property-owning democracy and to establish a people’s capital market” in Britain. Alread in the run-up to the Telecom flotation, however, Moore made clear the priorities of privatisation. When challenged by Kenneth Baker to allot a larger amount of shares to small investors, Moore replied that “it would not be right to subordinate our objective of maximising proceeds to our objective of wider share ownership.”

Did ‘popular capitalism’ “fail” in Britain because Thatcherism merely served “the interests and control of large financial institutions”, as suggested by Amy Edwards? The Thatcher administrations did indeed show an early commitment to financial deregulation and abolished exchange controls in October 1979. However, there is no evidence that the City, much less the Stock Exchange, had any significant influence on government policy at that stage – quite the contrary. The Thatcherite reading that the anti-industrial spirit of Britain’s established elites had caused the erosion of bourgeois, capitalist values, extended to the City of London. Richard Vinen points out that “[d]isdain for the City was especially marked amongst those minister who had actually worked in it”, like John Nott and Cecil Parkinson. Keith Joseph urged the cabinet early on to “[e]ncourage (by speeches and contacts) the city [sic] institutions to look beyond the end of their noses” and “to make clear that the Government expects the City generally to bestir itself”. The Conservative government was furthermore unwilling to suspend the referral of the Stock Exchange’ rulebook to the Restrictive Practices Court.

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176 ‘British Telecom: All capitalists now’, The Economist, 27 October 1984, p. 34. This quote was taken from a speech Moore had given at the opening of the WSOC’s forum on Employee Share Schemes, held at the Institute of Directors. HM Treasury’s Press Office, “A People’s Capital Market”, 3 October 2014, LSE, WSOC, Box 12.
177 Parker, The Official History of Privatisation, I, p. 299.
180 Vinen, Thatcher’s Britain, p. 182.
Callaghan’s outgoing Labour administration had enacted the referral in January 1979 in a late attempt to reform the Stock Exchange along more competitive lines. Conservative ministers “were not inclined to stop this prosecution” until the Stock Exchange bowed to several measures of reform laid down in an agreement between its Chairman, Nicholas Goodison, and Parkinson, which paved the way for the sweeping Big Bang deregulations of 27 October 1986.

In retrospect, Thatcherism and the City appears as a “love story (of sorts)”, but this was by no means predetermined. City-government relations improved after Nigel Lawson’s appointment as Chancellor in 1983, not least because the former City editor of the Sunday Telegraph had much more intimate knowledge of the City and its affairs than his predecessor, Howe. Nevertheless, as Ranald Michie and Christopher Bellringer have shown in their first source-based account of ‘Big Bang’, the Conservative government did not carry out a detailed plan of “making the City the engine of the British economy”. They argue that

> When it comes down to detail Big Bang was an accident that had major consequences few of which were expected when the Goodison-Parkinson agreement was made in 1983. […] There is no evidence that the Conservative government under Mrs Thatcher intended to transform British banks into the dynamic sector of the British economy they had become prior to the Global Financial Crisis of 2007/8.

Certainly, the shift towards institutional dominance was more marked than the growth in individual share ownership. We should not, however, draw simplistic conclusions of causality. Historians of Thatcherism have to subject the gap between the intentions of Tory policy makers and the outcome of their actions to the same rigorous scrutiny scholars apply to other periods. Examining the “failures” of popular capitalism does not unveil a ‘Thatcherite-City’ power bloc. Instead they demonstrate the restraints of modern democratic governments in shaping society and therefore the limits of the “individual resurgence” desired by Thatcherites, especially against the backdrop of rapidly unfolding financialization on a global scale. Clare

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185 Bellringer and Michie, ‘Big Bang in the City of London’, 132.
186 Ibid., p. 132.
188 Under the heading “Education of the Public”, Thatcher’s Secretary of State for the Environment, Michael Heseltine, envisaged to Draw up and orchestrate a continuing programme to articulate the profound nature of.
Munro reminds us that the institutionalization of stock markets may have been enhanced, but was not caused by Thatcherite policy of deregulation. It was, in fact, a global trend, exacerbated in Britain by age-old tax benefits for pension funds and life insurance companies.\textsuperscript{189}

A more complex picture emerges if we put Britain’s quest for popular capitalism into perspective. By contrast with the United States, for example, the investment habit was certainly less entrenched in British society. Across the Atlantic, political elites and the New York Stock Exchange had already embarked on a mutual campaign in the interwar period to spread equity ownership as widely as possible among social classes. Shareholder numbers rose substantially during the interwar and post-World War II period, and equity ownership remains widely spread among American households to this day.\textsuperscript{190} British observers during the 1980s, who wished to see share ownership become more engrained, often idolised the ‘American ethic’ of popular investment and speculation:

> On one particular point the critics of the system are perfectly correct. The City does thrive on speculation. […] But even the Stock Exchange tries to play down the element of speculation in their market. This is simply silly, for it reinforces the view that investment and speculation mean separate things and encourages the belief that there is something inherently wrong with the concept and practice of speculation. But the whole American ethic is built upon the concept of speculation; those who are prepared to take risks in the hope of an eventual reward are society’s idols.\textsuperscript{191}

Compared to Continental European counterparts, however, the impact of Thatcher’s popular capitalism comes more to the fore. Privatisation became an export hit after the collapse of the Soviet Union, and former Thatcherite ministers served as advisors on privatisation programmes in the newly formed Eastern European states.\textsuperscript{192} In Ukraine, Slovakia or the Czech Republic, however, the outcome of privatisation was not popular capitalism, but an even more dramatic monopolisation of capital in private hands.\textsuperscript{193} In Germany, likewise, ‘people’s shares’ (\textit{Volksaktien}) had never been a popular concept – although Tories like Howell

\begin{thebibliography}{9}
\bibitem{191} S. Rose, \textit{Fair Shares: A layman’s guide to buying and selling stocks and shares} (London: Comet, 1986), pp. 8–9
\end{thebibliography}
and Lewis idealised them. This did not change in the 1990s, when the Christian Democratic government of Chancellor Helmut Kohl followed the British example and privatised German Telecom in November 1996. Some German commentators wished to ‘revolutionize’ the German economy – by then widely perceived as the ‘sick man of Europe’ – along Anglo-Saxon lines:

Unlike the Americans, who are inclined to gamble (one could frame this positively as risk-taking), and the English, whose gambling spirit could be called legendary, the German mentality is simply more oriented towards security and predictability than towards profit and growth.\textsuperscript{194}

Like the Volkswagen shares in the 1960s, however, the ‘Telekom-Aktie’ ended in disaster due to lack of popular demand. The reason for this lay not in the design of the flotation – which strongly resembled that of the BT privatisation of 1984 – but in Germany’s deep-rooted aversion to stock markets and financial risk-taking, which German advocates of wider share ownership bemoan to this day.\textsuperscript{195} What this shows is that the extent of popular share ownership depends less on short-term policies or even long-term tax incentives, but largely on the character of national stock market cultures. These in turn are shaped by deeper historical experiences, economic mentalities, social structure, political intent and the relationship between government and the financial sector. British politics, as this chapter has demonstrated, had come to regard private share ownership as economically and socially desirable by the late 1970s. In the 1950s and 60s, the political establishment and Whitehall civil servants did not view it as the government’s responsibility to widen share ownership. In the second half of the 1970s, neoliberal Tories in opposition, together with likeminded journalists and entrepreneurs, advocated individual stock market engagement as key component of a free-market revival. Eventually, although the private investor had been witnessing relative decline in the stock market for decades, the 1980s saw the idea of the shareholding individual became a strong component of modern citizenship.


5. Reappraising the Profit Motive: Private Investment in the 1970s and the Arrival of Thatcherism

During the 1970s, all Western industrial nations were exposed to enormous economic and social pressures. The political responses to these challenges sooner or later brought down the corporatist economic settlements that had been established across Europe after World War II and in the US during the interwar period. The exceptional economic growth of the postwar decades came to an end and in the 1970s inflation and unemployment rates not witnessed since the 1930s returned.¹ Fundamental structural changes became apparent in 1971, when the US government of Richard Nixon suspended the postwar monetary system of Bretton Woods. This abolition of a fixed currency exchange system in favour of a market-based financial order paved the way for the formation of a new global economic regime. Under monikers such as “digital financial capitalism”;² financialization or the “shock of the global”, scholars today widely agree that the liberalisation and globalisation of financial markets ensuing from the end of Bretton-Woods was the most lasting legacy of the tumultuous 1970s.³ As a result of this development, “short termism’ and speculation […] reached dimensions that could not have been imagined in the 1920s and 1930s”.⁴ At the same time, the economic mainstream in media, politics and academia began to move away from the corporatist Keynesian orthodoxies that underpinned the social democratic order.⁵ Politicians re-embraced traditional tenets of laissez-faire capitalism, which certain intellectuals and journalists had been promoting as the ultimate solution for economic, political and social problems.⁶ “The market’, in Daniel T. Rodger’s

words, became “a metaphor for society as a whole”.7 By 1980, the Anglo-Saxon world had elected right-wing political leaders – Ronald Reagan and Margaret Thatcher – whose market-driven policy agenda sooner a later spilt over to Europe and the world.8 The deregulation of financial as well as labour markets and the privatisation of public assets dismantled the postwar corporatist state, curtailed the power of organised labour and came to define the political economy of the 1980s.

Britain emerged as a new role model for a dynamic, service-driven and globalized market economy after the collapse of the Soviet Union in 1989–90. This stood in stark contrast to Britain’s perception at the outset of the 1970s, when political and economic decision makers across the continent feared to catch the “English disease” from the “sick man of Europe”.9 The list of Britain’s economic deficiencies was long. With an annual average of 2.3 per cent, UK GDP growth between 1970 and 1979 was lower than that of the US, the Federal Republic of Germany, France and Italy. During the same time period, Britain had higher inflation rates than any of these countries with a change of 12.4 per cent in its Consumer Price Index (Italy 12.2, France 8.8, US 7 and FRG 4.9 per cent). Only the US and Italy had higher unemployment rates than Britain in the 1970s, where an average unemployment rate of 5.6 per cent between 1974 and 1980, coupled with severe industrial unrest, was deemed a fatal deviation from postwar levels. Finally, the decade was a particularly bad time for savers and investors. The 1973/74 bear market after the collapse of Bretton Woods engulfed global stock markets and in “both America and Britain the 1970s saw negative inflation-adjusted returns on both stocks and bonds”.10 This trend particularly impinged on savers and predominantly middle-class shareholders. According to contemporary estimates “individuals in Britain alone offloaded the staggering sum of £6500 millions’ worth of securities” between 1970 and 1975, thereby aggravating the dominance of institutional investors over UK equity markets.11 A number of incisive events during the second half of the 1970s, heightened the sense that Britain was experiencing a time of “major economic crisis” and made the alarmist declinism of the Conservative opposition seem more convincing.12

9 ‘Curing the sick man of Europe’, The Times, 30 December 1969. By that time “English disease” became a shorthand for Britain’s fatal combination of industrial unrest and stagflation.
Exchequer, Dennis Healey, had to seek a loan from the International Monetary Fund in order to cover borrowing costs. Eventually, according to conventional accounts, a series of strikes resulted in the 1978–9 ‘Winter of Discontent’ and brought Margaret Thatcher to power, who could retrospectively claim these crucial months had shown that the “socialists everywhere had run out of steam”.

A key tenet of declinism was that Britain, more than any other industrialised economy, had long been suffering from a poor relationship between its domestic industry and the financial sector. As part of the wider upsurge of debates over national decline, this dispute also heightened in the 1970s as Aled Davies has recently pointed out. Essentially, the left wing of the Labour Party and trade unions, represented by the increasingly radical Tony Benn, accused finance of depriving British industry of capital in favour of speculative investments abroad. The City’s counter argument was that state intervention and trade unions’ collective bargaining had crippled Britain’s international competitiveness, thereby causing international as well as national financiers to invest outside of Britain. But we have seen that even free-market liberals and Conservatives subscribed to the view that deep-seated anti-industrial attitudes prevailed in the City and were responsible for the persistence of restrictive practices that were harmful to the wider economy. Their advocated solution was to expose the financial sector to international competition as opposed to the far left’s nationalisation plans.

