A Victorian Financial Crisis: The Scandalous Implications of the Case of Overend Gurney

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Introduction

Underpinning the Industrial Revolution was the ease by which limited liability companies could be established from 1855 onward, something which both fascinated and alarmed the Victorians, as a variety of contemporary print conversations demonstrate. This development facilitated not only a “new breed” of entrepreneur but also a “new breed” of “pure” investor. The rise in popularity of limited liability companies was accompanied by increasing, publicly expressed skepticism by investors about the claims made by their promoters about the future profitability of these companies and the returns to be made. The bubble burst on “Black Friday,” 14 May 1866 when the highly reputable bill-broking company of Overend Gurney Ltd. collapsed among claims of fraud against its promoters and directors. The press gave this much attention, as it had done for financial scandals in the previous decade. The resulting newspaper conversations helped to create an atmosphere of panic and moral outrage surrounding the financial sector, rooted in the feeling of insecurity that the collapse of Overend Gurney engendered. As a result limited liability suddenly became unpopular.

Ironically the impact of this conversation lasted much longer than either the initial enthusiasm or the immediate panic, and only finally abated at a point well into the following century, when investors had been given more protection in law and companies were forced to provide necessary financial information. This chapter examines the nature of and circumstances surrounding the first financial “Black Friday” crisis, thereby also touching on the implications for the working of similar mechanisms today, notably the mechanized stock
markets and our own “information technology revolution,” the internet and the rise (and fall?) of e-commerce and cybercrime.

The Role and Importance of Limited Liability

An important aspect of the Victorian financial landscape, lasting into the twentieth century, was the creation of the limited liability company, enabling entrepreneurs to set up large businesses by means of finance from investors with little involvement in their business. This made the creation of much larger businesses much easier; it also enabled them to limit their losses to the amount of capital invested (as opposed to an ordinary business or partnership in which the proprietor or partner was personally liable for his/her business debts, and could be taken to the Bankruptcy Court in pursuit of a debt). In fact, limited liability came relatively late in the Industrial Revolution. Despite this, capital had been raised and, overall, industrial production was not hindered by its absence. Individual ownership and partnerships financed by their own savings were the framework within which most businesses, certainly manufacturing, raised the finance that they required:

By the time the acts of 1855 and 1862 gave the company law its present form, a single national market for long-term investment was functioning almost as smoothly as that for short-term loans. . . . A social base to the capital market of the mid-century was provided by the new class of “pure” investors, the people who had learned to put their money into profitable use, and to decide that use by the sole criterion of interest and whose expectations of income were very largely a matter of yields and quotations. It is their activities that imparted to the behaviour of capital all its characteristics of a perfect capitalist factor of production.²

In other words, the capital market was remarkably efficient and well developed, providing a mechanism to limit the risks of investment.³

The delay in the development of companies with freely transferable shares was caused by the Bubble Act 1720, a criminal statute which had been passed as a result of the South Sea Bubble scandal, aimed at preventing just this kind of transaction. After its repeal and the passing of the 1855 and 1856 Companies Acts, allowing entrepreneurs freely to set up limited liability companies, the benefits were quickly recognized. New businesses were formed; existing ones converted and expanded as a result of offerings of shares to the public, such as the Vale of Belvoir and Newark Plaster, Cement and Mineral Co. Ltd.⁴
Effectively, general limited liability started under the 1856 Act. The initial impact was slight, but rapidly began to increase. Between 1856 and 1862 nearly 2,500 companies were registered and 3,500 more between 1863 and 1866 (of which 900 offered shares to the general public). By 1865, *The Times* was sufficiently impressed to exclaim that “the whole country, if not the world, was growing every day into ‘one vast mass of impersonalities.’” Crucial to the development was that it was led by the promotion of limited liability banks and finance companies in which Parisian fashions in finance blossomed. As *The Times* remarked:

