A 'Quaker Confederation'? The great Liverpool cotton speculation of 1825 reconsidered

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Awake to competition, and alive to any game,
From Manchester and Liverpool the speculators came;
They calculated nicely every chance of loss or gain;
Some stak'd their cash on cotton, some preferr'd the sugar-cane.[1]

In the late eighteenth and early nineteenth centuries as the Lancashire cotton industry expanded, Liverpool became the most important British port for the importation of raw cotton. As a result of this, the port became the key market in which merchants sold their cotton shipments and spinners purchased new supplies of the raw material. The Liverpool market became the scene of several dramatic cotton speculations in the nineteenth century which drew national attention; one of the earliest and most renowned was the great cotton speculation of 1825. This article will look afresh at the events of 1825 in Liverpool in order to investigate a number of questions. First, to establish exactly what happened in 1825. Second to investigate who took part in the speculation and how organised it was. Third, to explain why the speculation took place in this particular year and lastly to assess how damaging the speculation may have been to the cotton industry and the trade as a whole. To answer these questions a variety of sources have been employed, including contemporary trade statistics; cotton brokers' reports; merchants' and brokers' business papers; and the memoirs of Vincent Nolte, one of the speculators of 1825.

[1] R. E. Egerton-Warburton, 'The Cheshire Jumpers', in *Hunting songs* (London, 1877).

Liverpool was a leading British port by 1825. The port's early growth had been based upon trade with Ireland and mainland Europe. From the late seventeenth century and particularly in the eighteenth century Liverpool's commerce expanded greatly, with a particular emphasis upon trans-Atlantic trade with the West Indies and North America. In the eighteenth century Liverpool also acquired the dubious honour of becoming the most important British port in the slave trade, transporting slaves from Africa for sale in the new world. By 1825, the slave trade was firmly abolished, but trans-Atlantic trade remained the cornerstone of Liverpool's prosperity. Liverpool's merchants exported manufactured goods, such as hardware or textiles, from nearby industries, or brought to the port by the network of improved rivers and canals which had spread during the eighteenth and early nineteenth centuries. Liverpool imported a range of commodities from across the Atlantic, including sugar, rum and tobacco. Small amounts of raw cotton had begun to find their way into the port from the West Indies in the early eighteenth century. This was supplemented by some re-exports of cotton from mainland Europe and towards the end of the eighteenth century by an important expansion of cotton growing in Brazil. Liverpool remained shut out of trade with India (another source of cotton) until 1813 when rules governing the monopoly of the East India Company were modified. However, from the end of the eighteenth century, Liverpool's importation of raw cotton increased rapidly as the Lancashire spinning industry developed and the states of the American south enormously expanded their cotton production.[2]

By 1825 Liverpool was firmly established as the leading British port for the importation and marketing of raw cotton, with the vast majority of the supply coming from the United States. As D. M. Williams established over thirty years ago, by the 1820s many of Liverpool's largest and most well-known merchants and merchanting houses actually drew the majority of their income from cotton importing, including Rathbone & Co., W. & J. Brown & Co., Cropper & Co., Bolton & Ogden and T. & W. Earle to name but a few.[3] These cotton importing merchants rarely sold their cotton

[2] F. E. Hyde, *Liverpool and the Mersey: An economic history of a port, 1700–1970*, (Newton Abbot, 1971), pp. 25–42.

[3] D. M. Williams, 'Liverpool merchants and the cotton trade: 1820–1850', in J. R. Harris, ed., *Liverpool and Merseyside: Essays in the economic and social history of the port and its hinterland*, (London, 1969), pp. 182–211.

directly to spinners. Initially, cotton dealers based in and around the emerging spinning districts had travelled to the port to buy supplies which they would resell to spinners. However, in the early decades of the nineteenth century this pattern changed in favour of one dominated by specialist Liverpool brokers, acting on a commission basis, buying cotton for spinners and selling it for merchants. In time the Liverpool cotton brokers became the most powerful figures in the market, devising the trading rules, arbitrating in disputes and collating marketing statistics through their organisation, the Liverpool Cotton Brokers Association (superseded in 1882 by the Liverpool Cotton Association).[4]