The controversy over a potential nexus between anti-industrial attitudes in the City and poor manufacturing performance reached somewhat of a climax at the Labour Party conference in Blackpool in October 1976, half a year after Harold Wilson had resigned as Labour prime minister and was succeeded by James Callaghan. By then, as Aled Davies has highlighted, those within the Labour leadership who sought to encourage “industrial investment, without the

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necessity of nationalization, [had been] able to gain a more public airing of their views”.\footnote{Davies, \textit{The City of London and Social Democracy}, p. 71.} But they were hampered to turn ideas into legislation since the conference passed a motion on ‘Banking and Finance’, initiated by Benn, that envisaged “widespread nationalization of the financial sector”.\footnote{Ibid., p. 71.} In order to assuage the party left’s endeavours, Callaghan appointed his predecessor to chair a ‘Committee to Review the Functioning of Financial Institutions’, which soon became known as the Wilson Committee. Tasked to establish whether British finance was starving out domestic industry, the Committee gathered evidence from City institutions like banks, stockbrokers and clearing houses as well as from large industrial companies, unions, lobby groups and small and medium enterprises. However, the Committee eventually failed to make an impact on Britain’s financial landscape since the political climate had shifted dramatically by 1980, when it published its “largely anodyne majority report”.\footnote{J. Tomlinson, ‘British industrial policy’, in R. Coopey and N. W. C. Woodward (eds.), \textit{Britain in the 1970s: The troubled economy} (London: UCL Press, 1996), pp. 163–91, at pp. 177–8. For an equal assessment of the Wilson Committee as ineffective see R. Michie, \textit{The London Stock Exchange: A History} (Oxford: Oxford University Press, 2001), pp. 539–41.}

What is more relevant for the purpose of this chapter is that the Committee also invited members of the public to provide testimony of their experiences with financial institutions and between 1976 and 1980 the Committee received letters from 258 small savers and investors who offered their take on Britain’s economic condition. The following analysis will use these letters as a window into popular perceptions of the cultural divide between the City and industry. These personal testimonies furthermore allow us to explore how ordinary savers and investors navigated through a decade of economic turmoils. They also reveal the diverse, ambivalent and idiosyncratic attitudes that existed towards the financial sector in Britain at that time. On the one hand, the letters bear witness to a deep-rooted scepticism towards the City of London. Financial institutions, the Stock Exchange in particular, were viewed as being aloof from the rest of society and a moral objection against speculative profit-seeking is palpable in many of the testimonies. On the other hand, the letters also bring to the light a tangible discontent with the postwar economic settlement. Letter writers bemoan rising inflation and the lack of incentives for saving and for private investors to provide risk capital for British industry. We should not mistake the letters addressed to the Wilson Committee for an accurate depiction of popular attitudes at that time and need to acknowledge their specific context and biased nature. But a close reading of these ego documents in contrast with other sources allows us to uncover the coexistence of what previous chapters have described as ‘genuine
investment’: the notion that stock market investment was a key aspect of industrial capitalism, which relied on responsible citizens exercising ‘bourgeois’ virtues of thrift and deferred gratification.

Making sense of these ambiguities in the realm of personal finance on the eve of Thatcherism serves as the necessary backdrop for a new analytical spotlight that the second half of this chapter will turn on the politics of privatisation and deregulation during the 1980s. By the second half of the 1970s, Britain’s Leader of the Opposition, Margaret Thatcher, publicly personified the economic virtues attached to the concept of ‘genuine investment’. Thatcher’s Methodist upbringing made her identify capitalism with a Puritan emphasis on thrift, hard work and asceticism and at the same time harbour reservations towards speculative finance. This mentality was strikingly congruent with Max Weber’s concept of modern capitalism as an economic system depending not on “irrational speculation”, but rational calculation and the taming of emotions – an analytical framework that has left its mark on scholarship as we shall see. Previous chapters, however, have highlighted that private as well as professional stock market activity was never an entirely rational endeavour, but also driven by whim, a certain gambling spirit and emotions. In particular, we have traced how a more quixotic approach to investment – epitomised by traders like Jim Slater – had been gaining traction since the 1960s and creating tensions with traditional notions of ‘genuine investment’. Since Thatcher liberalised financial markets and brought millions of Britons into touch with the stock market, she also created opportunities for this swashbuckling element of financial capitalism to come to the fore, which stood in contrast to her moralising rhetoric. Paradoxically, deregulated financial markets were left to amplify human emotions at the same time that academics and politics came to regard markets as inherently rational and self-regulating. We need to understand this ‘irrational’ side of 1980s popular capitalism as an unintended, yet fundamental aspect of its legacy, which has been blurred by explicitly and implicitly Weberian assumptions of social scientists and historians. As millions of people ‘staged’ privatisation issues in the 1980s and the Big Bang of 1986 introduced sweeping deregulations, popular capitalism was less an economic enfranchisement of the nation and more an expressive culture of self-referential speculation, personal enrichment and stock market gambling.

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“Does this country need the small investor any longer?” Writing letters to the Wilson Committee

Retired financial professionals, accountants, university lecturers, directors and employees of small and medium companies, farmers, manual workers, shop keepers and strike participants; various private individuals followed the Wilson Committee’s appeal to the public to provide evidence. While the social backgrounds of letter writers were diverse, most of them had reached retiring age and were far more likely to be male than female. They brought forward numerous subject matters that Wilson’s secretary, the highly rated civil servant Brian Hudson, dealt with diligently, normally replying within a few days. Hudson and his staff received queries from savers and investors who reported instances of alleged abuse or neglect by the hands of banks and stockbrokers. Other letters came in from citizens offering more or less specific policy suggestions, mostly based on experiences evolving their own personal finances. And then there were those correspondents whose sweeping allegations against corruption and criminal activity in the City amounted to mere conspiracy theories. These 258 letters addressed to Harold Wilson and his Committee may pale in significance to other historically relevant collections of public correspondence like the letters the anti-immigration demagogue Enoch Powell received in the late 1960s. The right-wing Conservative/Unionist politician is said to have received over 100,000 letters, largely in approval, after his controversial 1968 ‘Rivers of Blood’ speech, in which he painted a doom-laden outlook of migration to Britain using hardly disguised racial images. We may conclude from this that matters of race and national identity were more likely to evoke public response than questions of personal finance. However, it is the historian’s question that makes a source speak. If we hope to survey popular attitudes towards ‘industrial decline’, inflation and stock market investment in the 1970s, these letters are a rare occasion of ordinary people speaking in rich detail about their experiences in the realm of finance and what they regarded as legitimate and illegitimate ways of saving, investing and speculating.

Given Wilson’s public image as a City critic, many correspondents welcomed the elder statesman’s endeavour to, in their words, “clean up the City” or to “remove undesirable

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21 Half-way through the Committee’s work, Hudson left the civil service “for a career in the City, with the Nordic Bank”. ‘Shining star who opted for a job in the City’, The Times, 10 October 1978.
practices” in the financial sector. Ron Riley was a former bricklayer, foreman and retired shop steward who reminded Wilson in his letter that “it was through your good offices that I received a Grant to further my ‘mature’ education at Enfield College, Middlesex Polytechnic”. Riley was now involved in a strike at a power station construction site on the Isle of Grain and assured his political idol that a great number of workers are more than pleased you are going to look ‘into the city [sic] and its financial workings.’ [...] Many ordinary hard working people want to know ‘how the speculators get away with things, whilst pretending to be patriotic?’

While the key role it played in the global Eurodollar market helped the City of London to reassert some international significance during the 1960s, an “obdurate culture of secrecy and lack of accountability” continued to govern the Square Mile throughout the 1970s. Even members of the Stock Exchange acknowledged that their House “still remain[ed] something of a mystery to the bulk of the population”. Reflecting on its public perception, W. T. Thorneycroft from Cornwall stated in his letter to Wilson that “the stock exchange is seen as a ‘casino’; shares are by and large bought and sold for financial profit, not for any desire to influence the management of a company”. Paul Thompson from Watford sided unequivocally with the Labour left’s interpretation of manufacturing decline by invoking images of “the working population of this country – the true primary producers of wealth” on the one hand and of the City of London as “a conclave where non-productive administrator dominates by stealth and guile” on the other. In line with this, others wished to see curtailed speculative practices like short-selling and futures dealing, which were seen as “harmful to the national interest”. Among the letters, we even find remnants of the century-old religious aversion against financial speculation as a perversion of ownership, which chapter two revealed to have lingered throughout the postwar decades.

23 Fred Riches to Sir Harold Wilson, 4 October 1976; A. G. Buckley to Sir Harold Wilson, 14 October 1976, The National Archives, Committee to Review the Functioning of Financial Institutions (Wilson Committee), Miscellaneous Letters from the Public (henceforth: TNA), BS 9/25.
24 Ron Riley to Sir Harold Wilson 15 October 1976, TNA, BS 9/25. For the strike see ‘Strike over hours hits power station’, The Guardian, 5 May 1978.
27 Dr. W. T. Thorneycroft to Brian Hudson, Secretary of the Wilson Committee, TNA, BS 9/24.
28 F. P. Thomson to Sir Harold Wilson, 6 January 1978, TNA, BS 9/28.
29 J. Lloyd Owen to James Callaghan [forwarded to Wilson Committee], 29 October 1976. Lloyd Owen averred that “[s]hort selling by Jobbers should be banned”.
aged 75 years with no axe to grind” condemned the very principle of limited liability as a violation of Christian ethics and cited at length a section from Trevelyan’s *Social History of England* in support of his view.

This country predominantly [sic] professes the Christain [sic] faith and its laws in general are based on the Christian ethic. The Limited Liability Companies Acts (1855-1948) [...] have created a new class, or tribe, in the social order, the shareholder, and a larger gap between employees and owners has been created than has ever existed before in this country.\(^{30}\)

It is difficult to establish the exact root cause of these antipathies towards City finance. We have surveyed political, social, religious and cultural rejections of financial capitalism that had different trajectories and coexisted throughout the twentieth century. The City’s club-like character reinforced these reservations since most Britons never came into direct touch with financial professionals. In some cases, however, a negative image of the City was indeed based on specific experiences with its institutions, instances of which some letter writers provided very rich details. One particularly well-documented and revealing example was that of Dr Gwendoline Ayers from East Sussex. Dr Ayers was a 68-year old “retired research worker” who during World War II had been “sentenced […] to two years’ imprisonment for misdemeanours under the Official Secrets Act” and in 1971 published her PhD thesis in Sociology on *England’s First State Hospitals*.\(^{31}\) She had conducted her research under the guidance of Richard Titmuss, who was on “the Fabian wing of the Labour Party” and had pioneered postwar Welfare policy as professor at the London School of Economics.\(^{32}\) This connection allows us to assume that Dr Ayers must have been supportive of Britain’s postwar social democracy. We can also count her as a member of the academic middle class, who were “more likely than average citizens to own financial assets” and for whom, in financial terms, “the seventies were the worst decade of the twentieth century aside from 1910 to 1919”.\(^{33}\) She

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\(^{30}\) John A. Kemp to Brian Hudson, Secretary of the Wilson Committee, 23 March 1977, TNA BS 9/24. Kemp cites the following passage: “Such larg [sic] impersonal manipulation of capital and industry greatly increased the numbers and importance of shareholders as a class, an element in the national life representing irresponsible wealth detached from the land and the duties of the landowner and almost equally detached from the responsible management of business... The shareholder, as such, had no knowledge of the lives, thoughts or needs of the [workmen] employed by the company in which he held shares, and his influence on the relations of capital [and] labour was not good.” Original in G. M. Trevelyan, *English Social History*, New illustrated edition with introduction by Asa Briggs (London: Longman, 1978), p. 510.


\(^{32}\) Quote from A. H. Halsey, ‘Titmuss, Richard Morris (1907–1973)’, *ODNB*. Titmuss’ papers, which are held at the London School of Economics Library, reveal that he and Ayers gave talks at the LSE together in 1960. Collection of Richard Titmuss (1907–1973); professor of social administration, TITMUSS/2/171.

\(^{33}\) Ferguson, ‘Introduction’, pp. 10–1. Ferguson discusses the example of the historian A. J. P. Taylor whose investment portfolio suffered a loss of more than half its value after the stock market crash in 1973.
complained to the Wilson Committee about the “mismanagement from stockbrokers” she had experienced two years previous. What Dr Ayer’s brokers, the City firm Messel & Co., had done was to give her the unsolicited advice to sell her shares in British Petroleum, which in October 1974 were worth £1,300. The brokers suggested to switch her holdings to the Burmah Oil Company and Dr Ayers followed the advice. However, only two months later Burmah went bust and the Bank of England had to rescue the company, while BP shares climbed due to the loss of a competitor.