There arose a new institution . . . the Finance Company, or Discount Company, or General Trading Company, or simple Bank, emerging from the straight-laced chrysalis into the gaudy and volatile butterfly, in the form of a Company (limited, and for the express purpose of sharing the profits of trade, [combined] in one the Bank, the discounter, the railway, the iron master, the merchant, the stock-jobber, and that specious form of limited liability which induces the hope of profits on a very large sum with the risk of a very small one.6

However, as with most innovations, there are risks and problems as people learn to understand them. Limited liability was potentially a device by which honest businessmen and financiers could be exploited and defrauded without the necessary protection. This was what happened in England. It was introduced and, quite innocently immediately, its benefits were trumpeted in the press, but without the implications being fully addressed or the necessary protective controls put in place. Quite naturally a disaster soon occurred: the Overend and Gurney scandal. As a result, what was seen to be a very good idea was then seen to be a very bad one in a public perspective, with the press taking a leading role in explaining its failings to its readership, as it had initially taken a leading role in publicizing it. It was only gradually, with the introduction of the necessary safety precautions (company law and regulations) that its popularity recovered so that a century later, it had become the main form of business organization.

It is necessary to distinguish “limited liability companies” and “joint-stock companies.” The former relates to a firm’s legal status, that is, incorporated under the relevant Companies Acts: the latter refers to a firm based on accumulated capital fund whose membership took the form of a freely transferable share. In other words, the former term refers to legal form whereas the latter refers to economic form. At the time of the first major Companies Act in 1844, there were few companies; most joint stock companies were unincorporated, legally partnerships, and so subject to partnership law. Entitled
“An Act for the Registration of Joint Stock Companies,” the 1844 Act was directed at unincorporated joint stock companies which were often fraudulently exploited, so creating considerable legal problems. It forced all associations with transferable shares and all associations of twenty-five or more persons, whether or not their shares were transferable, to incorporate. A further Act in 1855 extended the facility to all partnerships of twenty-five or more members to convert to companies with limited liability status.

Within a year, the Joint Stock Companies Act 1856 had increased the availability of limited liability to ordinary and small businesses enormously. It not only dispensed with the minimum capital requirements but enabled also associations of merely seven persons to incorporate. Apparently (ironically) it was not intended by its Parliamentary proponents to facilitate small businesses incorporating. For example, in his guide to the Act, its original legislative draftsman, Henry Thring, expressed regret at the failure to pass Partnership Amendment Bills because of the “gap” it left in the law, by preventing the ordinary trader from benefiting from funds provided by capitalists as a result of limited liability compared with larger firms which could incorporate. Nevertheless, some opposed the development and pointed to the potential abuse by fraudsters and the usage by small businesses in which an individual merely had to give a single share to six others. Its broad application was recognized by many outside Parliament. Barrister Edward Cox was highly critical, commenting that the improvements to the law were “at the price of enormous evils” in which limited liability, “immoral in itself,” permitted a trader to speculate for unlimited gain without being liable for more than a small and definite loss.

This chapter first depicts events leading up to the creation of Overend Gurney Ltd. and its subsequent crash, along with the immediate effects. Second, the implications of the crash for the future of limited liability as a business form are discussed through a focus on the contemporary print conversation over the affair. Finally, the rise and fall of Overend Gurney and the longer-term implications are briefly discussed, and parallels drawn with the information technology revolution and the internet, with implications for the growth of e-business and cybercrime.

The Rise and Fall of Overend Gurney and Co. Ltd.

The old and highly reputable private bill-broking firm Overend and Gurney fell on bad times during the 1850s. In an attempt to resolve their problems, it was decided in July 1865 to float off the firm as a limited company and sell the shares to the public by way of a prospectus. Because of its reputation, the invitation was fully subscribed and raised £1,500,000 as new capital.
was described by The Bankers Magazine at the time as “the greatest triumph which limited liability has yet achieved,” being not only “an additional illustration of the soundness of the new principle” but also a mark of “the confidence with which it may be regarded by every class of investors.”

The Economist was suspicious, recognizing the difference between good bills of exchange and bad. It offered a guarded welcome to the change as it would compel the house to publish accounts, distinguishing between its legitimate bill-dealing business and its “other” business, as it was “a matter of public notoriety” that for some time the house had been involved in “business not at all in general of an illegitimate or unprofitable character, but still of a sort different from those conducted by bill brokers ‘pure and simple.’”