Speculation in cotton was not something specific to the Liverpool market, nor indeed just the nineteenth century—speculation in cotton took place wherever it was marketed, be it New York, New Orleans, London or Liverpool. In the early years of the nineteenth century a pamphlet was penned by one John Slack in which he detailed speculations in cotton in the late eighteenth and early nineteenth centuries (Slack had been employed by raw cotton dealers in Manchester). His work narrates the manner in which speculation took place in London, Manchester and Liverpool in both the eighteenth and early nineteenth centuries as a result of wartime shortages, increasing demand from spinners for the raw material, fear of short supplies, the activities of organised rings of speculators, or varied combinations of these different factors.[5] Other sources bear similar witness to the existence of speculation in cotton during this early period both within and without Liverpool—before the northern port became Britain's main cotton market. For instance, in the accounts of the Liverpool merchant John Tarleton we find an early entry from 1762 which reads: 'Cotton Bou[gh]t. on Speculation [£]170–2–6'.[6] Later, in 1786 and 1787, a correspondent of the spinner Samuel Oldknow wrote to him concerning a large cotton speculation then taking place in London.[7]

As the cotton market became centred upon Liverpool in the early

[4] N. Hall, 'The emergence of the Liverpool raw cotton market, 1800–1850', *Northern History*, 37 (2001), pp. 65–82.

[5] John Slack, *Remarks on cotton*, (Liverpool, 1816?), Liverpool Record Office, (Liv. RO) H338.476771 SLA.

[6] John Tarleton, accounts, 1762: Liv. RO, 920 TAR 2.

[7] George Unwin et. al., *Samuel Oldknow and the Arkwrights*, (Manchester, 1924), pp. 88–89.

nineteenth century, so speculation in cotton found its natural home in the northern port. For instance, we find the Liverpool based merchant, John Croft, buying seventy bags of United States cotton as a speculation of £897 3s on 23 August 1820; during the next month he bought a further sixty three bags of American cotton as a further speculation for £738.[8] Croft, like others, sought to buy cheap, hold the cotton and then sell dear.

There were different types of speculation in cotton. On the one hand there was the steady week-in week-out speculation made by individuals such as Croft, acting alone and 'taking a view' of the market. This speculation went on in all years and the statistics collated by the port's cotton brokers indicate that during almost every week of every year, to a greater or lesser extent, there was some speculative buying of cotton in Liverpool.[9] On the other hand, there were periods of intense speculation, the period of the 'cotton famine' of the American Civil War being the most important.[10] A further variety was the organised speculation, often associated with a particular group, 'ring' or individual trying to control the market. In the annals of the Liverpool market various names have been preserved in this light: Cropper, Benson & Company, Nicholas Biddle and, in the later nineteenth century, Morris Ranger and William Steenstrand.[11]

The first apparent major organised cotton speculation involving Liverpool was in the period 1824–5 and was one of the greatest speculative bouts the market was ever to experience. It is conventionally stated by Thomas Ellison—the leading nineteenth

[8] John Croft, journal, p. 108: Liv. RO, 380 MD 41.

[9] The market statistics reproduced in the Liverpool commercial press and the invaluable statistical appendices of Thomas Ellison, *The cotton trade of Great Britain*, (London, 1886), were largely drawn from those collated by Liverpool's cotton brokers and printed in their trade circulars. For some surviving original cotton brokers' circulars and reports see cotton market reports (manuscript), 1847–64: Liv. RO, 380 MD 130 or assorted cotton brokers' circulars: Liv. RO, Todd papers MD 230–22.

[10] For cotton market conditions in Liverpool during the American Civil War see: N. Hall, 'The Liverpool cotton market and the American Civil War', *Northern History*, 34 (1998), pp. 149–69.

[11] See for instance: Thomas Ellison, *Gleanings and reminiscences*, (Liverpool, 1905), pp. 159, 337–56; Arthur Redford, *Manchester merchants and foreign trade*, (Manchester, 1934), p. 87; W. W. Biggs, 'Cotton corners', *Transactions of the Manchester Statistical Society*, (1894–5), pp. 123–34; Charles W. Smith, *Commercial gambling*, (London, 1893).