Dr Ayers made clear to the Committee that she had bought the shares in order to supplement her “inflation-eroded savings”. Now this loss “deprived [her] of the regular dividends from BP on which [she] relied to pay [her] fuel bills”. Was Dr Ayers a victim of insider trading, which was basically what she accused her stockbrokers of? This is extremely unlikely, because insider deals normally happen on a much larger scale. And in the exchange of letters that extended between Dr Ayers, the Wilson Committee and the Board of Trade over the following ten months, she was told that she had no chances of claiming redress, because brokers were perfectly allowed to give unsolicited advice to existing clients. Most likely, Dr Ayer’s case does not testify to insider trading, which was still rife, but increasingly cracked down on in the City of the 1970s. Instead it highlights a broader structural shift in British stock markets and the “declining standards of service” provided by stockbrokers. In the 1970s, many stockbroking firms encouraged clients to shift their holdings more frequently. The reason for this common practice was simple. Brokers lived off commission and as the lucrative business moved towards the large institutional investors, many smaller firms like Messel struggled in an increasingly competitive market, prompting them to find ways of increasing turnover. As one commentator observed in 1976, when the average holding period of stock listed on the FTSE had declined to two years from 8 years in 1966:

The people who man, run and serve the exchanges make their livings, not out of the success of their customers, but out of the volume of the trade. They have a built-in incentive to oversell, and thus to overkill geese and golden eggs alike.

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34 G. M Ayers to Sir Harold Wilson, 23 October 1976, BS 9/24.
36 T. Lennon, Assistant Secretary to G. M. Ayers, 23 December 1977, BS 9/24. After conversing with the Board of Trade Lennon explained to Dr Ayers that “control over the activities of Members of the Stock Exchange is a self-regulatory not a statutory matter. Stockbrokers are therefore bound by the extensive Rules and Regulations laid down by the Council of the Stock Exchange. These rules inter alia unsolicited approaches to non-clients, but not the giving of advice, solicited or unsolicited, to existing clients.”
38 Heller, The Naked Investor, p. 18. On the rapid decline in the FTSE average holding period see Business, Innovation and Skills Committee of the House of Commons, The Kay Review of UK Equity Markets and Long-Term
In addition, Dr Ayer’s experience with a firm of London stockbrokers highlights again the personal character of the broker-client relationship as illustrated in chapter two with an inquiry into relationship between celebrity investor Terence Rattigan and his stockbroker who was also a personal acquaintance of the dramatist. Stockbrokers who did not know their clients personally were far more inclined to give bad advice for the sake of increased turnover, which added to the growing discontent with the City of London among less privileged members of the public.

Harbouring reservations towards high finance, however, was not necessarily tantamount to subscribing to the view that the City was to blame for Britain’s decline as a manufacturing power or to endorsing Labour’s nationalisation proposals. When looking at the collection of letters as a whole, outspoken Labour supporters were even outnumbered by people of presumably upper working- or lower middle-class backgrounds who offered a more nuanced take on Britain’s economic and cultural divisions based on their personal financial experiences.

One such example is a letter by a pensioner from the West Midlands by the name of R. D. Taylor. Like many others, he was wary of financial conduct in the Square Mile and aware that “the Man in the Street is very suspicious of ‘The City’ […] and would be horrified to become a shareholder with all the stigma attached to that lowest form of parasite on the society”. But Mr Taylor was convinced that this perception needed to change as he explicitly blamed lack of incentives for ordinary people to invest in domestic industry for Britain’s economic misery.

Mr Taylor’s evidence is worth quoting at length as it is the lament of a veteran investor who joined Britain’s investing public during World War I.

I was brought up by frugal parents who continually saved for the family betterment, and I have continued to do the same, cycling to work and by thrift to save for my country, for the future and for retirement. Small savings have been placed with the Post Office, Building Societies, National Savings Institutions propergandised [sic] investments of War Loan, Savings Bonds, Save as you Earn Schemes etc and also Investing in Industry seen as providing them with funds for employment, manufacture, and in return expecting a fair return [sic]. I have always endeavoured to follow the interests of the Company and its employees, without trying to ‘gamble on the Stock Exchange’ and without dabbling in profit taking/speculating on Takeover bids etc or endangering the industry concerned or its employees.39

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What resurfaces in Mr Taylor’s testimony is the delicate, hazy and highly contested line between what was to be regarded as legitimate investment and condemnable speculation. Like the self-styled ‘genuine investors’ who felt offended by speculating stags during the postwar period, Taylor imagined the stock market not merely as a place for trading financial securities. Instead the Stock Exchange could claim legitimacy when acting as a national institution that mediated between domestic industry and the small saver or investor. In a similar fashion, Dr Ayers had relied on shares of BP, the most renowned domestic oil company – and not on shares of a steel, manufacturing or textile company – to pay her fuel bills. This testifies to a still prevalent notion of investment being motivated by a sense of reliance, trust and identification with national companies. Investors like Dr Ayers and Mr Taylor shunned speculation on price differences and, as shareholders championed responsibility towards business and employees.

But Mr Taylor felt that successive governments had not rewarded his decade-long exercise in financial patriotism. He was now embittered with the postwar compromise between capital and labour, stating that “[i]n these difficult times those of us who have saved up are continually exhorted to help those less fortunate, but I regret I am now becoming sadly disillusioned with the system”. Taylor repeatedly referred to the shareholder’s yield as “fair returns” and suggested that one way of incentivising private industrial investment would be to abolish the penal tax treatment of these “fair returns” as unearned income – something free-market liberals had long demanded and the Thatcher government eventually delivered in 1984. Mr Taylor’s testimony reflects a coexistence of idiosyncratic attitudes towards the profit-motive and financial practices. A visceral reluctance of speculative finance was coupled with a clear moral compass of how profits could and should be earned in a market economy. The view that in Britain it rarely paid to put up capital for business was shared by many others who wrote to the Wilson Committee. One unidentifiable letter writer from Dulwich, London accused that Labour’s taxation of capital had “created a situation whereby many small investors such as myself are being legally robbed blind”. Other correspondents concurred and urged Wilson to “look into the plight of the small investor”, wondering whether “this country [does] not need the small investor any longer” or went on to elaborate that

41 [N/A] to Sir Harold Wilson, 14 March 1977, TNA, BS 9/26.
42 Arthur Wagg to Sir Harold Wilson, 6 January 1977, BS 9/25.
The morals to be drawn from this are inescapable. If we want more wealth, people must work harder and/or invest more. To encourage investment we could make it safer and/or more profitable. We could, for instance, reduce or abolish the tax on dividends.43

These statements need to be interpreted in a narrow and a broader context. More specifically they expressed growing concerns among members of the investing public – shared by financial journalists and indeed Stock Exchange firms – over the private investor’s dire outlook. Facing high taxes, hit hard by the 1973–4 bear market and increasingly being pushed out by institutional investors, the position of small, private shareholders in the equity market had become increasingly precarious. Their share of equity capital had declined from 47.4 per cent in 1969 to 37.5 per cent in 1975. At the same time pension funds almost doubled their share, while unit trusts and insurance companies also made substantial proportional gains.44 Leading stockbroking firms suddenly realised that the private investor and small speculator had a role to play in the stock market, especially when it came to providing the risk capital necessary for small and medium enterprises to get off the ground. The blue-blooded brokers of Cazenove argued in their evidence that “the demise of the private investor and the contraction in the Stock Exchange are factors which will need to be reversed if recovery on the financial front is to be sought”.45 According to the research department of Parsons & Co. the high volatility characteristic of the 1970s was “symptomatic of a market dominated by the professional investor without the counterweight of small speculators”.46 In order to upgrade the private investor against the institutions, many stockbroking firms suggested to abolish the tax breaks that pension funds and insurance companies enjoyed over individuals holding equity.47 Whether it was broking firms, banks or the unit trust industry, the Wilson Committee was flooded with corporate appeals to advise a major overhaul of capital taxation in its report.48 The financial press, however, still held the City as partly responsible for the small investor’s demise. Engaging in the debate over the specific functions of the private investor in the market, the Daily Telegraph argued that the Stock Exchange must make commissions more flexible in

43 [N/A] to Sir Harold Wilson, 13 June 1977, TNA, BS 9/26.
44 Office for National Statistics, Share Ownership: A Report on the Ownership of Shares at 31st December 1997 (London: The Stationery Office, 1997), p. 8. Unit trusts’ percentage of total equity owned increased from 2.9 to 4.1 per cent and that of insurance companies from 12.2 to 15.9 per cent.
46 Parsons & Co., Evidence for Submission to Wilson Committee on the Subject of Finance for Industry, April 1977, TNA, BS 9/117.
47 See the detailed discussion on these tax breaks and Thatcherite considerations to abolish them in chapter four.
48 For further evidence in this regard see Davies, The City of London and Social Democracy, pp. 138–9.
order to encourage the “stabilising influence of the small investor, who is often buying when the institutions, who make the market, are selling, and vice versa”.49

In a broader context, the letters from angry savers and investors who called upon the Wilson Committee to reappraise the profit motive, need to be read as part of a wider discursive net that was enmeshing Britain’s political economy during the second half of the 1970s. The thrust of these debates signalled an end to Harold Wilson’s 1960s vision of “a Britain whose motivation is not private profit and the aggrandizement of personal fortunes but national effort and national purpose”.50 Postwar suspicion of individual as well as corporate profit-seeking began to wane and increasingly came under attack from free-market proponents in the media and the Conservative opposition party. Even James Callaghan’s famous 1976 Labour Party conference speech in Blackpool – which is often dubbed the birth moment of monetarism in Britain – paid lip service to this change in vocabulary. Besides famously telling his party that “you could [no longer] spend your way out of a recession”, the Prime Minister and party leader stated:

> When I say they [industry] must have sufficient funds, I mean they must be able to earn a surplus and that is a euphemism for saying they must be able to make a profit.
> 
> (Applause) Whether you call it a surplus or a profit, it is necessary for a healthy industrial system, whether it operates in a socialist economy, a mixed economy or a capitalist economy.51

As discussed in the previous chapter, the Finance Act of 1978 was an early, yet minor political appreciation of this shift towards creating incentives for capital investment. The Act included legislation that encouraged equity investment in the form of employee share schemes, a concession Callaghan’s minority government had to make to the Liberal Party in order to gain the votes necessary for passing the bill. By then, large parts of the quality and popular press had detected a change in public attitudes towards profits and deliberately sought to undermine what they regarded as postwar restrictions on making money in the public psyche. The cartoonist and Daily Telegraph columnist Bernard Hollowood, previously editor of the satire magazine Punch, charted this shift in financial mores as follows:

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Like sex – everybody did it, but NEVER talked about it. Money talk was taboo. Today, money, again like sex, screams at you from every poster, TV screen and newspaper headline. We have an insatiable appetite for it. Like love, it is very serious and very funny.  

When he celebrated in his weekly column that “profit is no longer a dirty word”, he joined in on a wider debate that recast economic language in Britain. The same year, Barclays Bank launched an advertising campaign that explained “why profit isn’t a dirty word” at the company – though it did stress that its profits derived “not from speculation”. Pushing the slogan in the popular press, the leading Daily Mail columnist, Andrew Alexander, urged his readers to no longer “apologise for the one word that can make us all smile again”. And the Guardian commented that Margaret Thatcher, eager to reconcile her party with the profit-motive, had “set out to take one of the dirty words of postwar British politics to the cleaners”. In a widely noted speech she condemned the “constant attempt to make us ashamed of profit”, pleading to “rehabilitate the idea of profit as something necessary and praiseworthy in our economic system”.

Towards the late 1970s, conservatives, liberals and even parts of the Labour Party seemed to rally behind a reappraisal of the profit motive. This apparent unity, however, glossed over many of the fissures behind the new consensus, which would become apparent in the 1980s as a result of deindustrialization and the rise of the service sector, financial services in particular. It is therefore worthwhile to scrutinise the nuances and different trajectories that to some extent were already shaping contemporaries’ horizon of expectations. Arguably the majority of those who agreed that a new attitude towards profit was needed, subscribed to Thatcher’s mantra that Britain’s decline would be reversed by strengthening its manufacturing base. As Leader of the Opposition, Thatcher’s rhetoric was heavily geared towards manufacturing, for instance when she declared that “the flourishing society” she envisaged for

54 A. Alexander, ‘Why apologise for the one word that can make us all smile again?’, Daily Mail, 15 March 1977.
Britain “can only develop if more of our most able young people decide to work in private enterprise and especially in manufacturing industry”.