King has described the public reaction:

It was announced that Overend Gurney and Co whose name had long been uttered “with that curious solemnity, almost under, almost under the breath”; which in the minds of old men was the “best that could be thought of”; that this great house was to be transformed into “the worst they could think of” — a limited company. Surprise, however, quickly gave place to satisfaction, and a sort of wonder that a benevolent deity should have decreed that even the humblest might share in the great riches and power of so mighty an institution.

However, the prospectus failed to disclose bad debts and the fact that the old firm was insolvent. All that was revealed was that the new company would take over Gurney’s business for £500,000; half would be paid in cash, the other half in shares, “the vendors guaranteeing the company against any loss on the assets and liabilities transferred.” Three of the nine owners of the old business (J. H. Gurney, H. E. Gurney, and R. Birkbeck) would retain “a large pecuniary interest” and join the Board of Directors, the others being all famous bankers. Managing Directors would be H. E. Gurney and R. Birkbeck. The capital of the new company was to be 100,000 £50 shares, of which £15 was to be paid. No details were given of past profits or even the value of the assets and liabilities to be transferred.

By October 1865 shares had almost doubled in price, despite problems in the foreign exchange market and huge increases in the Bank rate (from 3 to 7 percent) to try and correct it. A number of crashes, unrelated to Overend Gurney, then occurred which eventually brought it down. The first were a firm of railway contractors, Watson, Overend and Co. and the Contract Corporation, with which it was closely tied, followed by Joint Stock Discount, a discount house which supported them. These events forced the bank rate even higher, to 8 percent, causing grave concern in the securities and money
markets. Many “bubble” companies collapsed. Overend Gurney was particularly affected by these events, not least by the similarity of its name with Watson Overend. This was a coincidence. It was able to meet the large amount of withdrawals during the early months of 1866.

However, the collapse of Pinto, Perez and Co., a firm of Spanish merchants it was known to be heavily supporting, put on huge pressure. An active bear market, a fall in all finance companies’ shares, and the short selling of its shares, brought them to a heavy discount and led to a huge run by depositors.\(^\text{14}\) The final straw occurred on 9 May 1866, when the value of its holdings of railway company shares was wrecked by a widely reported court ruling.\(^\text{15}\) It was forced to apply to the Bank of England for support. The Bank could not assist and the crash came the following day.\(^\text{16}\) The Bankers’ Magazine described the panic which ensued:

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\text{[It was like] the shock of an earthquake. It is impossible to describe the terror and anxiety which took possession of men’s minds for the remainder of that and the succeeding day. No man felt safe. A run immediately commenced upon all the banks, the magnitude of which can hardly be conceived.}_17
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\emph{The Times} continued: “about mid-day the tumult became a rout. The doors of the most respectable Banking Houses were besieged and throngs heaving and tumbling about Lombard Street made that narrow thoroughfare impassable.”\(^\text{18}\)

The Bank of England acted to stem the panic by first raising the bank rate to 9 percent and then to 10 percent. Although this worked in the short term, there were more failures. In the next few weeks, ten banks suspended payment, only three of which ever resumed business. The rapid rise in the bank rate caused not only losses on the discount business but fresh failures of firms in Overend Gurney’s other business. The vendors were called upon under their guarantee to the limited company, forcing them to sell their own properties, which attracted public attention. Overend Gurney was paid £650,000 during the first few months of its existence. By August 1866, it was established that creditors amounting to £5,228,000 would rank for a first dividend but only £660,000 was available. It was decided to make a call of £10 per share as only £15 had been paid on the £50 shares at the time of their allotment. Shareholders objected, a Defence Association formed, and a legal battle commenced, all this well reported by the Victorian press. Shareholders argued that the Board had acted fraudulently, misleading investors by not informing them of its insolvency. Their case was that there were two deeds to the transfer of business. The first, available for inspection, made no mention of these facts. The second, revealing the insolvency, was secret.
In court, the judge commented that, while the directors could not “on principles of morality and justice” justify the concealment, acknowledging that “if the public by this prospectus had been told what those issued it knew, no one share would have been taken,” nevertheless he held that there had been no misstatement of fact and no intention to defraud. Hence, shareholders could be released from claims by the directors, but not from claims by the public. This ruling was upheld by the Lord Chancellor and shareholders had no alternative but to pay the call. The delay had the effect of increasing the losses. It had forced the liquidators to sell assets during unfavorable market conditions and made the creditors restless. When a second call of £10 (secured by a creditors’ application to the Court) proved insufficient to meet immediate claims, the threat of enforcing the full £15 outstanding on the shares forced the issue of interest-bearing certificates of indebtedness. These were eventually discharged in the autumn of 1869, after a further call of £5, making £40 paid on the shares. As a result, creditors received twenty shillings in the pound on their debts plus interest, bringing the total loss to shareholders, including the original share capital, to over £3.5m despite the sale of the Gurney family estates and properties.