century authority on the Liverpool market—and by those who have followed his lead, that the origin of the speculation lay in the view of some in Liverpool, notably the merchant James Cropper, that the supply of raw cotton could not keep pace with the expanding demand for it. It is generally asserted that the prime movers in the speculation were the Liverpool merchanting firm of Cropper, Benson & Company (James Cropper's company), the Liverpool cotton broking house of Cooke & Comer and an American merchant of Italian/German origin called Vincent Nolte. Nolte acted as an agent for British firms in the key cotton exporting port of New Orleans and appears to have commenced business in 1812 with a loan from Baring Brothers. The others apparently involved in the speculation were the company of Rathbone Brothers of Liverpool and, curiously, the Dutch consul in Liverpool, Daniel Willink (who was also supported financially by Barings). It is interesting to note that a number of those named as key players in the speculation were Quakers, leading Nolte in his memoirs to refer to the group as the 'Quaker confederation'.[12]

Nolte visited Liverpool in 1824 where he met James Cropper and others who were soon to speculate, returning to the United States in October of that year. It was shortly after this time that Nolte and the Liverpool speculators began acquiring and holding large amounts of raw cotton. The cotton statistics of the time would seem to bear out their speculative optimism. In 1823, it is recorded that 578,303 bales of cotton were imported into Liverpool and the estimated total British import of raw cotton for 1823 was just over 188 million pounds weight. In 1824, the import levels were significantly lower at 447,083 bales landed in the port and an estimated British import of under 144 million pounds weight.[13] Nolte in particular was convinced that the stock of cotton in Liverpool would be very low by the end of 1824 (believing, in fact, that the estimated stock of cotton on hand in Liverpool was inaccurate).[14] Ellison states that it was in February 1825 that

[12] Ellison, *Gleanings and reminiscences,* pp. 74–9, 84–92; Stanley Chapman, *Merchant enterprise in Britain,* (Cambridge, 1992), pp. 87–88; Redford, *Manchester merchants,* p. 76; Vincent Nolte, *Fifty years in both hemispheres,* (New York, 1854), pp. 299–330; Ralph W. Hidy, *The House of Baring in American trade and finance,* (Cambridge, Mass., 1949), pp. 74–75.

[13] George Holt & Co., cotton brokers, annual circular, 1846: Liv. RO, MD 230–21.

[14] Nolte, *Fifty years,* p. 314.

cotton prices began to rise in Liverpool;[15] in fact contemporary price data indicate that there had been a hardening tendency in prices in late 1824. In the week ending 30 October 1824, the standard United States 'bowed' or 'upland' cotton was selling in Liverpool in the price range of 7½d to 9d; by the end of December the price range had increased to 8¾d to 10¼d.[16] The upward trend in prices was given a helping hand at the turn of the year with the results of the official stock check of cotton in the port. At the close of 1823 there had been 261,000 bales of cotton in Liverpool but at the close of 1824 there was less than half the amount, at 121,000 bales. This stock level was below that expected (except by some such as Nolte) and caused, as one Liverpool cotton trading firm put it, 'considerable stir and bustle in the trade'. The cotton market became 'very animated'; consequently prices rose further.[17]

The market took a slight down turn in late January and early February 1825 before rising again during the second week of February, due to an increased demand for the raw material from spinners and cotton dealers based in the spinning districts. In mid February, some American cotton began to change hands at over one shilling per pound in Liverpool and the speculative nature of many purchases was being noted.[18] The demand for cotton continued to be strong, by the end of March it was impossible to pay *less* than a shilling per pound in the port for American cotton. At the start of April the demand in the market remained 'very brisk' and in the middle of that month it was noted that there was a 'very animated demand from speculators as well as the trade.' During the week ending 23 April 1825, United States cotton was selling in the dizzy price range of 1s 4d to 1s 7¼d per pound.[19]

The situation now began to change. The rise in prices came to an end as April closed, during May and early June 1825 the prices stood still at Liverpool. Towards the end of May the market was described as 'extremely flat', in early June it was still declared to be 'flat', although it was noted that 'holders [of cotton] are firm'. On 11 June demand for cotton was so minimal that it was difficult to quote

[15] Ellison, *Gleanings and reminiscences*, p. 85.

[16] William and Edgar Corrie & Co, cotton and general brokers, weekly circulars 30 Oct., 24 Dec. 1824: Liv. RO, Hq658.73.

[17] Corrie & Co, circulars, 1, 8 Jan. 1825; *Gore's Liverpool Advertiser*, 6 Jan. 1825.

[18] Corrie & Co, circulars, 29 Jan., 5, 12, 19 Feb. 1825.