However, this rejuvenation of industrial capitalism that Thatcher and her followers had intended, was somewhat at odds with the financial capitalism championed by traders like Jim Slater, who took pride in dealing “with any one thing other than money” and whose cheerleaders in the financial press held “foolish the present fashion that damns people who make money but praises those who make things”.

Besides the profit motive, discontent with inflation was another topic that loomed large in the letters to the Wilson Committee. Focussing on this aspect in the collection allows for an immediate engagement with a research endeavour that Jim Tomlinson has pursued in postwar economic history. He has recently pointed out that we “know a great deal about the elite policy debates on the significance of inflation [but] far less about how inflation was understood by the population at large”.

Fig. 15: Barclays Bank advertisement, The Times, 3 March 1977.


“apocalyptic view” that Tory policy makers took on monetary stability, the evidence submitted to the Wilson Committee suggests that many savers and investors were in fact deeply troubled by 1970s inflation rates. Their letters express a longing for monetary stability. Much of Mr Taylor’s unrest, for instance, sprung from the fact that his “hard earned savings [were] whistling away [and] reducing in value so fast with the high rate of inflation that they are only to be considered if proofed against it”. F. C. Deeley from Northampton, who had been running a small business since 1948, “believe[d] all Governments should really make a super effort to reduce inflation down to at most 4% then and only then will real confidence return so that business will expand”. But not just small entrepreneurs, for whom monetary stability was an obvious business interest, raised concerns over inflation. They were also brought forward by working-class savers such as Richard Holden from Lancashire, who defiantly introduced himself to Wilson as “one of the old fashioned people who saved a part of my salary each month for a lifetime to supplement retirement pension after 40 years in industry”. With inflation at a staggering 16 per cent, Holden accused government policy of penalising thrift and encouraging frivolous spending:

This may suit the people who constantly resort to “access cards” [Access was a credit card company launched in 1972] and hire purchase but is most unfair and no incentive to small savers. Surely this policy is all wrong and encourages people to squander their money instead of providing for their retirement.

However, while certainly prevalent and the cause of much outrage among the investing public we should not overstate the sway of this unrest. We need to bear in mind that throughout the postwar decades, Harold Wilson had been an anathema for many hard-money advocates, an aspect likely to have prompted middle-class investors and thrifty working-class savers to vent their anger in protest letters. Wilson had a negative image with fiscally conservative voters not just since he presided over the controversial devaluation in 1967, during which he famously promised that “it would not effect the £ in the pocket or prices in the stores” as one letter reminded him. Already in the 1950s, he had made a mark as an outspoken critic of self-styled

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63 F. C. Deeley to Sir Harold Wilson, 14 August 1977, TNA, BS 9/27.
64 Richard Holden to Sir Harold Wilson, 18 July 1977, TNA, BS 9/27.
middle-class financial values, for instance when as Shadow Chancellor he discarded thrift as an outdated virtue in a 1959 Commons debate:

The one justification of a continued private sector in this country is the enhancement of such old-fashioned puritanical virtues as thrift, expansionism, worthwhile production and the mutually advantageous exchange of goods.\textsuperscript{66}

But in this context we need to distinguish very clearly between the different roles that Harold Wilson played throughout his political career. On the one hand, Harold Wilson’s public perception was shaped by scathing statements against liberal orthodoxies uttered in a party-political context and by decisions he made under enormous economic and structural constraints. On the other hand, there was the moderate and indeed pragmatic politician Wilson, who was actually very well connected and respected in the City of London. In his biography of Siegmund Warburg, Niall Ferguson has uncovered that the German financier and controversial head of the eponymous merchant bank, which had engineered the first hostile take-over in 1959, “became one of Harold Wilson’s most trusted confidants on economic questions”.\textsuperscript{67} During Wilson’s first term (1964–1970) they convened together in “regular meetings, about which other Cabinet members knew little” and the prime minister knighted Warburg for his services in 1966.\textsuperscript{68} This personal, clandestine affinity towards the Square Mile and its inhabitants became immediately apparent to Wilson’s Committee in 1976. One of the first things he did after commencing work was to instruct his personal assistant to forward “any letters that arrived from well known [sic] people” in the City, meaning that he probably never read those from less illustrious members of the public.\textsuperscript{69} Instead, throughout his chairmanship, he entertained close personal contact with leading City figures, for example when going out for lunch at the offices of the leading stockbroking firm de Zoete & Bevan or the investment bank Kleinwort & Benson.\textsuperscript{70}

Nevertheless, the Wilson letters allow us to closely scrutinise an ongoing struggle over economic cultures and values in the second half of twentieth-century Britain. Thrift as a defining middle-class virtue continued to hold sway over members of the investing public,

\textsuperscript{66} HC Deb 608, cc. 34–36, 29 June 1959.
\textsuperscript{67} N. Ferguson, \textit{High Financier: The Lives and Time of Siegmund Warburg} (London: Allen Lane, 2010), p. xv; on the takeover, known as the Aluminium War, see Kynaston, \textit{The City of London pp. 107–15.}
\textsuperscript{68} Ferguson, \textit{High Financier}, p. xv. On Warburg’s knighthood see pp. 282–3.
\textsuperscript{69} Eve to Sir Harold Wilson, 23 December 1976, TNA, BS 9/33.
\textsuperscript{70} A. Steel to Sir Harold Wilson, 28 July 1978, TNA, BS 9/29, J. P. MacArthur to Sir H, 13 December 1977, TNA, BS 9/28.
which is mirrored in other sources such as a 1978 investment guide by hobby investor Jack Medomsley:

Thrift is a universal characteristic but more special to the middle class because it is an assurance of independence at a later stage in life, an independence from too many hand-outs from the State.\(^{71}\)

As Niall Ferguson has noted, however, “Victorian thriftiness was the worst possible strategy for surviving the seventies”, which partly explains the appeal of such alarmist interventions like Patrick Hutber’s *The decline and fall of the middle class*.\(^{72}\) In light of this economic climate, other stock market manuals encouraged investors to take higher risks, claiming that “[w]ithout speculation in some form it is impossible to substantially improve ones [sic] financial position” and that if “you never speculate, you will never accumulate”.\(^{73}\) Revealingly, the author claimed that his speculative approach could be applied not only to stocks and shares, but also to “quick action gambles like horses or roulette”.\(^{74}\) Another proponent of this investment approach was Norman Whetnall, the *Daily Telegraph*’s stock market correspondent and patron of small investors. After retiring in 1991, he went on “to play golf three days a week and to enjoy his regular flutters in casinos and on the horses”.\(^{75}\) But before indulging in more direct forms of gambling, he authored a best-selling investment guide that promoted the stock market as “an intriguing hobby which is not only exciting in itself but does provide one with a much better insight into the economy of the country as a whole”.\(^{76}\) Even the more conservative Medomsley acknowledged that “investing holds its own fascination and brings excitement to the quiet man leading an otherwise uneventful life”.\(^{77}\) It was furthermore an activity that could not be reduced to prudent rationality but required “a gut feeling, a hunch, a kind of intuition”.\(^{78}\) Again, this highlights the co-existence of share investment as a form of retirement planning, economic education and exquisite entertainment, combining elements of both calculation and emotiveness. The entertaining and emotional aspect represented a strand in British stock market culture that had gained headway in public perception during the 1960s and increasingly

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\(^{72}\) Ferguson, ‘Introduction’, p. 10; P. Hutber, *The decline and fall of the middle class, and how it can fight back* (London: Associated Business Programmes, 1976). 


\(^{74}\) Ibid., p. 1. 

\(^{75}\) ‘Norman Whetnall: obituary’, *The Daily Telegraph*, 5 December 2013. Whetnall started his career in the “Financial Times’s investment inquiry bureau. This involved writing letters to small investors who sought advice. […] he particularly appreciated the readers who wrote to thank him afterwards.” 


\(^{77}\) Medomsley, *Opportunities for the Small Investor*, p. 7. 

\(^{78}\) Ibid.
did so during the 1970s. It heralded the acquisitive, short-term and speculative approach to finance that dominated the 1980s and stood in stark contrast to the Thatcherite insistence on purportedly bourgeois values of thrift, hard work and deferred gratification or the notion of ‘genuine investment’.

In May 1979, Britain elected a prime minister who claimed that a return to economic freedom and monetary stability would make “Britain great again”. The experiences that ordinary savers and investors described to the Wilson Committee urge us to consider the contribution of Margaret Thatcher’s market populism – preaching thrift, hard work and sound money – to her ascent to power. Martin Daunton has recently argued in this regard that Thatcher and her allies succeeded in

[selling] a more optimistic future to a weary electorate […] The new ideas offered a more optimistic approach in which growth and prosperity were possible through ‘populist market optimism’ expressed in the rhetoric of [Geoffrey] Howe and [Nigel] Lawson: individual choice, free of the constraints of state control, which would lead to a dynamic, enterprising society.

We can refine this assessment by concluding that Thatcher, Howe and Lawson promoted an individualism that skilfully tapped into a growing distrust of those at the top – be they City financiers or Whitehall mandarins – with a sense that markets were quintessentially democratic and therefore always on the side of the ‘little fellow’, the ‘man in the street’ or the ‘ordinary chap’.

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79 In a 1976 article for The Sun, Thatcher wrote “I believe that Britain can be great again. But that it will never be great again until it is free again.” M. Thatcher, Article for the The Sun (“The Hand in Your Pocket”), 13 September 1976, MTF 102838. Making Britain great again was in fact a popular battle cry in the late 1970s and early 1980s invoked by tabloid journalists, the political right and business representatives.


However, Britain also voted for a prime minister whose Methodist upbringing by her father Alfred Roberts had shaped her moral universe and this included an ingrained distrust of the stock market and speculative finance. Thatcher was convinced that capitalism was the economic system most suited for putting Christian ethics into practice and she did not shy away from expressing this in public. In 1981, for instance, she reasoned: “Perhaps we have lost the idea that is inherent in Christ’s parable of the talents. The steward who simply did not use the resources entrusted to him was roundly condemned. The two who used them to produce more wealth were congratulated and given more.” Furthermore, one of her closest advisers and speechwriter, Alfred Sherman, was convinced that the “de-Christianisation of social and political thought” in Britain had contributed to its decline. However, these views did not seem to apply to the realm of finance. Her biographer, John Campbell, has noted that Thatcher “did not really approve of the Stock Exchange, believing at heart that wealth should be earned by making and selling real goods and services, not by gambling and speculation”. Having railed against speculators in Parliament in the 1960s, she admitted privately in 1981 that “her

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82 J. Campbell, ‘Roberts, Alfred (1892–1970)’, ODNB.
83 M. Thatcher, Speech at St Lawrence Jewry, 4 March 1981, MTF 104587. Thatcher employed the parable of the talents throughout her career. See, for instance, Speech to American Chamber of Commerce, 20 October 1976, MTF 103115; Speech to Conservative Central Council, 23 March 1985, MTF 106000.
father disapproved of the Stock Market, which he considered ‘a form of gambling’.

But although she kept a “psychological distance from the City” throughout her career, she did more than any other politician to facilitate the expansion of capital markets during the 1980s.

David Cannadine has noted in his recent biography of Thatcher that the ramifications of deregulation were “a far cry from the spartan thrift and self-denial of Alfred Roberts”.

Campbell pinned down this discrepancy between Thatcher’s conservative values and the outcome of her policies as follows:

The central paradox of Thatcherism is that Mrs Thatcher presided over and celebrated a culture of rampant materialism – ‘fun, greed and money’ – fundamentally at odds with her own values which were essentially conservative, old-fashioned and puritanical.

In the following section I will take this tension between the protestant foundation of Margaret Thatcher’s ideal of a share-owning democracy and the bourgeoning acquisitive stock market culture of the 1980s as an analytical starting point. Methodologically, this focus requires to challenge the conception of ‘modern capitalism’ as a rational undertaking devoid of ‘irrational speculation’ and to pay attention to the emotional economy of the stock market. This will allow us to gain a better understanding of the social and cultural implications of the Conservative Party’s ‘popular capitalism’ and to focus on some of the unintended consequences of Thatcher’s politics of privatisation and deregulation.