On 13 December 1869 began the nine-day trial of the former Gurney directors, charged with wilful conspiracy to defraud. The judge’s summing up was wholly favorable to the defendants and a verdict of “not guilty” reached in less than ten minutes. The reasons for the failure were shown as a massive accumulation of bad business over many years together with fraud by one of its directors. The beginnings went back to 1853 and a foolish decision by senior partner David Chapman. Discovering fraudulent pledges against advances which the firm had made, instead of taking proceedings against the offenders Chapman had decided to ask for new security. Eventual uncovering of the frauds brought widespread prejudice both against him and the firm. He had left, and neither of his successors was the soundest of bankers. Other associates brought more bad business and, as a result, the firm had become partners in various speculative businesses, most of which had had no prospect of success. Friends of Chapman and Edwards had been appointed to well-paid positions in these speculations, and an important aspect of these appointments had been the commission that had been paid to Edwards (both from the borrowers and from Gurneys) in addition to his salary. Chapman had probably been unaware of some of these transactions, but it was argued that the “double commissions” to Edwards were the principal reason for the huge losses leading to the collapse.

By 1861, despite sound and profitable dealing in its discounting business, Gurneys had been hard pressed for funds and had had to resort to extensive accommodation finance. Assets had been mortgaged to London banks to
obtain this. In 1864 Edward’s responsibility for the losses and “double commissions” had been discovered and he had been dismissed. In 1865 the partners had called a meeting and discussed reorganization schemes; including for example, the introduction of new capital from friends and the admission of new partners. All were refused. There was only one alternative to liquidation: the formation of a company.

The Immediate Effects of the Crash

Fortunately, belying the surrounding press publicity, the crisis remained mainly financial in character.\(^{21}\) It caused enormous discredit to the security markets and limited companies, but financial failures were surprisingly few. The bank rate remained at 10 percent for the next three months. It was then followed by “a period of prolonged quietude and ‘sobering discipline’ that took the Bank rate down to 2 percent by 25 July 1867, at which level it remained for nearly sixteen months.”\(^{22}\) In this, the failure of Overend Gurney was unlike most bank crashes (for instance, the City of Glasgow Bank in 1878).\(^{23}\) These, past and present, have huge economic and social effects, beginning with depositors and customers of the bank and extending out into the local business community and beyond, creating further panic and business failures in their path. There was no such socioeconomic impact, as, quite surprisingly, the creditors were paid in full, plus interest where appropriate.

Ironically, the danger of trading with a limited company (or depositing with, if a financial institution) is the limited liability of its main providers of capital, its shareholders. It was this which, in 1866, caused the panic associated with the failure. Because of the issue of shares on which there were huge outstanding calls, Gurney’s creditors could be paid off by making these calls. In these early limited liability companies, there was effectively no limited liability provided to shareholders. Although the convention must have been established because of prudence and a provision for unforeseen disasters, its implications could not have been recognized, since this was the first major case in which potentially unlimited calls had to be made. The possibility of this occurring again immediately made shares unmarketable. Contemporaries estimated that between £20m and £30m invested in shares was “in a state of suspended animation” because those with a large amount unpaid could not be sold.\(^{24}\) Shareholders would not knowingly have agreed to the possibility of large calls simply to help creditors. The understanding about this potential for huge unpaid calls had been that it was simply a theoretical scenario which would not be invoked.
The failure of Overend Gurney raised wide ranging questions about that new type of company which had been quick to take advantage of limited liability, the “finance” company, questions which fuelled a lively public debate through the media. As one widely read Victorian periodical put it,