[19] Corrie & Co, circulars, 26 Mar., 2, 16, 23 Apr. 1825.

prices. The explanation for the flat nature of the market would seem to lie with the spinners' reluctance to buy their raw material at such advanced prices.[20]

It is conventionally stated that the speculators' nerve was broken by the Liverpool merchant James Dennistoun selling cotton below the market quotations in the port.[21] This event may have had some bearing upon the collapse of the speculation—in the sense of having been a catalyst—but the long withdrawal from the Liverpool market by the wary spinners and changes in the supply of cotton, are more likely to have been the real root of the speculation's demise. The trade circulars of the time imply that from mid-May until early September the demand for raw cotton was limited and that from mid-June, the price of cotton in Liverpool was beginning to weaken. By late August, the top price for raw United States cotton had fallen under one shilling per pound.[22] As Nolte himself remarks in his memoirs: 'The spinners knew too well that they could find no buyers for their fabrics at prices commensurate with those of the raw material' and that they had greatly restricted their purchases.[23] It is interesting to note the Strutts writing from their mills at Belper (Derbyshire) to their Liverpool cotton buying broker in July 1825 that he (George Holt) should not buy any cotton for them unless there was a 'decided turn in the market'.[24]

Another important factor in the wilting of the speculation must surely have been the level of cotton imports into Liverpool. The imports of January 1825 were significantly below those of January 1824, no doubt helping to spur on the speculation. February 1825, however, witnessed a reversal of this situation with more cotton arriving in Liverpool than February 1824. March 1825 was more favourable to the speculators as slightly less was imported than the previous March. However, from April 1825, cotton imports into Liverpool far outstripped those of 1824 (as Table 1 indicates). The larger shipments of cotton, accompanied by a rising level of stock in the port (because the spinners abstained from buying due to the

[20] Corrie & Co, circulars, 30 Apr., 7, 14, 21, 26 May, 4, 11, 18 Jun. 1825; Ellison, *Gleanings and reminiscences*, p. 86.

[21] Nolte, *Fifty years*, p. 317.

[22] Corrie & Co, circulars, 21, 26 May, 4, 11, 18, 25 Jun., 2, 9, 16, 23, 30 Jul., 6, 13, 20, 27 Aug., 1825.

[23] Nolte, *Fifty years*, p. 316–17.

[24] Strutts to George Holt, 11 Jul. 1825, letter book 1824–7, in Manchester Central Library, Strutt 188.

TABLE 1 Monthly imports of cotton into Liverpool, 1824 and 1825 (in 'packages').

	1824	*1825*
January	37,430	22,400
February	26,760	35,300
March	65,070	62,300
April	52,650	80,800
May	34,650	73,500
June	67,520	96,100
July	34,120	73,300
August	26,860	97,500
September	42,120	69,200
October	22,560	37,200
November	22,500	25,300
December	15,460	32,100

Source: William and Edgar Corrie & Co, annual circular, 1825: Liv. RO, Hq658.73. The term used in contemporary circulars was 'packages' but this usually meant bales.

high price) must surely have been at the root of the speculators' problems.

The nineteenth-century economic and financial commentator, Thomas Tooke, and others, point to the significance of the growth in the importation of Egyptian grown cotton in 1825.[25] Egypt, under Mohamet Ali, was beginning its drive at economic development, a key part of which was the growth of cotton. In 1824, 38,022 bales of Egyptian cotton were imported into Britain, but in 1825 the import from Egypt amounted to 111,023 bales (compared to 423,446 from the United States).[26] This growth in importation of Egyptian cotton was prodigious. The analysis of James Cropper and others that there was not enough cotton to satisfy the demands of the expanding cotton industry would be greatly weakened if a new and apparently rapidly growing supply of cotton was available from Egypt, to offset any American deficiency. The increased Egyptian supply in 1825 was

[25] Thomas Tooke, *History of prices and of the state of the circulation*, 6 vols, (London, 1838), ii, p. 155; Arthur D. Gayer, W. W. Rostow & Anna Jacobson Schwartz, *The growth and fluctuation of the British economy: 1790–1850*, 2 vols, (Brighton, 1975), i, p. 183n.