**Popular capitalism? Success, failure and rationality**

Thatcher’s three governments between 1979 and 1990 are widely famed – or disdained – for their large-scale privatisation programme that saw nationalised industries sold in heavily advertised give-away flotations. Between 1979 and 1990, 40 state assets were privatised, generating receipts of £33 million. Especially the flotations of British Telecom (1984) and British Gas (1986) provided Tory ministers with good publicity for ‘popular capitalism’. At the end of the decade, Britain had more shareholders than trade union members after the number

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87 Harrison, *Finding a Role?*, p. 342.


of private investors had climbed from three to 11 million.\(^\text{91}\) Examining the narrower political context of privatisation, Richard Stevens has argued that the policy’s main objective was to turn Labour-voting workers into share-owning capitalists and therefore Conservative voters; although late 1980’s surveys suggested that the spread of share and home ownership did very little to change voting behaviour.\(^\text{92}\) With an even more distinct focus on high politics, David Parker has authored a comprehensive two-volume *Official History of Privatisation*. The study was commissioned in 2004 by then Prime Minister Tony Blair and Parker was given privileged access to government files to reconstruct the relevant decision-making processes behind each flotation carried out under Thatcher and the successive administrations of John Major.\(^\text{93}\) Chapter four has discussed the contributions from scholars like Ewen Green, Ben Jackson or Matthew Francis who uncovered the deeper intellectual roots of 1980s popular capitalism by showing how Thatcher revived and exaggerated Noel Skelton’s rhetoric of a property-owning democracy. Like the Scottish Unionist, she framed wider share ownership not primarily as an economic, but as a social policy. Hence Thatcher linked popular capitalism to her wider creed of rejuvenating Britain’s ‘Victorian values’. Amy Edwards has recently argued that Thatcher’s rhetoric merged themes of capital accumulation with the language of consumerism, quoting a 1985 speech to the Scottish Party Conference, in which the Thatcher stated “that it should be as common for people to own shares as it is for them to own houses or cars”.\(^\text{94}\) Again we are confronted with the inherent tension between consumption and deferred gratification in Thatcherism and capitalism more broadly. In a speech to Conservative trade unionists the same year Thatcher repeated the analogy between cars and shares, but also gave an impression of the moral intentions behind privatisation beyond its aim of cutting public expenditure and increasing revenue. It casts doubt over Thatcher’s commitment to consumerism, but stresses her insistence that people should not only consume – as they had been on an unprecedented scale for decades – but also save and invest:

> But there is another purpose behind privatisation: Wider share ownership. It should be as natural for people to own shares as to own their home or to own a car. […] All of this helps to build a more robust and more responsible society. The strength of our

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policies is that they are founded on the basic instincts of our people. An instinct: for ownership, for thrift, for honest work, for fair rewards, and for helping others.95

Much of the scholarship on Thatcherism and the theme of wider share or property ownership is occupied with the question of whether historians should regard 1980s popular capitalism as a failure or a success. Scholars now widely agree that privatisation did not entrench share ownership in society as deeply as Tory ministers claimed. Several accounts point out that the growth in shareholder numbers did not reverse the trend towards concentration of equity capital in hands of large City institutions who owned 75 per cent of UK listed stock by 1989.96

Contemporary surveys already revealed that only around 16 per cent those who had bought shares of privatised industries went on to build a diversified portfolio including shares of other private companies.97 Geographically, private share ownership continued to be “disproportionately concentrated in the south-eastern region of the country” after the 1980s.98 The regional distribution reflected the continued predominance of investment among middle-class households, which the first surveys into Britain’s shareholder population had already observed in the postwar decades. Brian Harrison has summarised that

Privatization certainly created many small shareholders, yet by the end of the 1980s the typical private shareholder was male, married, middle-aged, relatively affluent, and living in the south-east of England, and the number of shareholders in any income group was positively correlated with income; although almost half men in the professions held shares, only 9 per cent of unskilled manual men also did so, though a third of shareholders were manual workers.99

Furthermore, Big Bang in October 1986 abolished fixed commissions and the strict separation of brokers and jobbers on the London Stock Exchange. But, as Amy Edwards has noted, flexible commissions resulted in an increase of dealing costs for small transactions and did very little to improve service for less affluent investors.100 Finally, scholars point out that very few investors held on to their shares in privatised companies. According to David Parker, “the average percentage of the original shareholders who still retained their shares in privatised

95 Margaret Thatcher, Speech to Conservative Trade Unionists Conference, 30 November 1985, MTF 106185.
98 “Here [in the Southeast], some 28 per cent of households own shares directly [...]. In contrast, in Northern parts of Britain only 16 percent of households own shares.” R. L. Martin, The Geography of Private Shareholding: Mapping Popular Capitalism in Britain (Swindon: Economic and Social Research Council, 1999), p. 9.
companies by 1989 was estimated to be around 40 per cent”. In other words, more than half of privatisation investors sold their shares for a quick profit and the flotations were staged on an enormous scale. Based on this, Parker concludes that “[a]ttempts by Government to build on the success of privatisation issues in attracting small investors […] generally failed”. Richard Vinen reasons in a similar fashion that “[p]opular capitalism was never, in fact, that popular […] because […] the distribution of shares was not as spectacular as it looked” – even though the TUC conceded privatisation’s popularity in 1987. And according to Amy Edwards, “Thatcherism […] failed to endow the individual with a meaningful role in a ‘property-owning democracy’”. Seeming particularly keen to lay bare the failures of popular capitalism, she adds that “Thatcherism it appeared was about financial capitalism not consumer capitalism and so it failed to create cultural change”. It should be pointed out here that Edwards ignores recent scholarship that suggests a more complex reading of the complex relation between Thatcherism and the City of London. Furthermore, although the works are not cited, her conclusion largely echo those of Parker’s Official History.

The following analysis builds on the existing literature, but seeks to move beyond the binary juxtaposition of whether privatisation succeeded or failed, whether popular capitalism was indeed popular or unpopular. Instead it will question the analytical framework and normative assumptions that underpin contemporary as well as historical assessments of financial and popular capitalism. While governments and academia developed an almost imperturbable belief in rational and efficient markets, popular understandings of finance continued to stress the emotional side of stock market activity. Even though Margaret Thatcher’s vision of popular capitalism was not realised, we should not regard the large-scale staging of public flotations as well as the culture of self-enrichment and entertainment that accompanied them, as evidence

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102 Ibid., p. 432.
103 Vinen, Thatcher’s Britain, p. 200; “By September 1987 the TUC was pushing Labour to abandon its threat compulsorily to renationalize privatized companies. British Telecom’s privatization had shocked the labour movement: ‘the plain fact … is that, despite our opposition to the sale of public assets, they have continued’, said Tuffin, ‘and, yes, they have been popular’.” Harrison, Finding a Role?, p. 533.
105 Ibid., p. 122.
106 The study in question that Edwards does not discuss in her article is C. Bellringer and R. Michie, ‘Big Bang in the City of London: An intentional revolution or an accident?’, Financial History Review 21 (2014), 111–37. The authors argue on p. 111 that “Big Bang has been regarded as one of the crowning achievements of the Conservative government led by Mrs Thatcher, providing the foundation for the City of London’s re-emergence as the leading international financial centre. However, only now is evidence emerging of the intentions of those involved at the time rather than as expressed in the light of hindsight, which casts doubt on what they were seeking to achieve, whether viewed from the perspective of either the politicians or those in charge of the Stock Exchange.”
that capitalism was not ‘popularized’ in Britain. Instead, seen in the wider context of this thesis, these phenomena allow us to better understand a significant departure from previously held notions of share ownership towards a more short-term, acquisitive approach to stock market investment that was characteristic of the period’s financial capitalism.

<table>
<thead>
<tr>
<th>Company and date of flotation</th>
<th>Initial share register → later date</th>
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<tbody>
<tr>
<td>British Aerospace (February 1981)</td>
<td>158,000 → 27,000 in February 1982</td>
</tr>
<tr>
<td>Cable and Wireless (November 1981)</td>
<td>150,000 → 26,000 in November 1982</td>
</tr>
<tr>
<td>Amersham International (February 1982)</td>
<td>62,000 → 10,000 one month after flotation</td>
</tr>
<tr>
<td>Jaguar (July 1984)</td>
<td>125,000 → 49,000 by May 1985</td>
</tr>
<tr>
<td>British Airways (February 1987)</td>
<td>1,200,000 → 450,000 three months after flotation</td>
</tr>
</tbody>
</table>


When the flotation of British Telecom in November 1984 attracted two million small investors, Britain entered something of a collective share fever and *The Economist* reasoned that “personal investors might stage a comeback”. In light of this popularity, Conservative ministers geared up their rhetoric on privatisation, wider share ownership and their commitment to making Britain a property-owning democracy. In public speech, Margaret Thatcher treated the ownership of financial securities in the same way as the ownership of privatised council houses, the sale of which her governments also pursued on an enormous scale, but cannot be discussed in further detail here. Whether shareholder or house owner, “as a property owner you understand your own responsibility and you respect the responsibilities and duties of others”. She furthermore conveyed very specific ideas of the average small investor she claimed to have created with her popular capitalism and whom she imagined to be in it for the long run.

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The small investor buys not really to sell the next day, the next week, the next month, the next year. Most of them buy to put it, as we would say, in the bottom drawer, to give an investment for the future and yes it will. Of course, political constraints made the practicalities of each privatisation issue more complex and the goal of Thatcher’s idealized small investor more difficult to realise. David Parker has pointed out that “[s]etting a correct share price on flotation so as to attract a sufficiently large number of applications for shares, but without the opportunity for large ‘stagging’ gains, would continue to prove a challenge during all of the Government’s privatisation flotations.” Over time, the government considered and experimented with several types of flotations. They ranged from Milton Friedman’s suggestion of a free but equal dispersion of equity capital among voters, over tender issues, in which the share price was left to market forces, to flotations with a fixed price. The Friedmanite option was dismissed early on by Geoffrey Howe, Chancellor in Thatcher’s first cabinet 1979–83, on educational grounds:

A giant scheme of this nature would, of course, introduce many people to the idea of share ownership for the first time. But one is bound to have doubts whether shares doles out free to all would represent any effective lesson in the responsibility of ownership.

Tenders placated free-market purists like Nicholas Ridley, but proved to be risky and the tender of Britoil in 1982 – overseen by Nigel Lawson as Energy Secretary – flopped because it did not attract sufficient investor interest. Hence, Thatcherite ministers, in close consultation with investment banks like Kleinwort Benson or Warburg, resorted to the pragmatic option of fixing the initial share price in the following flotations deliberately below the anticipated market price in order to attract investors and to guarantee the political success of the privatisation programme. The trade-off was that if stock market operators knew that the company was undervalued, early buyers could quickly offload their shares and make a profit in early trading.

Figure 2 shows the extent to which issues of national industries attracted stags, the “stock market beast who makes a habit of applying for shares in companies which are being floated on the market for the first time”.

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111 M. Thatcher, TV Interview for Thames TV This Week, 10 December 1987, MTF 106993.
113 G. Howe to M. Thatcher, 1 July 1980, Proposal for a national investment trust to promote wider property ownership: report by Leo Pliatzky, MTF, PREM 19/191.
Conservative government’s free-market agenda, were quick to question the long-term benefits of this procedure for the quest of widening share ownership in Britain. The veteran Sunday Times City editor, Graham Searjeant, commented that “small investor became a euphemism for thousands of ordinary newspaper readers who can spot a no-loss speculation joining thousands of professional stags who rush round collecting application forms in bulging briefcases. Few will hold the shares more than a week”. Some investors complained that the government was not teaching the public a lesson about free-market capitalism, but actually creating a market anomaly by giving the “impression that it is easy to make a quick killing with shares, but it should be remembered that these situations are the exception, not the rule”. Looking back at the “stagging bonanza” that accompanied the flotation of Amersham International in 1982 – the third nationalised industry to be sold after British Aerospace and Cable & Wireless – Searjeant voiced scepticism:

Genuine mass participation would require a much more imaginative approach. Today’s residual active small shareholders are, by and large, not pink-nosed rabbits inhabiting a vanishing habitat and waiting for kindly ministers to set up financial nature reserves. They survived in a hostile environment by natural selection, by learning to be more like speculators.