*It was an evil day for this country when the word “finance” and the undertakings known as “Finance Companies” became known in this country . . . almost invariably those investments of which the public understood least that were most sought after, namely, the shares of the finance companies.*

The panic did not spread further because fortunately, “the belief in their stability has been confined mostly to City men, who ought to have known better, and has hardly been shared in at all by country gentlemen, or by that numerous body of the middle classes who have a fixed but small income to live upon.”

Lord Redesdale, in an extensively reported speech to the House of Lords on 14 May 1866, echoed this anonymous author as he described a number of reckless transactions.

One of these had involved establishment of a contracting company to construct a railway for £300,000. The proposed capital was to have been £300,000 of which £29,000 was subscribed (the balance liable to be paid by shareholders on call by the directors). Soon afterward the directors raised a further £960,000 to finance the project by means of issuing preference shares and loan stock. *Temple Bar* commented,

*The question will naturally arise, first as to what became of the balance of the money raised, and secondly, how will the subscribers to the original £29,000 feel at being thus swamped by the increased capital? Were these gentlemen consenting parties to the drowning of their own property, or had the directors the power to make ducks and drakes of their money?*

# The Longer-Term Effects on Limited Liability

The crash and subsequent disclosures of promotional fraud and financial irregularities among limited companies significantly reduced the rate of company formation. There were only 799 formations between 1867 and 1869, for “Limited liability suddenly became extremely unpopular; it had ‘palpably and plainly intensified a panic,’” stimulating a “universal outcry against all joint-stock companies.” Yet the increase in company enterprise after 1856 and the rising trade prosperity until the 1860s must not be attributed wholly to the
introduction of limited liability. Although an incentive to increased enterprise, economic optimism would itself be an incentive to company formation. Indeed economic historians look on the development as largely unfavorable.30 Yet when a Parliamentary Committee of Inquiry was set up, many witnesses believed that the effects of the Limited Liability Acts were almost wholly good; so immediate efforts were made to repair those aspects which were responsible for the current problems.31 Unsuccessful companies may be divided up between the purely speculative, the badly managed, and those which were purely or largely fraudulent. The latter may be separated between fraudulent formations and liquidations (or, of course, the two combined) and fraud during the actual operation of the company. An immediate effect of the freedom to form limited liability was the creation of companies that were never intended to come into existence but through which their promoters could make money selling their shares.32 The defrauding of creditors by the establishment of companies with a very small amount of capital was also common.33 Both types increased enormously after the passing of the 1862 Act.

Probably the single largest reason for the Overend Gurney “fraud” was the misleading prospectus. In 1865 this was common, prospectuses regularly “consisting of ‘hypothetical’ future profits” as, from 1847 to 1867, they were not subject to statutory controls.34 The Joint Stock Act 1844 did require registration of prospectus, advertisements, and so forth, relating to the formation of a company; but, because it was “found to be very burdensome to the promoters of such companies,” the requirement was repealed three years later. The Select Committee on the Limited Liability Acts examined the regulation of the prospectus, identifying two problems from testimonies before it: an inconsistency of material facts between a prospectus and a company’s memorandum of association; and undisclosed contracts between a company and its promoters, effectively diverting funds raised by the share issue. Although the latter was at the heart of the Gurney “fraud,” the committee made no recommendations. The final report hardly mentioned the prospectus.35 However, Parliament did act, hastily drafting an amendment to the Companies Act 1867 requiring prospectuses to list all contracts made prior to its issue, together with names of the relevant parties and dates. There was considerable confusion over what constituted a contract and some promoters evaded the new requirement by means of a waiver clause.36 The Act also made provision for companies to have the option of unlimited liability for their directors. However, this had little effect as it was they who decided a company’s constitution!