[26] George Holt & Co., Annual Circular, 1846.

augmented by an increased supply from elsewhere. Brazil's export to Britain in the period 1822–4 had in each year been steady, at about 140,000 bales *per annum*. In 1825 the supply from that country increased markedly to 193,942 bales.[27] Nolte states that this was because the 'stiff necked' Brazilian planters had kept cotton back from the market each year if they were not satisfied with the price they could obtain. When the prices rose in 1825, these planters sent the withheld cotton to market to secure the advanced rate, and hence significantly increased the supply of the commodity.[28] Liverpool merchants trading with some other cotton producing regions of the world also increased their imports as an attempt to profit from the inflated prices in the port—so augmenting the supply still further. For instance, John Gladstone wrote to his agent in Calcutta at the start of May 1825 stressing that he wanted Indian cotton shipped to Liverpool in preference to all the other commodities available because of the current high prices.[29]

Ellison tells us that Nolte and Cropper, Benson & Company were financially strong enough to hold their cotton,[30] and it may have been the smaller players who had entered the speculation independently, as prices rose, who were forced to sell first, hence precipitating a full-scale collapse of prices. (If these lesser speculators had bought using bills of exchange these would have started to fall due for payment after two or three months and hence they might have needed to sell their holdings of cotton to cover these bills). It was noted in late August and early September 1825 that holders of cotton were willing to sell at lower prices to secure sales. On 10 September it was stated that 'several holders [were] anxious to press sales.' This had led the range of prices to fall to between 6½d and 10¼d per pound. This price fall seems to have been the spur for spinners to start to purchase again more freely. In the following week prices actually rose a little again as spinners and exporters bought cotton, but with rising stocks, imports and the willingness of most holders to sell, the speculation was over.[31]

The cost of the speculation now had to be counted. Ellison suggests that it was only Nolte among the ring leaders who suffered (he

27 Ellison, *Cotton trade*, appendix, table 1.
28 Nolte, *Fifty years*, p. 317.
29 John Gladstone to J. P. Larkins, 3 May 1825: Liv. RO, 920 MD 140.
30 Ellison, *Gleanings and reminiscences*, pp. 86–7.
31 Corrie & Co, circulars, 3, 10, 17 Sep. 1825.

certainly had to suspend payment) but Ellison also suggests that Cropper, Benson & Company probably got out of the speculation quickly and he states that the broking firm Cooke & Comer in fact made a handsome profit.[32] Interestingly, in a recent work, Stanley Chapman stated his view that both Isaac Cooke and Cropper, Benson & Company made losses while Daniel Willink and a New York associate in the speculation, Jeremiah Thompson, were bankrupted.[33]

The accounts of the 1825 speculation as related by Nolte, Ellison or more recent writers such as Chapman tend to be uncritical of the notion that the rise in the price of cotton was, indeed, the product of an organised and isolated speculation by a ring of key players managing to buck the trend the cotton market would have perhaps naturally taken. This makes for an exciting tale but if the matter is examined more closely two factors become apparent. The first is that although Cropper, Benson & Company, Cooke & Comer, Vincent Nolte and others agreed that a speculation could be successful and profitable, and that they co-operated with each other, the organised nature of their speculation should not be over-estimated. There was no sense in which the players pooled their capital and bought a common stock of cotton. As Nolte's own memoirs make clear, different lots of cotton were held by individual players, combinations of traders and other independent speculators who had jumped into the speculation after it had begun.[34]

The sheer amount of cotton bought on speculation in Liverpool during 1825 indicates the extent to which other speculators *must* have been at work. Statistics suggest that in 1825, over 450,000 bales of cotton were sold to speculators in Liverpool (an amount not to be equalled in one year for almost two decades). Even if we assume that all these speculative purchases were secured at the average price of middling uplands American cotton (the 'bench mark' price used in the market) for 1825—11⅝d per lb—the capital or credit required would equal nearly £6 million.[35] It is therefore simply impossible to suggest that most, let alone all, of the speculatively held cotton of 1825 was in the hands of the 'Quaker Confederation'. Indeed,

[32] Ellison, *Gleanings and reminiscences*, pp. 88, 92.

[33] Chapman, *Merchant enterprise*, p. 88.

[34] Nolte, *Fifty years*, pp. 314–16, 326–29. Significantly, Nolte became bankrupt because he bought cotton for another firm, Crowder, Clough & Co. of Liverpool, who declared bankruptcy before they paid Nolte.