Note, however, that Searjeant did not condemn the practice of stagging, which he described as the “joys of making a quick profit”, as such. Instead he expressed scepticism that the government policies could bring about a long-term change in ownership patterns. Attitudes towards short-term capital gains still varied across media outlets. The Daily Mirror, the Labour-leaning mass daily, was one of the few to raise concerns over the amount of stagging. The paper’s austere City editor Robert Head criticised how the Amersham issues witnessed “a flood of applications by speculators who put in for more shares than they wanted, to re-sell them immediately and pocket an instant profit”. But Head still promoted a type of market populism that was surprisingly similar with that of Margaret Thatcher and at odds with the Mirror’s general approach to polemicize against the Conservative government. Head presented

to his readers the prospect of being active members in a market society, dubiously explaining to them that “only the market – which means millions of people like you and me” can influence share prices.\textsuperscript{120} When British Telecom went private he welcomed his readers “to a world of fun and adventure, risk and reward” and envisaged that the “courage to take risks is one of the things that could make Britain great again”.\textsuperscript{121} All this earned him praise from the Chairman of the London Stock Exchange, Nicholas Goodison, who lauded how “excellent [it is] that commentary on stocks and shares can now be found in the pages of the \textit{Daily Mirror}”.\textsuperscript{122} However, Head remained sceptical of the speculative side of stock market finance, urging his readership not to dabble in stock dealing and to “hold on to a good number: don’t sell those Telecom shares”.\textsuperscript{123}

At the \textit{Daily Mail}, on the other hand, staging privatisation issues was advertised as a national sport. The dandy Mail City editor, Patrick Sergeant was an uncanny mirror image of his rival Robert Head. Sergeant had long been a personal friend of Mrs Thatcher and walked in and out of Downing Street on a regular basis, but cheered his readers to cash in on a quick profit.

> Charge your pens, get out your cheque books, bully your bank managers and stampede today for what looks like the stag of the year – tomorrow’s offer of the 50 million shares in Amersham International at 142p each.\textsuperscript{124}

In an article that captured first images of 1980s popular capitalism \textit{avant la lettre}, the paper had celebrated the Cable and Wireless sell-off in a similar fashion, describing how “City gents joined housewives and businessmen yesterday in a scramble to buy shares in the denationalised Cable and Wireless communications company”.\textsuperscript{125} Anticipating the sale of Britoil, which turned out to be a flop, even the otherwise sober Christopher Fildes, declared that “[p]atriotism, pride, the sight of a soaring oil price, the likelihood of a stag’s profit, and, beyond that, the jolly gamble on where BP shares will be by February, when the second payment must be made.... All point the same way”.\textsuperscript{126} These findings challenge us to rethink conventional chronologies of the Thatcher period according to which “quite suddenly the City became glamorous” after Big Bang had ushered in a new culture of yuppie extravagance, greed and

\begin{footnotesize}
\begin{itemize}
  \item \textsuperscript{120} R. Head, ‘Propping up the pound’, \textit{Daily Mirror}, 30 November 1982.
  \item \textsuperscript{122} N. Goodison, \textit{Shares for all: Steps towards a share-owning society} (London: Centre for Policy Studies, 1986), pp. 9–10.
  \item \textsuperscript{123} R. Head, ‘Hold on to a good number: Don’t sell those Telecom shares’, \textit{Daily Mirror}, 11 December 1984.
  \item \textsuperscript{124} P. Sergeant, ‘1½ billion joins the Amersham stampede’, \textit{Daily Mail}, 19 February 1982.
  \item \textsuperscript{125} J. Hamshire, ‘Scramble in the City’, \textit{Daily Mail}, 31 October 1981; see also P. Sergeant, ‘Even in chinese [sic], C&W is stag of the year’, \textit{Daily Mail}, 22 October 1981.
  \item \textsuperscript{126} C. Fildes, ‘Britoil-cheap to us, but pricey in the City’, \textit{Daily Mail}, 17 November 1982.
\end{itemize}
\end{footnotesize}
speculative money-making in October 1986.¹²⁷ Stagging was a marked pattern in early privatisations and the financial press encouraged punters to cash in on quick profits, with hardly any concerns being raised within the investing public. All this points towards the dissemination of a new stock market culture, in which, according to one 1981 guide, investors “must treat company shares as pieces of paper, and form no other relationship with them other than that they are a means of making a profit”.¹²⁸

Fig. 18: ‘Scramble in the City’, Daily Mail, 31 October 1981.

If the Daily Mail more generally helped promote this culture of self-referential speculation, then its deputy City editor, Michael Walters was particularly bold about his opposition to conventional notions of share ownership that attached responsibility or identity to the companies behind financial securities. In the run-up to the privatisation of British Gas, which the government advertised with its notorious “Tell Sid” TV, billboard and newspaper campaigns, Walters represented the pinnacle of short-termism in the investment community:

¹²⁷ Campbell, Margaret Thatcher, II, p. 244: “[Q]uite suddenly the City became glamorous. No longer the preserve of middle-aged men in sober suits and the occasional defiantly anachronistic bowler hat, it became almost overnight the playground of classless twenty-three-year olds switching huge sums instantly around the world, working extraordinary hours but earning correspondingly enormous salaries and even bigger bonuses. [...] But the phenomenon which caught the public imagination was the new class of computerised whizz-kids – dubbed yuppies, an acronym for young upwardly mobile professionals – who suddenly materialised to populate these palaces of mammon. In fact they were not, as the media liked to suggest, all former East End barrow boys: many were young public-school boys suddenly earning more in a year than their fathers had earned in a lifetime – not by thrift and hard work, as Mrs Thatcher preached, but by speculating and dealing, buying and selling options at the right moment: purely paper transactions – except that they were no longer done on paper but electronically on screen.”

Reach for your cheque book Sid. It’s time to send for your British Gas shares. [...] For myself, I like the notion of a quick, easy profit in early trading. Many will want to hold on, but I would prefer a few pounds in my pocket before election uncertainties hit the market.129

Throughout the 1980s, Walters authored several popular investment guides that candidly encouraged a culture of self-enrichment, speculation and individual profit-seeking. He educated the enlarged investing public about the stock market in a language that would have been inconceivable in similar outlets during the 1950s or 1960s and was much closer to the gimmickry of an interwar bucket shop operator than to Margaret Thatcher’s rhetoric of Victorian values. According to Walters “[t]he whole business of investment comes preciously close to being a highly sophisticated form of gambling”130 or was “like playing Monopoly with real money”.131 Stagging flotations of privatised industries was advertised as “the next best thing to buying £10 notes for a fiver”132 and in regards to hostile takeovers, investors were given the following advice:

If you are a share trader, forget the debate about whether or not [takeover] bids are good for Britain, good for industry or serve the consumer well. What matters is the chance of quick, fat profits. [...] Never mind the industrial strategy; enjoy the thrill of a soaring share price.133

As shared notions of investment and speculation became increasingly detached from economic and social contexts, the resemblance between stock market activity and gambling once again came strikingly to the fore. Not every author was as cynical as Walters, but the investment community did speak more openly about this subject. One of the growing number of women investment advisers stated that “serious investors would probably deny that investing in the stock market was akin to gambling, but there is almost always some element of chance and it is certainly a place where fortunes can be lost or won”.134 Gambling analogies became more candid: “The stock market game is, like most games, between two sides, which in this case are on the one hand the buyers, and on the other hand, the sellers”.135

We can trace this development on several levels and it became apparent even in privatisation issues that came under less pressure from stags such as the flotation of British Gas on 8

132 Ibid., p. iv.
133 Ibid., p. 72.
December 1986. On that day, at “the new stock exchange building in Manchester, 100 people crowded into the foyer to see the start of dealings”. Ann Green, the general manager of the Stock Exchange’s northern unit, afterwards described the bizarre events that had unfolded: “They were cheering when the price went up and booing when it went down. It was just like a bookie’s office.”

We know that very few of the new shareholders turned up to AGMs to assert their legal influence on companies like British Gas and others which they were legally entitled to do as shareholders. Instead a group of punters, performed a public reinterpretation of a stock market into a gambling den. With the pendulum between investment, speculation and gambling tending more explicitly towards the latter in public discourse, high finance seemed to shed its previous anxieties about gambling accusations. More than half of those who partook in privatisation aimed for short-term profit, not to become enfranchised “in the economic life of the nation”. Like his predecessor during the 1950s, John Braithwaite, Nicholas Goodison of the Stock Exchange sought to channel the British gambling instinct, which he regarded as part of the national character, for economic purposes.

In a speech to the Centre for Policy Studies, the think tank Margaret Thatcher had founded with Keith Joseph, he contended:

> We need to change attitudes toward risk. I have heard it said that the real cause for the decline in private share ownership [prior to 1980] is that the British people are more ‘risk averse’ than others. I doubt it. Certainly the experience of the bookies and the pools promoters suggests otherwise.

More glaringly this relaxation became evident in the public reception of Caryl Churchill’s sharply satirical theatre play *Serious Money*, which premiered at the London Royal Court Theatre in March 1987, only five months after Big Bang. On stage, *Serious Money* turned the post-Big Bang City, more precisely the London International Finance Futures Exchange (LIFFE), into an obscene casino where yuppie traders – now female as well as male – indulged in unfettered

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138 M. Thatcher, Speech to Conservative Party Conference, 10 October 1986, MTF 106498. Full quote: “The great political reform of the last century was to enable more and more people to have a vote. Now the great Tory reform of this century is to enable more and more people to own property. Popular capitalism is nothing less than a crusade to enfranchise the many in the economic life of the nation. We Conservatives are returning power to the people.” See also M. Francis, ‘A Crusade to Enfranchise the Many: Thatcherism and Property-Owning Democracy’, *Twentieth Century British History* 23 (2012), 275–97.
commercial gambling. The gist of the play is encapsulated in the scene when the main protagonist Scylla, a young LIFFE trader, is challenged by her father – a City gent in pin-stripes and with a bowler hat, clearly representing the old City – to explain the essence of her business: “It’s like playing a cross between roulette and space invaders.” With yuppies being villainised in this manner, it is highly revelatory how the City’s reacted to Serious Money. Richard Vinen has pointed out how “[t]raders themselves seemed to relish the image of them that Churchill portrayed: on two occasions banks booked every seat in the theatre for works outings”. Ewen Green recalls how the “chorus of City brokers singing ‘five more glorious years’ in celebration of the 1983 Conservative election victory in Carol [sic] Churchill’s musical Serious Money is one of the author’s abiding memories of the 1980s, as is his witnessing actual brokers singing the very same song in a City wine bar on the evening after the Conservatives’ 1987 victory”. The cult embracing of the play largely nullified its satirical bite and under-scored how deeply the culture it portrayed had captured large parts of the City in the public as well as the private sphere.

More than any other decade, the 1980s cemented a political as well as academic belief in the supremacy of free markets over government intervention in the economy. The day after the 1987 general election, City brokers and traders could be found drinking champagne at lunch hour, celebrating the stock market’s surge resulting from the Thatcher Government’s re-election and invoking Harold Macmillan’s famous postwar dictum that “we’ve never had it so good”. Before Thatcher and Reagan presided over the return of the market in Western politics, the discipline of financial economics had done much to foster the notion that markets are per se efficient, self-regulating and governed by rational decision-making. Beginning in the 1950s and gaining traction after the collapse of Bretton Woods, increasingly complex mathematical models were devised not only to analyse, but to reshape stock, commodity and derivative markets. In light of this epistemological upheaval, Daniel Rodgers has argued that

141 See also the vivid account D. Kynaston, LIFFE: A Market and its Makers (Cambridge: Granta Editions, 1997).
143 Vinen, Thatcher’s Britain, pp. 185–6.
the “puzzle of the age is not that economic concepts moved into the center of social debate; the riddle is that so abstract and idealized an idea of efficient market action should have arisen amid so much real-world market imperfection”. One such imperfection occurred on 19 October 1987, when global security markets suddenly collapsed. The crash, known as Black Monday, meant that by the end of the month the Financial Times Stock Exchange 100 Index (FTSE) had lost 26.45 per cent of its value – the biggest collapse since 1929. The ensuing debate over who was to blame for the crash is revealing. In France, “amateur speculators were quickly identified as the source of market confusion and condemned, not only for erratic speculation, but for ‘contagious mimicry’”. In Britain, amateur investors, speculators or gamblers had been blamed in similar fashion for causing financial crashes in the previous two centuries. This time, however, they were exempted from any questions of guilt, highlighting their decline in systematic relevance for institutionalised markets. Instead, inexperienced yuppies in the City and their seemingly irrational, panicking behaviour bore the brunt of accusations:

The movements are also thought to be exaggerated by the Yuppies mentality which is rife in the City and seems to know no moderation. The new generation of City dealers have never experienced a bear market – they were too young to remember the horrors of the early 70s. Having been advocates of ‘buy, buy, buy’ they have now been scared into ‘sell, sell, sell’.