The Committee considered how to eradicate other types of fraud. Various remedies were suggested by witnesses; in particular, increasing the liability of directors and increasing the amount of publicly available information.
provisions of the 1856 Act, under which it was unnecessary to file annual accounts with the Registrar of Joint Stock Companies, were considered to be inadequate. Amending the 1867 Act allowed companies to reduce their nominal capital, thereby eliminating the threat of unmade calls. Unfortunately, the law requiring the publication of accounts and the required contents was not radically changed. Not until the Companies Act 1907 were disclosure requirements introduced.37

However, the problem of fraud largely cured itself within the next ten to fifteen years, when limited liability became effective (i.e., when the practice of leaving a large proportion of the nominal share capital uncalled ceased) and a higher level of commercial morality and a better quality of entrepreneur emerged.38 The unlimited liability of a partner (partnerships were far the most common legal form of business entity) had always been a threat. There was a desire to eliminate this and create a fairer constituted business entity. It was probably the economic difficulties of the so-called Great Depression of 1873–96 that provided a change of attitude toward, and an increased incentive for, limited liability and its eventual acceptance.39

The Historical Perspective of the Crash

Clearly, the events surrounding the collapse of Overend Gurney may be seen to be a classic illustration of what is often described in print conversations as the bursting of a “speculative bubble,” a phenomenon first publicized in 1852.40 The theory has since been refined and developed, Minsky’s “Financial Instability Hypothesis” being one of the more recent formulations.41 This theory goes further than the simple irrationality of financial markets to whole economies and economic sectors.42 Kindleberger has documented these crises globally, to argue that they occur about once every ten years.43 They essentially take the following form: boom (probably fed by bank credit); overestimation of expected returns; euphoria and bandwagon effect; profit taking and the recognition that previous expectations were unjustified.44 Finally, as price falls occur, panic sets in (again, the irrational herding instinct), revulsion and overall discrediting of the item, the subject of the boom in the first place. There are certain necessary conditions. The object (say, a tulip bulb) must be capable of making money (or thought to be), and visible on a sufficiently large scale to attract popular attention. It should be available to everyone or almost everyone.45 The proponents of the theory identify fraud, swindles and other forms of dishonesty as being an important component. “In a boom, fortunes are made, individuals wax greedy, and swindlers come forward to exploit that
It is not surprising that the most common items subject to manias and panics have been stocks, financial schemes and property, and that (given the easily induced sense of economic vulnerability at times of such crises) it should give rise to associated expressions of moral outrage.

The 1988–92 UK property boom-crash is a good recent example. People tried to borrow by way of mortgage as much as they could possibly obtain. How much they could borrow determined how much profit they could make. Many attempted to falsify details in their mortgage applications as banks and building societies (savings and loan associations) were swamped and often did not bother to check applications. It was estimated that four out of five mortgage applications were fraudulent in some way. Nor were just ordinary people involved. Estate agents, and other professionals involved in housing transactions were also involved in larger, more complex mortgage frauds. The full “horrors” of this crisis, as with the Overend Gurney affair, were revealed to the public through the medium of the press, which readily acted as a channel for competing rhetorics of moral outrage, from professionals and experts to those from “ordinary” people fearing they were affected. This forms the heart of the “conversations” surrounding such crises, and sustains the panic and moral outrage associated with it.

Fraud also occurs during the final stage of the cycle, adding to the sense of popular outrage and betrayal. Kindleberger commented: “sheep to be shorn abound, and need only the emergence of effective swindlers to offer themselves as sacrifices.” When corporations or individuals find themselves financially overstretched, they need to conceal the problem and fulfill expectations. For instance the late 1980s UK boom was followed by a recession in which companies tried to maintain their impression of growth and cover up losses by means of creative accounting and financial statement fraud. In Britain, Robert Maxwell’s failure was the classic case; in the United States, developments surrounding Enron seem likely to encapsulate the typical case. The looting of a company’s funds by its top executives and main shareholders when they realize its “time is up” is, of course, a rational act, and therefore expected to occur. It also, equally rationally, arouses great rage among many observers when informed of the details via media presentations.