[35] Calculated from Ellison, *Cotton trade of Great Britain*, appendix, table 1.

although the records are scanty, we can identify one or two of the businessmen who may have joined in the speculative mania in cotton. One example might be William Heginbottom. Heginbottom was a flax dresser and spinner working in the Stalybridge area who also seems to have acted as a dealer in yarn. It is interesting to note that a surviving account book of his from the period indicates that he bought and sold some raw cotton besides yarn in 1825, probably inspired to do so by the speculative mania of the time.[36] Even the idea, credited as James Cropper's own, that not enough cotton was being grown to satisfy the growing appetite of Lancashire's mills was held by other members of the Liverpool merchanting fraternity of the period. As early as July 1823 we find John Gladstone writing to his agent in Calcutta concerning his belief that due to the recent opening of new mills in England, the demand for raw cotton could not be met and hence prices must rise.[37]

The second—and crucial—point is that the period 1824–5 was the closing stage in a phase of rampant speculation and price inflation *throughout* British trade and finance as exports grew and the economy recovered from the post-1815 depression. There was a view held in many trades in 1824, not just cotton, that the supply of raw materials would not keep pace with the demand from manufacturers. For instance, the impact of low cotton stocks at the end of 1824 leading to a jump in prices was mirrored by an almost identical situation in the silk trade. There was significant speculation in all textile fibres in 1824–25, including silk, wool and flax—not just cotton. The list of commodities speculated in, however, extends well beyond this. This list would include indigo, rice, gum, nutmeg, pepper, pimento, saffron, other spices, resin, linseed, coffee, cochineal, tallow and sugar. However, perhaps the most significant speculations in the mid 1820s were in the government stocks and company shares of the newly independent South American states—in 1823, as Ranald Michie points out, the London Stock Exchange even established a separate venue just for the trading of foreign funds. There was also heavy general speculation in stocks and shares on the Stock Exchange, with a particular speculative interest in domestic and foreign mining companies.[38]

[36] William Heginbottom, account book, 1824–35: Stalybridge Library DD8/3.
[37] John Gladstone to F. Gillanders, 26 Jul. 1823: Liv. RO, 920 MD 140.
[38] Tooke, *History of prices*, ii, pp. 142–45; Gayer et al., *Growth and fluctuations*, i,

Just as the price of cotton rose sharply between late 1824 and the spring of 1825, so did the price of many other goods. For instance, in the six months from July to November 1824, British West Indian sugar was selling, according to Tooke, for 29s 11¾d *per cwt.* In the period December 1824 to June 1825, the price had leapt to 41s 5d. (In the first six months of 1826 the price slumped back to below 29s.) In the period July to November 1824, raw China silk cost between 16s 6d and 23s. From December 1824 to June 1825, the price range had increased to 18s to 29s 10d. (In the first half of 1826, the price range was down to 13s 3d to 16s).[39] Just as the high price of cotton attracted greater supplies, so the imports of other high priced commodities rose in 1825. British imports of wool in 1825 were almost twice those of 1824, imports of tallow were also close to double.[40] The general price inflation of this period (followed by falling prices) can be discerned from Table 2.

The speculation in cotton, its pattern and timing, were therefore very far from unique. The Liverpool cotton speculation simply reflected much wider speculative and inflationary forces in the British economy at the time. Even the peaks and troughs of the cotton price conform broadly to the price peaks and troughs of the other large range of goods which were the subject of speculation. It is interesting to note that figures collected of speculative sales indicate that there was already considerable cotton speculation in 1823–24 in Liverpool, before Cropper and the rest began their own speculative operations. In 1821, about 32,000 bales were sold in Liverpool to cotton speculators and in 1822, 23,000 bales. As speculation throughout the British economy began to gain a hold, speculative sales in cotton leapt to around 160,000 bales in 1823. In 1824, the speculative sales fell to around 80,000 bales, but even this was a considerable amount.[41] The speculative forces had already been unleashed in Liverpool before Nolte had even had his fateful meeting with James Cropper.

It is plausible to argue, given the conditions prevailing in the British economy at the time, the existing speculation in cotton and the low cotton stocks at the close of 1824, that even if James Cropper, Vincent

pp. 179–82, 185–90; Ranald C. Michie, *The London Stock Exchange: A history*, (Oxford, 1999), pp. 44, 54–57.