In a recent intervention, Joseph Vogl has asked provocatively “whether what is taking place in the arenas of the international finance economy is the efficient interaction of rational actors or a spectacle of the purest irrationality”. Rather than unequivocally arguing for one or the other, the following analysis will follow Ute Frevert’s insight that “emotionality is no longer

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147 Rodgers, Age of Fracture, p. 43.
150 ‘World-Aid For Wall Street’, Daily Mail, 21 October 1987; see also ‘Market starts a painful recovery’, Daily Mirror, 22 October 1987: “City Yuppies also came under attack yesterday for panicking investors.” The Economist commented that “[t]he fathers of today’s yuppies everywhere should urge their shell-shocked offspring to study the grown-up story of Slater Walker Securities, which was the darling of London markets between 1968 and 1973, right past the eve of when it was bound to crash”. ‘When the bull turned’, The Economist, 24 October 1987.
considered to be the opposite of rationality" and will explore the ways in which perceptions of both aspects fluctuated or remained stable over time in British discourse. When examining political and academic views on financial markets and their inner workings over the course of the twentieth century it stands out how far they oscillated towards both extremes. The global stock market crash of 1929 and the following Great Depression led observers to challenge the intellectual gold standard of neoclassical economics, which underpinned the seemingly natural order of laissez-faire capitalism. This move away from traditional economic liberalism is most commonly associated with the theories of John Maynard Keynes. The Cambridge economist, and prodigiously successful investor, viewed financial markets as inherently unstable and prone to irrational outbursts – a scepticism that left its mark on the corporatist economic settlement of the postwar period. As neoclassical economic theory successfully pushed Keynesian orthodoxy back to the margins during the 1970s, the latter’s insistence on animal spirits, ‘whim’, ‘sentiment’ and ‘chance’ as driving forces of the financial world was also jettisoned. Policies and financial models came to be based on ‘homo economicus’, the assumption that market participants acted rationally, pursued their self-interest and sought to maximise utility. In many ways, economic theory came full circle after 2007/8, when the global financial meltdown prompted an international resurgence of Keynesianism. Economists of all sorts challenged neoclassical dogmas and reincorporated Keynesian ‘animal spirits’ into the academic mainstream.

What is astonishing against this backdrop of fluctuating sentiment in high politics and the ivory towers of Anglo-Saxon universities, is that popular understandings of finance hardly changed over the same period of time. Here the stock market continued to be seen as a sphere in which prudent and rational behaviour is constantly balanced with irrational and overbearing elements.

154 To be sure, this narrative is complicated by the fact that economists outside the academic mainstream continued to uphold Keynesian scepticism towards finance, Hyman Minsky and Robert Shiller perhaps being the most prominent among them. See for instance, H. P. Minsky, *John Maynard Keynes* (London: Macmillan, 1976); R. J. Shiller, *Irrational Exuberance* (Princeton: Princeton University Press, 2000). However, the fact that they were seen as outsiders supports the argument.
Britain’s investment community had long stressed the emotional economy of the stock market. The sight of frantic yuppies on a trading floor, for instance, would not have surprised Francis Hirst, the interwar editor of *The Economist* and advocate of democratic capitalism, who had warned that people “think and act in mobs; and the speculative fever always rages in an atmosphere of high prices”.156 There was widespread awareness about the “exuberance of emotions” and “crowd psychology” in the investment world, aspects of which had been famously laid out by the Scottish journalist Charles Mackay in his 1841 essay on *Extraordinary Popular Delusions and the Madness of Crowds*.157 The stock market’s ability to amplify human emotions caused observers to believe that “in private life their characteristics may be prudence, intelligence and courage, but as average investors on the Stock Exchange they become greedy, fearful and stupid”.158 To be sure, investment was rendered a “deliberate activity involving rational thought”, but was considered “like all mental processes [to have] an emotional quality”.159 Hence, in popular financial discourse, investment was viewed as “an art rather than an exact science”160 and the stock market conceived of as an “emotional, gossipy place, given to rumours, panics and wildly mystifying fluctuations”.161 Even after the neoliberal counter-revolution and the rise of rational economic man, financial commentators were sceptical about the scientification of investment activity and the consequences of this trend. After the 1987 crash, Gordon Cummings, the stock market sage who had been observing financial affairs since the interwar period, criticized that decisions over millions of pounds had been delegated to computers “at the expense of the good old non-scientific guide of instinct”.162 And even a former member of the London Stock Exchange, who advised small speculators on how to make profits in highly risky option markets, warned that “successful investment in equities is not, never has been and never will be a wholly rational activity; nor is it easy, no matter what the so-called experts imply!”163
The question of rational and emotional elements in financial capitalism bears on how we should assess the failures, successes or wider implications of Thatcherite efforts to wed the British people to the stock market. Since the emergence of England’s first capital markets, gambling had been a core element of financial capitalism and has remained so ever since in various disguises.\textsuperscript{164} During the first half of the 19\textsuperscript{th} century, stagging had come to be regarded as a sophisticated form of speculation that closely resembles outright forms of betting due to its dependence on chance, short time horizons and the high level of risk involved.\textsuperscript{165} In postwar Britain, as chapter two has shown, stagging became a popular, yet controversial, form of mass participation in the stock market. Against this backdrop and given that millions of ‘investors’ rediscovered this practice during the 1980s, how expedient is it to view popular capitalism as either failed or unpopular? In order to fully understand how historians have come to this conclusion we must go back to a 1994 study on the sociological impact of Privatization and Popular Capitalism, which provided the basis for much of later historical research. The study was written because “virtually no sociological research has been carried out to assess and evaluate” 1980s popular capitalism and had the following agenda:

The crucial link between ownership of shares and changed values and behaviour is simply assumed, yet it rests on an extremely crude materialist premise which few sociologists would uncritically endorse, and it completely ignores the question of what share ownership means to the people involved.\textsuperscript{166}

The authors subscribed to the view that late capitalism is characterised by “the collapse of bourgeois culture”, an argument famously put forward by Joseph Schumpeter. They furthermore shared the Thatcherite assessment that anti-industrial spirits had caused Britain’s long-term national decline, arguing that “[Martin] Wiener’s fear that the British antipathy towards profit-making may be too entrenched to be reversed [was] well grounded”.\textsuperscript{167} Against this backdrop, the sociologists analysed the investment behaviour of a sample of 828 employees who had bought shares in privatised companies in 1989 and 1991.\textsuperscript{168} They set out to explore whether their respondents came closest to the ideal type of a “passive investor or saver”, of a “gambler” – a term they applied to stags who sought short-term gains – or, last

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\textsuperscript{167} Ibid., pp. 138–42.
\textsuperscript{168} Ibid., p. 164.
but not least, whether they could be classified as “true capitalist”, “rational risk-taking investors”. Applying this method, they concluded that “the great privatization crusade has turned out to be much ado about nothing”. Because the majority of their sample did not fall into the latter group, but instead indulged in a “casino mentality”, they concluded that Britain had not become a more capitalist country.

Remarkably, the study’s definition of the ‘rational, risk-taking investor’ was derived directly from Max Weber’s renowned study of the Protestant Ethic, according to which “the true spirit of capitalism entails the search for ever renewed profits rather than for windfall gains”. Max Weber famously argued that modern capitalism as an economic system is not only based on contractual labour, free markets and private property, but intrinsically driven by bourgeois virtues like rational calculation, prudence, deferred gratification and worldly asceticism. The Protestant Ethic is a sweeping post-Marxist characterisation of capitalism and scholars like Talcott Parsons, who translated Weber’s writings, and Richard Tawney, who prefaced and edited the British edition, have done much to popularise Weber’s ideas in Anglo-Saxon academia. But even historians who view his analyses as “among the best that have ever been written about capitalism” acknowledge that the core argument of the Protestant Ethic is inaccurate. Peter Ghosh concurred that “Weberian capitalism was conceptually thin and problematic” for many reasons. Besides the slim empirical evidence, another factor for this assessment is Weber’s skewed juxtaposition between the “modern rational capitalism” and the traditional “adventurous capitalism”. The former was allegedly based solely on “formal, calculative rationality” and sober profit-seeking while the latter lacked “rational structures of law and of administration” and was driven by “irrational speculation”. However, just as Weber’s conception of modern capitalism was flawed by a lopsided reading of 19th century

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169 Ibid., p. 154.
170 Ibid., p. 162.
171 Ibid., p. 154.
174 P. Ghosh, Max Weber and the Protestant Ethic: Twin Histories (Oxford: Oxford University Press, 2014), p. 75. Although Weber had written on European Stock Exchanges and “tried hard to assimilate them to a generalized model of capitalist activity […] he could not conceal that naked (and wholly ‘irrational’) financial speculation, bereft of any real economic function, reached ‘the highest degree of its development in stock exchange trading’”.
Britain and America, Thatcherite understandings of capitalism were distorted by an obsession with decline being linked to the alleged demise of bourgeois, middle-class or Victorian values. To be sure, this is not to suggest that the German sociologist had any direct influence on Thatcher, Joseph, Howe or Lawson. But the similarities are glaringly obvious. Both Weberian and Thatcherite notions of capitalism exaggerated the system’s dependence on deferred gratification, stressed the cultural significance (Kulturbedeutung) of capitalism and overemphasized the close link between Protestant religion and the capitalist ‘spirit’.

The problem is that if we apply Weber’s concept of modern capitalism as an analytical framework for measuring investment behaviour during the flotation of state assets in 1980s Britain and beyond, we are effectively subscribing to an understanding of capitalism matching that of Mrs Thatcher, who preached hard work, solid book-keeping and thrift as cardinal economic values. Ironically, it is Weber’s less renowned adversary, Werner Sombart, who allows us to overcome some of the shortcomings in Weber’s – and Thatcher’s – conception of modern capitalism and its historical driving forces. Sombart acknowledged the contribution of Protestant temperance to capitalist expansion, but contended that “[n]o less significant has been the contribution of Hazard [Spielwut] in the history of the capitalist spirit”. For Sombart, the speculator was an essentially capitalist agent:

He sees visions of giant undertakings; his pulse beats quickly like a person’s in a fever. [...] He awakes mighty instincts, and contrives to make them subservient to his ends. Above all, he tickles the gaming propensities, utilizing them to his advantage. In short, there is no speculative undertaking on any large scale without stock-exchange gambling. The gamble is the soul of the business, or the flame that glows right through it.

If we acknowledge the swashbuckling, emotive and playful side of financial capitalism, without denying its rational and prudent elements, Thatcherite popular capitalism also appears in a new light. As an analysis of the letters to the Wilson Committee has shown, Thatcher’s economic moralism did appeal to some savers and investors who had lived through the 1970s. And capitalism does rely, to some extent, on rational planning and deferred gratification. But the

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180 Ibid., pp. 91–2.
large privatisations, Big Bang and the stock market crash of 1987 illustrate that the system derives much of its energy – and destructive character – from chance, emotions and an element of gambling. In this way, the 1980s experience was a far cry from the 1970s expectations of financial conservatives. On the other hand, it is the whimsical side of the stock market and its continuing affinity to gambling that explains much of its unabated appeal to masses of small investors, speculators, stags, punters and gamblers.

If measured by Thatcherite intentions, popular capitalism can be viewed as failed. Conservative policies of the 1980s did not reverse the institutionalisation of stock markets, did little to disperse share ownership beyond traditional class barriers and, in spite of Thatcher’s market populist rhetoric, they did not compel the financial sector to improve services for less affluent clients. When considering Thatcher’s stated aim to reverse the decline of Britain’s manufacturing power, it must be said that neither the government nor the new small investors came to the rescue of domestic industry and small enterprises, as the previous chapter has already discussed. In terms of economic mentalities, the 1980s witnessed less of a return than a marked departure from the self-styled middle-class virtues of thrift, prudence and readiness to defer gratification. For one thing, the identification of Britain’s middle classes as a value system defined by these virtues had largely been a political and cultural construct in the first place. For another thing, the financialization of the world economy led the short-termism that governed capital markets to gradually spill over into social and cultural spheres. Britain’s experience of runaway inflation during the 1970s had heralded a cultural shift in attitudes towards the profit motive and made the New Right’s reading of industrial decline seem plausible and convincing. But the larger structural changes and the pragmatic policy design of the privatisations of state assets in the 1980s assured that more people indulged in stagging issues for short-term profits instead of becoming long-term investors in British business. In light of the wider context of this thesis, 1980s popular capitalism then seems less of a break with British stock market culture of the twentieth century and more a continuation of previous trends. Popular capitalism was certainly not the big revolution of the decade that Conservatives until very recently claimed it to be. \[^{181}\] But neither should it be viewed as the grandiose failure it is depicted as in the recent historiography. Instead, scrutinising the diverse changes in the

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[^181]: See for instance the speech of the then Prime Minister, David Cameron, at the Davos forum on 19 January 2012, in which he singled out popular capitalism as the single greatest achievement of the Thatcher period and a role model for the 21\(^{st}\) century. Full speech: [http://www.businesszone.co.uk/deep-dive/future/david-cameron-calls-for-popular-capitalism-the-full-speech](http://www.businesszone.co.uk/deep-dive/future/david-cameron-calls-for-popular-capitalism-the-full-speech), [1 August 2017].
investing public, allow us to better understand how a more self-referential, speculative and buccaneering type of financial capitalism gained a foothold in British society.
Conclusion

This thesis has provided a detailed exploration of Britain’s stock market culture from the interwar years to the 1980s. It has applied an integrated approach to popular forms of investment and speculation, using this to argue that the ramifications of mass engagement in the stock market across politics, the financial sector and the press were an essential aspect of twentieth-century British capitalism. In the following discussion I will synthesize the main arguments developed in the previous chapters and suggest directions for further research based on the findings of this thesis.