In Kindleberger’s terms, the Overend Gurney crisis related to general limited liability. Its speculative peak occurred in July 1865 and the crisis in May 1866. Although it was not the first relating to securities, it affected the way in which businesses did business because of the way in which they were constituted, how they were viewed by a wider populace, and how the affair was reported. Since the 1860s the way in which business has been transacted has largely remained the same since that time, or at least until the 1990s and the beginnings of the information technology revolution. The latest product of
this is the internet, which has profoundly affected how we communicate and do business. What is currently known as e-business is thought to become the norm for normal business in the foreseeable future.

The parallels between the Overend Gurney scandal and the development of the internet, e-business, and the rise and fall of dot-com stocks are obvious. About two years ago, business commentators in the developed world were openly wondering whether high-tech stocks were overvalued. The following comment is typical: “I know that the bubble in IT company stocks will burst. I just don’t know when.” Of course, it did, little more than days after this outburst from Hamish MacRae. Many dot-coms and high-tech stocks collapsed, others shrank enormously both in size and stock market value. Almost overnight, Silicon Valley in Northern California changed to an economically depressed region with high unemployment, rapidly falling property prices, and increasing negative equity. Its history parallels that of the Gold Country, which led to one of the greatest population movements in world history, but now mainly comprises “ghost towns” relying on the new industry of tourism.49

E-business has been remarkably slow to take off. Over three-quarters of businesses still either conduct no e-business or it accounts for less than 5 percent of their total. The reason, according to them, is fear that the internet is an unsafe medium.50 For Victorians, it took twenty years before capital raised through company promotion again reached the level of the mid-1860s, much longer than the period of the original boom.51 How long will it take for the internet to be seen to be safe and used for business as it could? As in the Victorian period, the media is likely to ensure that the original panic will remain part of the public consciousness by regularly reminding consumers of it, whenever an echo can be identified.

Notes
1. Novels also drew from discussions in contemporary newspapers. See Mrs. Henry Wood, Oswald Cray (London: Richard Bentley, 1871).
3. Ibid.
5. The Times, 19 May 1865.
6. The Times, 14 May 1866.
9. Ibid.
12. The Economist, 1865 845–46.
14. “Short selling” is the selling of a company’s shares and buying them later in that account and enables a dealer to make a profit in a bear market.
15. The Times, 10 May 1866.
16. H. A. Shannon, “The Limited Companies of 1866–1883,” Economic History Review 4 (1933): 290–316, wittily refers to it as “that Black Friday when strong men were paralyzed and rich men fancied they were poor in an hour.”
17. The Bankers’ Magazine, 1866, 639.
18. The Times, 12 May 1866.
20. See Stephanos Xenos, Depredations; or, Overend Gurney & Co., and the Greek & Oriental Steam Navigation Company (London, 1869). The author was one of Overend Gurney’s largest creditors.
21. See, for example, Pall Mall Gazette, 22 December 1868.
22. King, London Discount Market, 244.
26. Ibid.
27. For example, The Times, 15 May 1866, 8.
32. Many companies were deliberately set up so that after a short fictitious existence they could be wound up, the “birth and burial expenses” going to their promoters and professional allies. See Wood, Oswald Cray.
33. Todd, “Joint Stock Companies.”


37. The accounting and auditing provisions introduced by the Joint Stock Companies Act 1844 were extended in 1856 but relegated to an optional appendix and later reproduced as Table A to the 1862 consolidating act. The effect was that no legal requirement existed for the remainder of the century to provide accounts, either for shareholders or public inspection, although many companies used Table A, thereby imposing directors to provide shareholders with them. See L. W. Hein, *The British Companies Acts and the Practice of Accountancy, 1844–1962* (New York: Arno Press, 1978).

38. Ibid. However, although the occurrence of frauds clearly did fall during this period, Todd does not justify these assertions.


42. Ibid.