[39] Tooke, *History of prices*, ii, p. 157.

[40] Tooke, *History of prices*, ii, p. 155n.

[41] Ellison, *Cotton trade of Great Britain*, appendix, table 1.

Table 2 Price trends in the United Kingdom, 1820 to 1829

Year	*Gayer, Rostow and Schwartz price index (monthly average of 1821–5 = 100)*	*Middling American Cotton, Liverpool (pence per pound)*
1820	115.4	11.50
1821	99.7	9.50
1822	87.9	8.25
1823	97.6	8.25
1824	101.9	8.50
1825	113.0	11.63
1826	100.0	6.75
1827	99.3	6.50
1828	96.4	6.38
1829	95.8	5.75

Source: B. R. Mitchell & Phyllis Deane, *Abstract of British historical statistics* (Cambridge, 1962), pp. 470, 491, 495.

Nolte and the rest of the 'Quaker Confederation' had not bought a single bale of cotton, there would probably have been significant speculation in cotton anyway. The price rise may have been accentuated and perhaps prolonged by the characters discussed, but they were only a handful of players in a much larger game.

An important question is that of how badly the 1825 speculation affected the cotton industry and trade more generally. Clearly, if spinners were reducing their purchases during the spring and summer of 1825 because of the high prices induced by speculation, it implies reduced production and leaner times for the industry. Indeed, the surviving statistics tend to suggest that the price of yarn did not rise in proportion to the price of raw cotton. The average price for a pound of middling uplands American cotton in 1824 was 8½d per pound; in 1825 the average price was 11⅝d, or a rise of over 35%. In 1824, the average price for a pound of yarn was 22.39d; in 1825 it was 23.57d, or a rise of only just over 5%.[42]

Other evidence qualifies somewhat the idea that the 1825 speculation was very damaging to the cotton industry. Although there

[42] Calculated from figures in Ellison, *Cotton trade of Great Britain,* appendix, table 2; Richard Burn, *Statistics of the cotton trade,* (London? 1847), p. 13.

may have been pauses and reduced production and at times much narrower profit margins (or even no margin at all) the amount of cotton bought by the manufacturing industry throughout 1825, if taken as a whole, would not appear to be below the 1824 figure. Thomas Ellison's statistical tables indicate that in 1824 the British spinners bought just over 154 million pounds weight of cotton, with the amount rising to over 165 million pounds in 1825. British exports of cotton goods were a little lower in 1825 than 1824, but this could be a reflection of the more general financial troubles in the wider economy experienced in the second half of 1825. (As the financial difficulties and their aftermath continued in 1826–7, exports fell considerably). An interesting statistic is that which suggests that British spinners held a substantial amount of raw cotton in stock at the close of 1824. In 1822, Ellison suggests that spinners held around 57,000 bales of cotton. This figure fell to 30,000 bales at the close of 1823 but at the end of 1824 the spinners may have held around 62,000 bales. Given that the average weekly consumption of raw cotton per week in 1825 by British spinners was about 11,500 bales per week, this stock could have lasted for over five weeks and would surely have helped some spinners—to some extent at least—through the period of inflated prices.[43]

Some years ago, Arthur Redford argued that the consequences of the 1825 Liverpool cotton speculation were serious for the cotton industry and lasted into 1827, stating that in the wake of the speculation, firms collapsed, credit contracted and mills sold their product at a loss. He notes that at one point members of the cotton trade even asked the Government for assistance.[44] It is certainly true, that if mills had bought expensive cotton during the high point of the speculation and sold the resulting yarn after its collapse, they could well have been selling at a loss. However, as alluded to, the latter part of 1825 witnessed a wide financial crisis in Britain, with the failure of a number of banks, and brought Britain, in Huskisson's words, 'within twenty-four hours of barter' (the Bank of England actually ran out of bank notes and only managed to continue issuing them by the chance discovery of some ageing notes left in its vault since 1797). Credit contracted and the rate for discounting even first class bills rose sharply. The origin of this crisis lay far less with the cotton speculation and far more with the

[43] Ellison, *Cotton trade of Great Britain*, appendix, tables 1 & 2.
[44] Redford, *Manchester merchants*, pp. 76–78.