An exploration of interwar financial discourses has highlighted the fragile nature of the defining lines that contemporaries of numerous professional backgrounds sought to draw between the concepts of investment, speculation and gambling. While the discursive struggles over these boundaries remained a central theme throughout the thesis, the interwar period presented the opportunity of exploring the fringe activity and actors in the grey market for financial securities, which came to an abrupt halt as a result of watershed legislation in 1939. The inclusion of largely legitimate outside brokers and bucket shops into the investing public has allowed me to challenge some conclusions in the existing literature, which has focussed too narrowly on ‘official’ market activity. Evidently, the stock market had developed a mass appeal to small savers, investors, speculators and punters. Some of the more gullible among them fell prey to fraudulent ‘bucketeers’ or outright share-pushers. High finance representatives successfully muddled the distinction between criminal and legitimate operators in an attempt to eradicate competition from the latter. Scholars have uncritically taken over the rhetoric of the Stock Exchange and have therefore failed to understand the nuanced way in which the City’s conservatism shaped the Prevention of Fraud (Investments) Act of 1939 much to the detriment of the small investor.

The interwar chapter also highlighted the importance of the financial press as a pioneer of popular capitalism in Britain. While in the US, the New York Stock Exchange embarked on a large-scale public relations and marketing campaign, the London ‘House’ continued to ban advertising among its members until the late 1970s. Hence, in Britain journalists filled the gap between the City and the investing public by promoting a popular financial knowledge. Whether in broadsheet or tabloid formats, they sought to advertise the stock market to a wider audience, but also to educate investment newcomers about the risks involved. In a separate chapter, this thesis has built on a wide array of research on the financial press by examining
the relation between different journalistic practices and the multiple audiences catered for by various outlets. This approach has revealed that popular, mid-market and high-brow newspapers reflected not only the socioeconomic differences of their readers, but also the different moral connotations attached to investment and speculation. Furthermore, if we integrate the history of the financial press into the prehistory of Thatcherism, it becomes apparent that the market populism of City journalists did much to anticipate the Thatcherite language of profit, risk-taking and free-market capitalism. This also urges us to rethink intellectual histories of neoliberalism. If we evaluate what Peter Mandler would call the ‘throw’ of these financial journalists, they arguably played a more important role in the arrival of neoliberalism in Britain than the academics and political theorists, which scholars have identified as key actors in this transformation.¹

This thesis has sought to remedy the historiography’s neglect of private investment during the postwar period. Economic historians have been occupied with explaining the rapid institutionalisation of equity markets that gained traction during the 1950s. Further studies have contextualised the political attacks on organised finance from both Conservatives as well as Labour and the relatively high taxation of investment income, as a result of which Britain was deemed to have lagged behind the US in terms of shareholder growth. Consequently, scholars have downplayed the gradual expansion in private share ownership that took place during this period. What has gone even more unnoticed is the simultaneous waning of traditional reservations vis-à-vis investment and speculation. This occurred in the private as well the public sphere during the 1950s and 1960s and ran counter to the state-centred political economy of the postwar settlement. At the same time, however, traditional notions of share ownership – fashioned as ‘genuine investment’ – continued to hold sway among members of the investing public. I have furthermore sought to correct the prevailing image of the ordinary private investor as passive, risk-averse and primarily interested in long-term income for retirement planning. If we listen to what small investors had to say about their experiences in the stock market when given room to speak on their own terms, different stories emerge than those conveyed by contemporary surveys or speeches by politicians. It then becomes clear that investment was not only regarded as a ‘very serious business’. The ‘stock market game’ became a popular and socially acceptable hobby, because it promised similar thrills of risk and reward as gambling. To be sure, these two aspects could go hand in hand. A punter’s pension or life insurance would be linked to equity, further savings could be spread across unit trusts and blue

chip companies, while he or she still put aside a little extra money to ‘play the market’. In line with recent studies on the cultural and social ramifications of postwar affluence, this thesis suggests that the gradual relaxation of attitudes towards stock market investment during the 1950s and 1960s contributed to the emergence of economic individualism prior to the Thatcher years.

The Conservative governments of Margaret Thatcher and their politics of widening share ownership during the 1980s have been the subject of much recent scholarship. This thesis has sought to widen our contextual understanding of this flagship policy, by examining the conflicted relationship of previous postwar governments with popular capitalism. Although politicians who considered a wider spread in the ownership of equity capital as socially and economically desirable could be found across parties, policies in this direction were difficult to square with the priorities of the postwar mixed economy. The reluctance in this field, however, must be seen not only in the context of the paternalism of ministers and Whitehall mandarins, but the similarly patrician mind-set of financial elites in the City of London. On both sides, the experience of the 1929 stock market crash still loomed large and contributed to deep-seated reservations against ‘amateur’ involvement in the market. Placing the privatisation of state assets during the 1980s in this wider context has highlighted the contingency in the policymaking process and underscores the ‘twisted path’ towards Margaret Thatcher’s popular capitalism. In this regard, scholars have overlooked the extent of which the postwar wider share ownership movement was an ideological brainchild of contemporary declinism. Calls by the New Right for a wider involvement of people in the stock market were driven by concerns over Britain’s lack of investment and the alleged predominance of anti-capitalist values when compared against its European competitors.

By tracing these developments to the 1970s and 1980s, this thesis has identified a significant departure from previously held notions of ‘genuine investment’ towards a more speculative, self-referential and individualistic paradigm of investment. In the late 1970s, Margaret Thatcher’s market populism and moralising rhetoric of thrift, hard work and sound money appealed to savers and investors hit by inflation. But the powerful trend of financialization – abetted by the sweeping financial deregulations the Conservatives presided over in the following decade – meant that Thatcher’s appeal to Victorian values went largely unanswered. Instead, when the heavily advertised give-away flotations offered the British public a subsidized entry into the capitalist class, the majority ‘stagged’ the issues for quick profits rather than becoming enfranchised citizens of a nation of shareholders. The post-Big Bang City, the culture of self-enrichment and the stock market crash of 1987 reminded the investing public
that capitalism may rely on savings and deferred gratification, but was equally driven by emotional exuberance, ‘animal spirits’ and a certain gambling spirit.

Beyond the scope of this thesis, it would be worthwhile to explore how its argument of a paradigmatic shift in the second half of the twentieth century would hold up against a quantitative analysis of investment behaviour among the private individuals in question. Such an approach would inevitably require transdisciplinary research. In the case of the US, behavioural economists have identified speculative propensities such as ‘over-trading’ and ‘trend-chasing’ as highly common patterns among small investors.\(^2\) In the vein of the methodological argument of this thesis, such an approach would have to widen its scope beyond individual holders of ordinary shares. It would have to take into account the growing market of spread betting – the modern, more regulated equivalent to the bucket shop – and dealings in unlisted, but highly speculative penny stocks, a pastime that was popularised during the late 1980s.\(^3\) Furthermore, such an endeavour would have to systematically explore the overlaps as well as the fluctuations between the gambling and the investing public in a way that would go beyond the scope of this thesis. Although we should not make simplistic connections between modern-day trading behaviour and the historical setting examined here, there is suggestive evidence that the two spheres were closely linked to each other. In Taiwan, for instance, individual investors account for 90 per cent of Stock Exchange transactions and gambling was strictly prohibited until 2002. Economists found that when a state lottery was introduced in April that year, trading activity dropped by 25 per cent, a phenomenon they put down to the fact that “trading is entertainment and appeals to people who enjoy sensation seeking activities such as gambling”.\(^4\)

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More broadly, further research could examine to what extent attitudinal shifts in the stock market correlated with changes in Britons’ spending and saving behaviour. The sociologist Colin Crouch has characterised the collapse of the social democratic postwar settlements across Western political economies as the emergence of a ‘privatised Keynesianism’. In this regime, consumers took on the state’s role of stimulating demand via private household debt, which was increasingly securitised and traded on highly volatile derivative markets. This suggests that the growing dominance of short-termism and instant gratification over deferred gratification and long-term prudence that characterized consumer behaviour in the previous thirty years, was inextricably linked to and in fact driven by similar developments in the financial sector. The financial crash of 2007/08 painfully laid bare the consequences of this transformation and prompted declinist commentators of the 1980s to call for a “return to the Protestant ethic”. A historical understanding of these interdependencies would require reliable quantitative data, close analysis of the institutional framework as well as studies of individual and collective actors. But again, the consumers, savers and investors would have to be part of the story and top-down approaches complemented by micro studies and qualitative research ‘from below’.

In the past decade, scholars have rightfully put more focus on the global dimension of capitalism and its history. Although this thesis applies a national analytical framework, it has sought to flesh out certain peculiarities of Britain’s financial infrastructure and stock market culture by contrasting them with developments in the United States and Continental Europe. There seems to be scope for exploring further the transnational ties between financial elites as well as the mutual perceptions and misperceptions of observers across the Atlantic. The vibrant investment culture of the US and its positive attitude towards risk-taking, which seemed to be enshrined in the nation’s frontier spirit, frequently served as a point of reference, if not a role model in British debates. In Europe, France – much more than Germany – can look back at a long tradition of popular engagement in the bourse, which would lend itself to a comparative or transnational study.

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But research of this kind would not have to be confined to an Anglo-Saxon or Western framework. Again, the more recent emergence of highly active retail stock markets in the Far East may offer some valuable insights. In July 2015, for instance, an enormous stock market bubble burst in China and a retrospective comparison with Britain can serve to underscore some of the findings of this thesis. By the time the bubble burst, 91 million Chinese small investors were playing the markets – often with significant leverage – and between March and June alone, 38 million punters had opened an account with local retail brokers. Like the Thatcher governments in the 1980s, the Communist Party had heavily subsidized this people’s capitalism – not by publicly floating state assets, but by lowering interest rates three times in a row and publicly condemning any talk of a bubble. In reference to popular Western speculative outbursts, the People’s Daily, China’s second-largest state-owned newspaper, asked: “What’s a bubble? Tulips and Bitcoins are bubbles”. It is a common pattern that “emerging economies experience hot and speculative stock markets as they develop”. In a similar fashion, Britain’s rise to a global economic power went along with a series of speculative manias, ranging from the early modern South Sea Bubble over several railway frenzies in the nineteenth century to the Great Crash of 1929. While these collective experiences shaped the horizons of decision makers and market participants in Britain, China’s stock market culture was lacking any equivalent experience. Even more, it lacks a free press, which may have served as a corrective in the way that Britain’s financial journalists mediated between the investing public, the financial sector and politics. As much as the occasional flutter in stocks and shares became legitimate over time, two centuries of experience with speculative outbursts may have inoculated Britain’s small investors and speculators against utopian expectations. This further suggests that the popular financial knowledge, which circulated across Britain in the media and investment guides, had a significant ‘throw’. When the Chinese bubble burst, commentators, as so often, employed gambling analogies to make sense of the crash and referred to the stock exchanges of Beijing and Shanghai as “crazy casinos”. In this thesis, the affinity between gambling and stock market activity accounted not only for moments of crisis. Instead it became apparent that this affinity structured the participation of ordinary people in financial markets and the daily routine of twentieth-century Britain capitalism in a way that has not been

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11 ‘The gambling culture that is fuelling China’s hot market’, The Financial Times, 6 June 2007.

acknowledged before. More than any other persona of contemporary history, Margaret Thatcher sought to uphold the nineteenth-century veneer of capitalist sobriety, while at the same time enhancing the free development of the stock market game.
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