collapsing speculation in the South American states, mines and joint stock companies, and the wider speculative forces in the economy—perhaps initially triggered by a tightening of the money market due to a poor harvest. The financial crisis when it broke began with those who had made investments in, and financed, South American ventures and spread to the banks which had backed them.[45]

Some members of the cotton trade made handsome profits from the Liverpool cotton speculation. Of course, profits would have been made by those traders who sold out their holdings in Liverpool before prices collapsed (presuming they could find spinners or other speculators willing to buy). However, another group almost certainly did very well out of the speculations and this was the growing class of Liverpool cotton brokers. As noted above, it was this emerging broking class which sold cotton for merchants (or other holders of cotton) and bought it for spinners, dealers and, of course, speculators; in years to come, it was the cotton brokers who came to dominate the Liverpool cotton market. Liverpool's cotton brokers were paid for their services by receiving a small (but fixed) percentage of the total cost of the cotton they traded for others. Hence (unless they speculated themselves) they suffered far less from a fall in price but, with rising prices and cotton changing hands—perhaps rapidly—between holders and speculators in the market, they stood to make handsome gains from the enhanced and more numerous brokerage fees. Few brokers have left behind any records, but those of George Holt survive for some of this period and his accounts do indeed suggest that 1825 was a profitable year for him as Table 3 indicates.

It is likely, therefore, that while the 1825 cotton speculation may have had some unpleasant consequences for the cotton trade, most of the problems the industry experienced in 1825–27 related by Redford and others were the result of the wider financial crisis in Britain, indeed other authorities imply the causal link between the wider financial crash and the poor conditions in the cotton industry from late 1825 onwards.[46] In addition, we should note that some

[45] Charles P. Kindleberger, *Manias, panics, and crashes,* (2nd ed., London, 1989), pp. 127–28, 138–39, appendix B; Gayer et al., *Growth and fluctuations,* i, pp. 174, 179, 185–90; William Smart, *Economic annals of the nineteenth century,* (London, 1917), ii, pp. 291–99; Michie, *London Stock Exchange,* p. 57.

[46] Smart, *Economic annals,* p. 329.

TABLE 3 George Holt & Co., Liverpool, income from brokerage on cotton, 1823 to 1830 (rounded to the nearest £)

1823	£1,600
1824	£3,062
1825	£5,557
1826	£2,924
1827	£2,612
1828	£3,497
1829	£3,392
1830	£2,137

Source: George Holt & Co., ledger, 1823-30: Liv. RO, MD 230-3.

members of the cotton trade, perhaps Liverpool's brokers in particular, may have profited handsomely from the speculative mania.

In conclusion, as Liverpool became the main British cotton market, so speculation in cotton found its home in the port. In the nineteenth century there were several large-scale bouts of speculation with one of the earliest and largest being that centred on the year 1825. Existing accounts have tended to suggest that this speculation was the work of a small band of hardy speculators—Nolte's 'Quaker Confederation'—which forced up the price of cotton leading to serious difficulties for the cotton industry both in 1825 and ensuing years. However, this investigation suggests that cotton speculation was widespread in Liverpool and took place to some extent in every year. Large-scale cotton speculation was already taking place in Liverpool in the early 1820s and James Cropper was not alone in believing that the supply of cotton could not satisfy the appetite of the expanding Lancashire spinning industry. It is also important to place the Liverpool cotton speculation in the context of a general inflationary and speculative period throughout British trade and finance.

Documentary and statistical evidence suggests that the group centred on James Cropper was not a tight-knit group and that many others speculated in cotton during 1825. The collapse of the speculation may have been triggered by the merchant James

Dennistoun choosing to sell his cotton at below the market rate in Liverpool, but the real demise of the speculation lay in increasing importation of cotton, spinners reluctance to buy the expensive raw material, the consequent mounting stocks in the port and the gathering wider financial storm clouds. The collapse of the Liverpool speculation is mirrored by a general financial and trade crisis in Britain and it appears to have been this wider economic down-turn which lay at the root of the cotton industry's problems in the following months and years, not the Liverpool speculation. Some in Liverpool undoubtedly profited from the speculation, if they sold out their cotton holdings in good time. However, one group in Liverpool—the cotton brokers—may have been the real winners in 1825 through numerous and enhanced brokerage fees. For the brokers, it may just have been another step along the road to their eventual domination of the Liverpool cotton market.